SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 62

TUESDAY, MAY 25, 1948

WITNESSES:

Mr. Paul Boudrias, *"Les Jardiniers Modèles"*, Montreal, Que.

Mr. Armand Vézina, C.A., Auditor for *"Les Jardiniers Modèles"*, Montreal, Que.

Mr. Arthur Crelinsten, President, Crelinsten Fruit Company, Montreal, Que.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

TUESDAY, May 25, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudoin, Fleming, Kuhl, Lesage, McGregor, Martin, Mayhew, Pinard, Thatcher, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. Paul Boudrias, "*Les Jardiniers Modèles*", Montreal, was called, sworn and examined. He filed,

Exhibit No. 115—Statements on fruit and vegetable operations prepared in answer to questionnaire. (*Printed in this day's Minutes of Evidence*).

(*English translation of evidence given in French by Mr. Boudrias and Mr. Vézina appears in Appendix to this day's Evidence*).

Mr. Armand Vézina, C.A., auditor for "*Les Jardiniers Modèles*", Montreal, was called, sworn and examined with Mr. Boudrias.

During proceedings, Mr. Pinard took the Chair in the temporary absence of the Chairman.

Witnesses discharged.

Mr. Arthur Crelinsten, President, Crelinsten Fruit Company, Montreal, was called, sworn and examined. He filed,

Exhibit No. 116—Statements on fruit and vegetable operations prepared in answer to questionnaire. (*Printed in this day's Minutes of Evidence*).

At 1.00 p.m. witness retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudoin, Fleming, Kuhl, Lesage, McGregor, Martin, Maybank, Pinard, Thatcher, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. Crelinsten was recalled and further examined.

At 6.05 p.m. witness retired and the Committee adjourned until Wednesday, May 26, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
May 25, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin presided.

The CHAIRMAN: The meeting will come to order. All right, Mr. Monet, will you proceed.

Mr. MONET: Mr. Chairman Mr. Boudrias is the next witness. He represents "Les Jardiniers Modèles" of Montreal. Mr. Boudrias informed me that he wishes to give his evidence in French.

The CHAIRMAN: May I remind the committee that it has been agreed there will be a steering committee meeting in my office at 3.30 this afternoon.

M. Paul Boudrias, président de la maison Les Jardiniers modèles, comparaît:

M. Monet:

D. M. Boudrias, voulez-vous nous donner votre prénom?—R. Paul.

D. Et quelle est votre occupation, monsieur Boudrias?—R. Jardinier et commerçant.

D. Je comprends que vous faites affaires sous le nom: Les Jardiniers modèles?—R. C'est cela.

D. Dont le bureau-chef est situé à Montréal, 161 rue Saint-Paul est?—R. Oui, monsieur.

D. Voulez-vous dire aux membres du comité quelle fonction vous occupez dans cette organisation?—R. Je suis propriétaire, unique propriétaire; je fais un peu de tout ce qu'il y a à faire, je suis acheteur et vendeur et j'ai plusieurs employés avec moi.

D. C'est une maison qui fait des affaires en gros, vous faites le commerce du gros?—R. Oui, monsieur.

D. Dans les fruits et légumes?—R. Oui, monsieur.

D. Je comprends qu'en plus d'être président et propriétaire de la maison Les Jardiniers modèles vous êtes également un jardinier?—R. Oui, monsieur. On a à peu près 150 arpents en culture et il y a environ une cent cinquantaine de jardiniers dans les environs où je demeure et on travaille la main dans la main et je fais tout mon possible pour écouler leurs produits. La maison Les Jardiniers modèles sert aux fins propres de la terre de mes parents et des jardiniers alentour de moi.

D. Quand vous dites: On a une ferme, qu'est-ce que vous voulez dire?—R. Je me trompe, je veux dire que c'est moi, je veux dire que je suis propriétaire d'une ferme.

D. Vous êtes propriétaire d'une ferme sur laquelle vous faites du jardinage?—R. Oui, monsieur.

D. Et les produits des cultivateurs sur les fermes sont écoulés, si je comprends bien, par l'entremise de la maison Les Jardiniers modèles?—R. Oui, monsieur.

D. Vous dites, également, que vous avez un certain nombre de fermiers qui font la culture de légumes et dont vous êtes le principal acheteur?—R. Oui, monsieur.

D. Combien y a-t-il de fermiers qui sont avec vous ou, plutôt, qui alimentent votre commerce?—R. On peut dire de cinquante à cent.

D. Dois-je comprendre que la plus grande majorité de leurs produits sont écoulés par votre entremise?—R. De tous ces gens-là, au moins 60 p. 100 de leurs produits qui sont classés première qualité la deuxième qualité sert aux marchés locaux et est écoulée sur les marchés locaux.

