

To Limit Packers' Profits

Ottawa, March 10.

Regulations providing for the licensing of abattoir companies and meat packing companies whose annual sales exceed \$750,000 and for the limitation of their profits are set forth in an Order-in-Council just passed by the Government and made public yesterday. The restrictions upon profits are the same which the Union Government shortly after its organization announced it would impose and they are to be effective as from January 1st last. Licensed companies are required so to fix their selling prices that their profits will not exceed two per cent of their gross sales in any one year. If a company makes a profit in excess of 7 per cent upon the capital actually invested in its business it may retain only one-half of such excess up to 15 per cent. In excess of 15 per cent it may not retain any profits. In no case, however, are the profits of a company to exceed 2 per cent on its gross sales. That is to say, no packing concern will be permitted to earn profits in excess of 11 per cent on its invested capital, or 2 per cent of its gross sales, whichever is the lesser amount. All additional profits will be taken by the Government.

Furthermore, meat packers will not be allowed to charge up taxes paid under the Business Profits War Tax Act or the War Income Tax Act to expenses or to deduct them from profits. Instead such federal taxes will be levied "only upon the profit properly retained" by such companies under the Order-in-Council. Packing concerns are permitted to retain as much as 11 per cent profit on their invested capital. The profit so retained would therefore be subject to taxation under the Business Profits Tax to the extent of twenty-five per cent of the amount whereby it exceeded 7 per cent on capital or to the normal income tax of 4 per cent upon income in excess of \$3,000, whichever produced the greater sum.

The limitation of profits of packing houses fixed by the Canadian Government is thus more onerous than that adopted in the United States. In the latter country packing concerns are divided into two classes. The first class, known as "the big five," comprises only five corporations, each of which boasts annual sales in excess of \$100,000,000. The profits of these five companies are restricted to two and a half per cent of their gross sales in any year or to nine per cent on their capital. The capital upon which the percentage is to be calculated is the average necessarily used by the packer in his business. In his capital, however, the United States packer is allowed to include borrowed capital, which the Canadian packer will not be allowed to do.

The second class of American packers, those whose sales amount to less than \$100,000,000 a year, within which Canadian companies would come, is subject only to one restriction, namely, that profits must not exceed two and a half per cent of gross annual sales. Packers of that class in the United States are therefore allowed one-half of one per cent on their annual turn-over in profits more than are the Canadian abattoir or meat-packing companies.

Some features of the Order-in-Council are interesting. Licensees in fixing prices and determining profits are not to discriminate as between different kinds of livestock, classes of materials or products, plants, localities or persons to the injury of any competitor of any livestock producer or of the public. Packers will not be permitted for the purpose of evading the limitation of profits to transfer stock of any subsidiary company or to divest themselves of ownership of such companies. They are warned against adopting any method of computing profits which will conceal or understate the full and true value thereof or which will divert to any other person or business the profits which properly accrue to them. Capital actually invested in the business of a packing company is defined in the same manner as in capital for the purposes of the Business Profits Tax Act.

CLAUSE ON CAPITAL STOCK.

In view of the intention of the William Davies Company recently advertised in the Canadian Gazette to increase its capital stock from \$2,000,000 to \$5,000,000 one clause of the order is worthy of attention. That section provides that "the Minister of Finance may determine the amount of the capital of any incorporated company issuing stock after January 1st, 1918, and if after that date the capital stock of a company is increased or additional stock is issued or if the stock is in any way changed or reorganized in such manner as to increase the amount of the capi-

tal for the purposes of the regulations the Minister of Finance may decide whether or not it is fair and proper to include such increase or any part thereof when determining the capital of such company for the purpose of the regulations and the decision of the minister shall be final and conclusive."

The regulations deal in detail with the status of subsidiary companies methods of computing sales, businesses included in the operation of the order and businesses excluded from its operation, computation of profits, and of capital, allowances for deterioration, repairs and maintenance, the right of the Minister of Finance to information as to licensed companies, businesses and of his representatives to access to the books of packing companies and their subsidiary corporations. Excluded from the computation of sales and profits of such companies are "the slaughtering of live stock and the manufacture of any product of livestock in any foreign country, any business which has nothing to do with human food, livestock, or products of slaughtered livestock, the raising, fattening or feeding of livestock, any business other than the slaughtering of livestock or the manufacture of products therefrom which may hereafter be excluded by authority of the Minister of Finance." The sale in any other country of products manufactured in Canada is not excluded from the operation of the order. The regulations will remain in force during the continuance of the war and any violation of them may be punished by a fine not exceeding \$5,000 or imprisonment

for not more than six months or to both fine and imprisonment.

COMPUTING SALES.

In computing the gross value of sales and profits, sales and profits of the following kinds of business will be excluded:

1. The slaughtering of livestock and the manufacture of any product of livestock in any foreign country, but the sale in any other country of products manufactured in Canada will not be excluded.
2. Any business which has nothing to do with human food, livestock or products of slaughtered livestock.
3. The raising, fattening or feeding of livestock.
4. Any business other than the slaughtering of livestock or the manufacture of products therefrom which may hereafter be excluded by authority of the Minister of Finance.