D. Dois-je comprendre que ces produits-là vous les achetez pour votre compte et pour les revendre à votre bénéfice ou bien si vous les vendez à commission?—R. On ne prend jamais de marchandise en consignation; cependant, cela peut arriver une ou deux fois par année, mais, 99 p. 100 du temps, elles sont achetées à prix fixe qui est fait avec les jardiniers. C'est notre propre marchandise et l'on peut prendre des pertes et des gains.

D. Est-ce que cela s'applique à toutes les marchandises appelées marchandises domestiques? Est-ce que toutes les marchandises que vous achetez des cultivateurs, à quelque endroit qu'ils soient, sont des marchandises que vous achetez et que vous revendez exclusivement pour votre bénéfice?—R. C'est cela.

D. De sorte que vous faites très peu ou aucunement de commerce à commission?—R. Pratiquement pas, peut-être 1 p. 100, comme j'ai dit tout à l'heure.

D. Alors, il y en à 1 p. 100 que vous qualifiez de vente à commission?—R. Oui, monsieur.

D. En plus de votre commerce des produits locaux, dois-je comprendre que vous faites de l'importation?—R. Mon commerce est 75 p. 100 pour les produits locaux et 25 p. 100 pour de l'importation. Le but de notre affaire, et pour vous le faire bien comprendre, est que l'on s'occupe de l'importation pour maintenir notre personnel en vie en hiver puis pour améliorer notre distribution, parce que, pour nous autres, dans les environs de Montréal, la saison de production dure de six à sept mois. Ceci est pour donner de l'ouvrage aux hommes et pour leur permettre de bénéficier d'une bonne distribution. C'est pourquoi on s'occupe d'importation. Nous sommes jardiners et nous avons toujours été jardiniers de père en fils, nous sommes jardiniers cent pour cent. Comme je l'ai dit il y a un instant, c'est uniquement pour distribuer le jardinage de nos parents, de nos amis.

D. Maintenant, vous avez parlé tantôt de jardiniers locaux et vous avez dit que vous vendiez leurs produits. Voulez-vous dire aux membres du comité, en prenant comme base le 17 novembre de l'an dernier, si vous aviez à ce moment-là dans votre maison plus de marchandises en réserve que par les années antérieures?—R. D'abord, notre maison, nous ne sommes pas des spéculateurs. Je dis toujours "nous"...

D. Quand vous parlez de "nous"...?—R. Je parle des employés. Nous ne sommes pas des spéculateurs, nous ne l'avons jamais été. C'est la première raison. Nous sommes jeunes. Puis, cela ne fait que dix ans que nous sommes en affaire. Notre réserve ne peut pas être très grosse. De la spéculation, nous n'en avons jamais fait. Nous avons juste la marchandise que nous pouvons écouler dans les dix ou quinze jours, et nous n'avons jamais eu de la marchandise pour plus que cela. Si nous faisons un chiffre d'affaires de 100 ou de $125,000 par semaine, c'est que cela n'a jamais été fait avec plus de stock que nous avions à vendre pour dix jours.

D. Pour parler de l'automne dernier, en particulier, à quelle période de l'année remisez-vous vos produits pour l'hiver?—R. Nous commençons à remiser nos produits à la fin de septembre ou au commencement d'octobre.

D. Vous avez des entrepôts?—R. Oui, et les jardiniers ont un petit peu d'entrepôt. Seulement, quand l'embargo est arrivé l'an passé, c'était le petit nombre qui avait de la marchandise. Nous avions eu un très mauvais été et la récolte avait été très petite,—bien petite avait été la récolte.

M. Lesage:

D. La récolte de tous les produits?—R. Oui, monsieur, en général. Je calcule que la récolte a été au moins de 60 à 65 p. 100 de moins que pour les cinq années précédentes.

Me Monet:

D. Ce que vous affirmez dans le moment, monsieur Boudrias, je comprends que vous l'affirmez non pas en parlant comme représentant Les Jadiniers Modèles mais comme fermier vous-même?—R. Oui, monsieur.

D. Est-ce que ces affirmations que vous faites s'appliquent non seulement à vous mais aux jardiniers avec qui vous faites affaires dans votre commerce en général?—R. Oui, monsieur. Pour tous les jardiniers de la région de Montréal.

M. Lesage:

D. Cela ne s'applique pas aux pommes de terre?—R. Dans la banlieue de Montréal, on ne produit pas beaucoup de pommes de terre. On dépend du Nouveau-Brunswick pour cela.

D. Quels sont les produits alors, que vous mentionnez?—R. Le céleri, le concombre, les tomates, la laitue, le chou, le navet, le chou-fleur, les épinards et toutes ces choses-là, et la betterave.

D. Et la production de ces légumes-là avait été inférieure de 60 et 65 p. 100?—R. Oui, monsieur. La température nous a "maganné" à ce temps-là. Il y a eu moins de produits ou plutôt moins de production pour un "average" de 60 à 65 p. 100 dans la banlieue de Montréal. Comme de raison, le petit groupe qui se trouvait à avoir peu de légumes quand l'embargo est venu, cela a fait l'affaire, il n'y a pas d'erreur que cela a fait l'affaire pour ce petit groupe. Seulement, c'est un pourcentage pour tous nos jardiniers, celui de 6, 7, 8 et 10 p. 100. Alors, là c'est facile à comprendre que la marchandise a doublé et même triplé et cela pour beaucoup plus de choses. Ce n'est pas la faute de l'embargo. C'est la faute de la Providence qui ne nous a pas donné de beau temps. Il n'y a pas eu de production.

M. THATCHER: Voulez-vous parler plus lentement pour nous, s'il vous plaît?—R. Avec plaisir.

Me Monet:

D. Est-ce que la récolte qui a été plus ou moins mauvaise, comme vous l'avez expliqué tantôt, a été un facteur dans la hausse des prix?—R. C'est la grande cause.

D. Vous considérez que la hausse des prix est due à la récolte qui a été plus ou moins mauvaise?—R. Oui, monsieur.

D. Maintenant, vous m'avez dit en quelques mots, si je comprends, que ceux qui avaient en mains, après cette date du 17 novembre, dont vous venez de parler, certains produits dont vous avez parlé en réponse à M. Lesage, ont bénéficié de la hausse occasionnée par la demande et l'offre?—R. C'était une hausse méritée, parce que, pendant plusieurs années, il n'y avait pas eu de prix raisonable et normal. Les cultivateurs en ont besoin une fois de temps en temps pour les encourager.

D. Vous ne parlez donc pas comme propriétaire de la maison Les Jardiniers Modèles, mais comme jardinier vous-même?—R. Je suis plus habitant que commerçant.

D. Ce que vous rapportez se rapporte plutôt aux jardiniers qu'aux fermiers?—R. Oui, monsieur.

Le Président: Ils sont plus heureux aussi.

Me Monet:

D. Comme le dit le Président, ils sont plus heureux aussi?—R. C'est cela.

D. Vous donnez des renseignements très intéressants. Vous êtes dans une position assez heureuse, car vous êtes jardinier et commerçant. Maintenant, revenons au questionnaire qui vous a été soumis et auquel vous avez répondu.—R. Justement, dimanche dernier,—j'aime à vous rendre compte de tout ce qui se passe dans notre groupe de producteurs, nous sommes à peu près vingt-cinq à trente ensemble,—nous avons discuté ce qui se passait, et la manière dons nous écoulions nos produits dans le moment. Nos gens se préparent à produire deux, trois, quatre et six fois plus.

M. Lesage: C'est pour l'an dernier.—R. Même, rendu au mois d'août ou au mois de novembre, la marchandise... Automatiquement, par le fait que l'agriculteur est encouragé et qu'il vise à augmenter sa production trois ou quatre fois plus, automatiquement le coût de la vie baisse. Rendus au mois de septembre ou au mois de novembre, même, vous serez obligés de nous aider pour pouvoir trouver des marchés pour notre marchandise. Là, le jardinier est encouragé, il travaille à produire et, dans deux mois, vous allez pouvoir avoir de la marchandise tant que vous en voudrez. La semaine passée, vous achetiez des radis à 80c.; puis, la production a commencé et, maintenant, vous payez les radis, comme j'ai pu le constater à deux ou à trois heures ce matin, 40c. la douzaine et ils vont se vendre 5c. la douzaine bientôt. En plus, je ne serais pas surpris s'ils se vendaient à 30c. ou à 3 pour 10c.

M. Lesage:

D. C'est le prix d'avant-guerre cela?—R. Si vous encouragez l'agriculteur, il produira et automatiquement les prix baisseront.

D. Alors, vous croyez que le remède à l'inflation c'est la production?—R. Pour moi, c'est justement le remède, à mon point de vue. D'abord, il faut encourager les gens à retourner à la terre. On ne veut pas avoir un prix à tout casser mais on veut avoir un prix ordinaire. Puis, on veut que le consommateur, quand il paye, soit protégé et que le prix ne soit pas trop cher. On veut avoir un prix ordinaire. On veut avoir un prix qui permet à tous de vivre.

D. Vous voulez un juste retour?—R. Un juste milieu, et on l'a à peu près dans le moment, là. D'ici à cet automne, tout se normalisera et même on va avoir un surplus de production.

Le Président: Grâce au comité! C'est encourageant.

Me Monet:

D. Pour revenir, maintenant, à votre commerce, vous vendez à qui?—R. On a une succursale à Sherbrooke, une à Saint-Jean et une à Saint-Jérôme. On travaille la main dans la main avec la maison Courchesne et Larose. Nous faisons nos achats ensemble. Nous avons quatre cents ou quatre cent vingt-cinq épiciers indépendants. Une grande partie des clients que nous avons sont des institutions, catholiques comme protestantes, et un gros, gros client, surtout depuis le commencement, c'est la compagnie Atlantic & Pacific, qui fait de ses pieds et de ses mains pour aider à la distribution des légumes dans la banlieue de Montréal. Ces gens-là, la minute que nous avons une surproduction, la minute que nous leur disons, donnent un retour plus équitable, aussi équitable que possible pour nos jardiniers.