It is laid down in the regulations how profits shall be computed. Within thirty days after the close of his accounting periods every licensee is to furnish to the Minister of Finance reports of his business, and access is to be given to the books of a licensee and subsidiary companies. The Minister of Finance is authorized to make regulations to carry out the provisions of the present regulations and not inconsistent therewith.

Violation of any of the principles of the regulations imposes liability to a penalty not exceeding \$5,000, or to imprisonment for any term not exceeding six months, or to both fine and imprisonment.

The regulations are in force from the 1st of January, 1918, and continue in force during the continuance of the present war and until further order.

INVESTIGATING THE PULP AND PAPER INDUSTRY.

The investigation into the pulp and paper industry by a Dominion Government commission is a cause of uneasiness to the trade, and this has been increased by similar action in the United States, which is the chief market for a great part of the Canadian product. During the last decade there has been a very remarkable development in the volume of production and of exports, and this development under normal trade conditions would tend to continue, owing to the natural advantages possessed by Canada as regards raw materials and manufacturing facilities.

The effect of the investigation has been to check development very considerably. It cannot be expected that new capital will seek employment in an industry in which selling prices are arbitrarily fixed at a point which in the opinion of practical men does not provide a sufficient margin of profit and a reserve against the hazards of the times. If the extraordinary demand is to be met more plant will be essential, yet very little is being built. The cost of new plant would be now about double what it would have been in pre-war times, and prices for the chief paper products are regarded as inadequate to provide interest upon the necessary capital and a sufficient amount for depreciation so that the fixed charges may be normal after the war.

This industry and its development are of great national importance because of its present contribution to the value of our exports and of its great possibilities. Since 1912 the annual exports of the various classes of pulp and paper products have been as follows:

The paper referred to in the above classification is largely news-print. About the middle of January the Minister of Finance fixed the price in Canada at \$57 per ton, effective for three months from February 1st. It is understood that the actual average cost of this class of paper is slightly above that figure, in view of which those mills which do not export are at a decided disadvantage, as they are not benefited by the higher price of \$60 per ton fixed in the United States. The investigations being carried on are not yet completed and the restrictions as to price may, therefore, be only temporary. It is, however, very

Year ending	Paper.
March 31st	
1912	\$ 3,867,119
1913	6,324,810
1914	12,675,036
1915	15,487,338
1916	20,021,270
1917	26,072,646

NEWSPRINT INQUIRY.

Washington, March 7.

Prediction that the Federal Trade Commission's newsprint price inquiry will continue to May 1 before a price-fixing agreement can be reached, was made to-night by Henry Wise, counsel for the manufacturers, who said the commission in establishing prices must take into consideration production cost for the present month. The price to be fixed will be effective from April 1.

Witnesses examined to-day on production costs were Sir William Price, the Quebec mill owner and pulp wood operator, and W. M. Biermans, general manager of the Belgo-Canadian Paper Company, Grand Mere, Que. Demands of some publishers for rigid quality and quantity specifications on newsprint were criticized by F. C. Clark, paper expert of the Federal Bureau of Standards.

The manufacturers will be heard again to-morrow. W. M. Biermans, of the Belgo-Canadian Paper Company, testifying to-day, explained that he was handicapped because his books were behind the German line in Brussels. Somebody suggested that the Kaiser be summoned to bring them, and Henry E. Davis, counsel for the publishers, offered to take the job if Secretary Daniels would give him an escort.

WORLD'S WHEAT STOCKS.

World's stocks of wheat February 1, as given by the Chicago Daily Trade Bulletin, were 255,882,000 bushels, compared with 271,008,000 January 1, and 308,490,000 February 1, 1917. The decrease in January was 15,126,000 bushels, compared with 16,099,000 in December, and 7,390,000 in January last year. The reduction in January was largely in the United States, available supplies being 30,987,000 bushels, compared with 51,190,000 January 1, and 107,064,000 February 1, last year.

Canadian stocks were 43,455,000 bushels, against 37,968,000 the previous month and 95,284,000 last year. Included in the European stocks afloat and in store, only the United Kingdom is used.

important that the growth of an industry which is able to contribute so substantially to our export business should not be obstructed.—Monthly Letter of the Bank of Commerce.

	Chemical		Mechanical		Total.
	Pulp.	Pulp.	Pulp Wood.		
	\$ 1,587,535	\$3,506,700	\$5,697,901	\$14,639,325	
	2,100,842	3,408,702	6,806,445	17,640,781	
	2,923,083	3,441,741	7,388,770	26,428,630	
	4,806,622	4,459,539	6,817,311	31,561,810	
	6,801,011	3,575,537	5,743,847	36,141,666	
	14,082,920	6,371,133	6,448,189	52,924,886	