D. Vous écoulez vos produits chez vos détaillants et vous ajoutez en plus de cela les magasins à chaînes?—R. Oui, monsieur.

D. Maintenant, voulez-vous produire cet état comme exhibit 115?—R. Oui, monsieur.

(L'exhibit 115 est produit).

Mr. MONET: (*In English*): The next exhibit will be filed as No. 115.

ÉTAT N° 2—PRIX

LES JARDINIERS MODÈLES

(161 St-Paul est, Montréal)

PRIX DE VENTE MOYEN

Date	Oranges Calif. 288	Pommes C.-B. 125-138 McIntosh Fancy	Céleri Ont. N° 1	Céleri Ont. N° 2	Patates Ile P.-Ed. Canada N° 1	Tomates de l'Ont. de serre	Choux locaux verts	Choux importés verts	Carottes locales N° 1 lavées	Carottes importées des E.-U. N° 1 lavées	Oignons de l'Ont. N° 1 jaunes
	le cageot	la caisse	le cageot	le cageot	la liv	la liv.	la liv.	la liv.	la liv.	la liv.	la liv.
	$ c.	$ c.	$ c.	$ c.	c.	c.	c.	c.	c.	c.	c.
1947											
2 octobre	5.33	3.64	3.15	2.65	.022 N.-B.	...	.029	...	.024	...	.034
9 octobre	5.09	3.38	3.15	2.65	.022 I.-P.E.	...	.029	...	.024	...	.034
16 octobre	5.33	3.38	3.15	2.65	.022 I.-P.E.	...	.034	...	.024	...	.039
23 octobre	5.33	3.38	3.16	2.67	.021 I.-P.E.	...	.034	...	.024	...	.039
30 octobre	5.33	3.38	3.16	2.67	.025 I.-P.E.	...	.034	...	.024	...	.039
6 novembre	5.10	3.38	3.64	3.40	.025 I.-P.E.	...	.034	...	.026	...	.039
13 novembre	5.35	3.38	3.40	3.40	.025 I.-P.E.	...	.034	...	.027	...	.039
20 novembre	6.30	3.38	4.85	3.88	.027 N.-B.	...	.053	...	.035	...	.048
27 novembre	7.00	3.38	5.33	4.85	.028 N.-B.	...	.074	...	.047	...	.058
4 décembre	6.31	3.38	4.85	4.85	.027 I.-P.E.	N.D.	.073	...	.043	...	.073
11 décembre	5.25	3.58	5.33	4.85	.027 N.-B.	.242	.073	...	.043	...	.063
18 décembre	5.50	3.38	5.45	5.25	.028 Qué.	.242	.073	...	.043	...	.063
24 décembre	3.34	3.38	5.45	5.25	.028 N.-B.	.242	.076	...	.051	...	.065
31 décembre	5.50	3.38	7.00	5.50	.03 N.-B.	...	.093	...	.041	...	.065
1948											
8 janvier	5.57	3.38	7.75	6.75	.031	...	.106	...	.048	...	.063
15 janvier	6.00	3.38	8.25	8.25	.032	...	.13	...	.048	...	.063
22 janvier	5.82	3.39	8.25	8.73	.029	...	N.D.	...	.048	...	.067
29 janvier	5.82	3.34	11.64	...	.028	...	.138	...	.048	...	.067
5 février	5.82	3.30	N.D.	N.D.	.029	...	...	.058	.048	...	.085
12 février	6.00	3.30	...	...	.029	...	...	.045	.077	...	.093
19 février	6.18	3.30	...	...	.029	...	...	.041	.078	...	.093
26 février	5.98	3.14	...	...	.028	...	...	.043	.082	...	.092
4 mars	5.47	3.64	...	...	.029	...	...	.058	.078	...	.085
11 mars	6.50	N.D.	...	...	.029	...	...	.058	N.D.	.077	.092
18 mars	6.60	...	...	...	.028	...	...	.047	...	.079	.087
25 mars	5.20	4.12	...	...	.029	...	...	.058	...	.094	.097
1 avril	5.36	4.12	...	...	.031	...	...	.06	...	.088	.098
8 avril	5.14	N.D.	...	...	.034	...	...	.071	...	.088	.126
15 avril	4.67	...	...	...	.033	...	...	.071	...	N.D.	.12
22 avril	5.18	...	...	...	.035	...	...	.076	...	...	.12

(161 St-Paul est, Montréal)

COÛT DES ACHATS LES PLUS RÉCENTS, RENDUS EN ENTREPÔT

Date	Oranges Calif. 288	Pommes C.-B. 125-138 McIntosh Fancy	Céleri Ont. N° 1	Céleri Ont. N° 2	Patates Ile P.-E. Canada N° 1	Tomates de l'Ont. de serre	Choux locaux verts	Choux importés verts	Carottes locales N° 1 lavées	Carottes importées des E.-U. N° 1 lavées	Oignons de l'Ont. N° 1 jaunes
	le cageot	la caisse	le cageot	le cageot	la liv.	la liv.	la liv.	la liv.	la liv.	la liv.	la liv.
	$ c.	$ c.	$ c.	$ c.	c.	c.	c.	c.	c.	c.	c.
1947											
2 octobre	4.79	3.18	1.90	B 1.67	.019 N.-B.	N.D.	.026	N.D.	.015	N.D.	...
9 octobre	5.00	3.17	1.90	1.65	.019 I.P.-E.	...	.023	...	.016	...	.028
16 octobre	5.19	3.18	1.90	1.55	.021	...	.027	...	.018	...	...
23 octobre	5.04	3.25	2.00	2.00	.021	...	.023	...	.015	...	...
30 octobre	4.93	3.30	2.75	2.10	.021	...	.023	...	.015	...	...
6 novembre	4.93	3.17	2.10	2.25	.021	...	.023	...	.02	...	.03
13 novembre	4.17	3.25	2.50	3.00	.021	...	.025	...	.022	...	...
20 novembre	4.15	3.25	T 4.50	T 4.00	.026 N.-B.	...	.03	...	.023	...	...
27 novembre	4.12	3.06	O 4.36	4.50	.031 N.-B.	...	.05	...	.04	...	...
4 décembre	3.92	3.11	T 4.50	T 4.40	.031 I.P.-E.	...	.06	...	.032	...	.055
11 décembre	3.75	3.12	T 4.65	T 4.35	.025 N.-B.	.20	.057	...	.033	...	.055
18 décembre	4.68	3.12	O 4.81	4.75	N.D.	.20	.06	...	.038	...	...
24 décembre	4.00	3.21	N.D.	T 5.50	.025 I.P.-E.	...	.075	...	.038	...	...
31 décembre	4.30	3.21	T 7.00	N.D.	.030 I.P.-E.	...	.087	...	.035	...	...
1948											
8 janvier	4.65	N.D.	T 7.50	T 7.00	.029	...	.10	...	.038	...	...
15 janvier	4.80	N.D.	T 6.50	8.00	.03	...	N.D.	...	N.D.	...	.061
22 janvier	4.60	N.D.	N.D.	7.00	.029	...	.13	...	.04	...	...
29 janvier	5.00	N.D.	12.50	T 7.00	.028	...	.10	...	.043	...	...
5 février	4.60	N.D.	10.00	T	.027	...	N.D.	.048	.05	...	...
12 février	4.00	...	...	...	.027	...	...	.046	.05	...	...
19 février	5.50	...	...	...	.027	...	...	.04	.07	...	.084
26 février	5.13	...	...	...	.026	...	...	.037	.075	...	.069
4 mars	5.04	...	...	...	.027	...	...	.033	.09	...	.082
11 mars	4.49	...	...	...	.026 N.-B.	...	...	.033	.07	...	...
18 mars	4.55	...	...	...	.026 N.-B.	...	...	.036	...	.075	.07 T
25 mars	4.45	...	...	...	.028 N.-B.	...	...	.037	...	.65	...
1 avril	4.70	3.50	...	...	.031	...	...	.038	...	.09	...
8 avril	4.45	...	...	...	.31	...	...	.058	...	.085	...
15 avril	4.25	N.D.	...	...	.03	...	...	.061	.085	.09	.10 T
22 avril	4.38	N.D.	...	...	.33	...	...	.079	N.D.	N.D.	.10 T

ÉTAT No. 4

LES JARDINIERS MODÈLES

(Montréal)

—	1 sept. au 31 déc. 1944	1945	1946	1947
	$ c.	$ c.	$ c.	$ c.
Ventes	327,782.02	1,855,737.23	2,843,609.36	3,771,654.62
Coût des ventes	301,883.56	1,720,588.38	2,648,360.72	3,431,963.26
Profit brut	25,898.46	135,148.85	195,248.64	339,691.36
Autres revenus	....	391.11	15,203.73	10,877.05
Revenu brut	25,898.46	135,539.96	210,452.37	350,568.41
Salaires	14,121.63	52,468.96	80,843.93	128,518.07
Frais d'exploitation	17,014.42	76,780.44	118,903.91	221,429.04
	31,136.05	129,249.40	199,747.84	349,947.11
Profit ou perte d'exploitation	*5,237.59	6,290.56	10,704.53	621.30
Intérêt payé	355.01	3,240.40	5,320.75	7,933.24
Profit ou perte avant impôt	*5,592.60	3,050.16	5,383.78	*7,311.94
Pourcentage du profit brut	7·9%	7·3%	6·9%	9%

* Perte.

Me Monet:

D. Je comprends, monsieur Boudrias, que vous avez pris connaissance, avec moi, du questionnaire qui a été soumis et auquel vous avez répondu et qui sera maintenant produit comme exhibit 115 et que vous acceptez comme représentant bien les chiffres que vous avez soumis—R. C'est cela.

D. Et avec cet exhibit 115, que vous avez produit comme les autres témoins en ont produit, vous produisez un tableau comparatif, qui ne sera pas imprimé, et qui représenterait les chiffres mis en regard l'un de l'autre pour faciliter la compréhension de ce document. Je vous réfère par conséquent à l'état n° 4.

Mr. MONET (*In English*): I wish now to refer to statement No. 4, but before doing so I would ask the witness why all the information requested for the monthly statement as from other witness has not been supplied; and, also why we did not get any figures as to his sales and operations before 1944.

Me Monet:

D. Monsieur Boudrias, je viens de dire aux membres du comité, en anglais, que je vous demanderais maintenant pourquoi vous n'avez pas donné, tel que demandé, les états mensuels pour les années 1947 et 1948 qui ont été demandés aux autres maisons et qui nous ont été fournis, afin de permettre aux membres du comité d'examiner vos opérations mensuelles de 1947 et 1948. Vous m'avez donné une explication que je vous prierais maintenant de donner aux membres du comité?—R. Monsieur Monet, depuis que notre maison existe, c'est une chose que nous n'avons jamais faite mais que nous avons essayé de temps à autre de pratiquer mais que nous avons trouvé impossible. Il ne faut pas oublier que nous faisons le commerce de marchandises périssables. Des fois, la marchandise peut avoir une valeur de $50,000 quand le fermier vous la livre et puis, dans quinze jours après cette même marchandise ne peut valoir que $35,000. Alors, on a calculé que cela ne pouvait pas donner une idée juste et que c'était de l'ouvrage pour rien. Nous avons pensé que fermer les livres une fois par mois était de l'ouvrage inutile et que c'était préférable de le faire une fois par année.

D. De sorte qu'il ne vous est pas possible, pour cette raison-là, de donner les détails demandés?—R. On a pensé que cela ne servait à rien de le faire de cette façon.

M. Lesage:

D. Autrement dit, vous ne faites pas d'inventaire à la fin de chaque mois? —R. Non.

Me Monet:

D. L'inventaire que vous pourriez faire à ce moment-là ne représenterait pas véritablement l'état de vos opérations ou de vos marchandises en mains? —R. C'est cela.

D. Je vois également dans l'état qui porte le n° 4, le "statement No. 4"...

M. THATCHER: Monsieur Monet, voulez-vous nous dire si ces chiffres-là ont été préparés par des auditeurs?

M. Lesage:

D. Ont-ils été vérifiés par un comptable licencié?—R. Il est justement ici.

D. Pour les chiffres qui apparaissent sur l'état n° 4, est-ce que cet état financier a été vérifié par un comptable licencié?—R. Oui, monsieur. Cela a été vérifié.

Me Monet:

D. Je comprends même que votre comptable est ici?—R. Oui, monsieur.

M. Lesage:

D. Qui est votre vérificateur?—R. MM. Devarenne et Vézina.

Mr. MONET (*In English*): You understood what the witness said in answer to your question, Mr. Thatcher?

M. Thatcher:

D. Est-ce que ces chiffres ont été donnés au Gouvernement?—R. Certainement.

D. Pour votre impôt?—R. Certainement. Ce sont les chiffres exacts des opérations, 100 p. 100.

Me Monet:

D. Ce que vous donnez dans le "statement no. 4", tel que demandé, vous donnez un état ou un portrait de vos opérations annuelles?—R. 100 p. 100.

D. Comme vous venez de le dire à M. Thatcher, cet état de vos opérations a été fourni au département de l'Impôt?—R. Oui, monsieur.

D. Mais quant à l'état mensuel, vous n'êtes pas en état ou il ne vous est pas possible de le donner?—R. Non.

M. Thatcher:

D. Il est difficile de comprendre qu'avec un si grand volume d'affaire vous puissiez dire que vous avez subi des pertes d'argent l'an passé?—R. J'ai fait les détails et il est donné.

Mr. MONET (In English): I will question the witness in detail on this statement I was referring to just now.

The CHAIRMAN: Mr. Thatcher's statement was that he could not understand how with such a large volume the profit was so small.

Mr. MONET: I want to question the witness on that now.

Me Monet:

D. Prenons maintenant votre état n° 4, monsieur Boudrias. Voulez-vous dire à messieurs les membres du comité quel a été le chiffre total de vos ventes pour l'année 1944?—R. Pour l'année 1944, $327,782. Un instant, s'il vous plaît.

M. Lesage:

D. Pour quatre mois seulement?—R. Oui, monsieur. Pour quatre mois.

Me Monet:

D. Vous répondez à la question telle qu'elle vous a été posée et c'est pour une période de quatre mois?—R. Oui, monsieur.

D. Voulez-vous dire à messieurs les membres du comité pourquoi vous n'avez pas fourni les chiffres pour les années antérieures à 1944, tel que cela a été requis, tel que cela vous a été demandé.—R. Les chiffres pour les années antérieures?

D. Au 1er septembre 1944?—R. Mon organisation, quand j'ai commencé, moi, on ne s'occupait pas beaucoup de comptabilité, on travaillait jour et nuit, ma femme et moi, on avait une comptabilité juste, simple et ordinaire, puis, pour plus de détails, je peux vous référer à M. Vézina, notre auditeur; il peut vous mettre au courant de tout cela.

Me MONET: Monsieur le président, je demande à faire entendre M. Vézina. Il a des renseignements à nous donner et, en toute justice pour le comité et pour la maison Boudrias, il devrait témoigner immédiatement.

Mr. MONET (In English): And the reason why there were no figures for 1944, was because there was no proper system of accounting in the business at and before that time; and I would like to have Mr. Vézina sworn so that he may be able to give us the reasons for that.

M. Armand Vézina, comptable licencié, 10 ouest, rue Saint-Jacques, Montréal, comparaît.

Me Monet:

D. Je comprends, monsieur Vézina, que vous avez vu à préparer des états, et particulièrement l'état n° 4, des affaires de la maison Les Jardiniers modèles, de Montréal?—R. Oui, monsieur.

D. Vous avez contribué à les préparer, sinon à les préparer vous-même, à la lumière des chiffres soumis par la maison Les Jardiniers modèles?—R. Oui, monsieur.

D. Voulez-vous, tout spécialement, pour le moment, Monsieur Vézina, dire aux membres du comité pourquoi cette maison n'est pas en mesure de donner ses opérations ou le résultat de ses opérations, comme elle a pu le faire depuis septembre 1944, pourquoi il ne lui a pas été possible d'avoir ces chiffres-là pour les opérations antérieures?—R. M. Boudrias a demandé mes services au mois d'août 1944 et, à ce moment-là, j'ai établi un système de comptabilité complet. Auparavant, il n'y avait pas de système de comptabilité complet. Il avait un livre de comptes à recevoir et de déboursés, et les entrées étaient faites dans un cahier, bien simplement; c'étaient des entrées simples. A mesure qu'il payait, il marquait cela. Cependant, cela n'était pas complet. Il n'y avait pas aucune balance de banque ou de caisse. Il n'y avait aucun contrôle. Je ne pouvais pas savoir tout ce qu'il avait dépensé. J'ai fait l'examen de ces entrées dans les livres et il m'est arrivé de trouver des factures, plusieurs choses, et cependant j'ai trouvé plusieurs choses qu'il avait payées mais pour lesquelles je n'ai jamais trouvé de compte.

D. Alors, le système de comptabilité qu'il y avait avant était absolument incomplet, il n'y avait pas moyen de donner de réponse exacte en s'en servant? R. C'est axact.

M. Lesage:

D. C'était un simple journal?—R. C'est exact.

Me Monet:

D. Je comprends qu'à ce moment-là les opérations de la maison Les Jardiniers Modèles n'avaient pas l'ampleur qu'elles ont aujourd'hui?—R. Non, cela a été développé beaucoup depuis cette année.

D. Et, comme le faisait remarquer tout à l'heure M. Boudrias, c'étaient plutôt des opérations qualifiées de familiales, c'est-à-dire que c'était un commerce qu'il conduisait lui-même en se faisant aider de sa famille?—R. Oui, monsieur.

D. Et, vous, en votre qualité de comptable, vous nous donnez les renseignements qu'il vous a été possible de recueillir jusqu'à la période du mois d'août 1944 et il était impossible de reconstruire...—R. ...d'avoir des résultats exacts, non.

Me Monet: Je dois ajouter, pour l'information des membres du comité, que l'on m'avait soumis certains chiffres et un état comme celui que vient de décrire M. Vézina, et qu'après avoir examiné tous ces chiffres-là avec le comptable du comité, nous en sommes venus à la conclusion que ces chiffres ne pouvaient être d'aucune utilité aux honorables membres du comité à cause de leur inexactitude et, en conséquence, nous avons décidé de ne pas les déposer au comité parce qu'ils étaient absolument inutiles.

Mr. Monet (*In English*): I want to say this for the benefit of members of the committee, that Mr. Boudrias and Mr. Vezina, the accountant, submitted to me certain figures as to the operation of this firm previous to September, 1944, but on account of their being inaccurate and inadequate, as was ascertained by an examination of Mr. Vezina and other witnesses, we came to the conclusion that it was purely a waste of time to put them in the record because they would really not show the operating figures with respect to this company. That is why we have put in only the figures which have been audited.

Mr. Mayhew: Will you explain that $102,000 increase?

Mr. Monet: I will question the witness on each of these figures. I was just pointing out that the witness could not, as some other firms have done, give us figures for any period previous to September of 1944.

M. LESAGE: Monsieur Monet, avant que vous ne questionniez le témoin, est-ce que le témoin pourrait nous dire si cela comprend les opérations du jardinage ou du commerce seulement.

Le TÉMOIN: Cela comprend les deux, monsieur Lesage.

M. Lesage:

D. Cela comprend la ferme aussi?—R. Cela comprend la ferme.

D. Cela comprend les opérations de la ferme...—R. Cela comprend les opérations de la ferme et Les Jardiniers Modèles aussi, les deux sont ensemble, c'est compris ensemble, les deux, la terre,—c'est-à-dire la ferme,—et puis le magasin.

Me Monet:

D. C'est-à-dire que vous avez sur l'état n° 4 le total des achats faits pour toutes les marchandises achetées par vous ou par votre maison?—R. C'est cela.

D. Que ces marchandises-là proviennent de votre ferme ou d'autres cultivateurs ou d'autres fermiers à travers le pays, les chiffres qui sont sur l'état n° 4 reflètent le total de vos opérations?—R. Oui.

M. Lesage:

D. C'est combiné, le coût d'achat et de production, alors?—R. C'est combiné, les deux ensemble; et, pour répondre à la question de monsieur qui, tout à l'heure, trouvait cela pas mal singulier...

D. Je pense que vous êtes mieux d'attendre les questions de M. Monet, monsieur Vézina.

ME MONET: Oui, je voudrais vous poser quelques questions.

D. Vous avez dit, monsieur Vézina, que pour les quatre mois se terminant au 31 décembre 1944 vos ventes s'étaient totalisées à $327,782.02?—R. C'est cela.

D. Voulez-vous nous dire maintenant quel était le total de vos ventes pour 1947?

M. BOUDRIAS: Pour l'année 1947?

D. Le comptable pourrait peut-être répondre si cela pouvait arranger les choses?

M. VÉZINA: $3,771,654.62.

Me Monet:

D. Cela, c'est le total des ventes de la maison Les Jardiniers Modèles?

M. VÉZINA: C'est cela.

Me Monet:

D. Voulez-vous nous dire quand votre année financière se termine?—R. Le 31 décembre.

D. De sorte que les chiffres que vous venez de nous donner représentent les opérations des douze mois de 1947?—R. Oui, monsieur.

D. Maintenant, vous constatez, n'est-ce pas, qu'il y a, entre le total de vos ventes pour les années 1947 et 1946, une augmentation de plus de $900,000?—R. Oui, monsieur.

D. Et que le total de vos ventes pour l'année 1947 est pratiquement le double de ce qu'il a été pour l'année 1945?—R. Oui, monsieur.

D. Je vous réfère maintenant aux profits bruts. Voulez-vous nous donner le montant total des profits bruts pour l'année 1947 en rapport avec l'année 1946?—R. $339,691.36 en 1947 et, en 1946, $195,248.64.

D. Alors, vous avez là une augmentation, monsieur Vézina, je ne parle pas de quelques dollars, mais une augmentation d'environ $150,000, n'est-ce pas? —R. Oui, monsieur.

D. Alors, comment expliquez-vous une augmentation aussi substantielle dans les profits bruts alors que votre chiffre d'affaires, en somme, n'accuse une augmentation que de $900,000?—R. Une augmentation des profits bruts, vous avez dit? Vous avez $339,691.36 ici...

D. Vous avez dit que vous aviez une augmentation, entre 1947 et 1946, d'environ $900,000, alors que, dans les profits bruts, vous accusez un profit brut de $150,000 de plus en 1947 qu'en 1946; alors, pouvez-vous expliquer aux honorables membres du comité ce profit qui, à première vue, paraît considérable.

M. LESAGE: Encore une fois, si M. Vézina préfère répondre...

Me MONET: Oui, je crois que M. Vézina peut répondre, à moins que M. Boudrias préfère répondre lui-même.

M. VÉZINA: C'est une chose qui peut s'expliquer parce qu'une bonne partie des achats,—et c'est ce qui explique que le pourcentage est plus élevé dans les profits bruts,—c'est qu'une bonne partie de ces achats-là est faite pour d'autres. Nous achetons des chars pour d'autres et puis nous vendons ces chars à 1 p. 100 de profit seulement; alors, cela varie pas mal, dans notre commerce.

M. Lesage:

D. Ces achats qui sont faits en commun sont souvent faits par Les Jardiniers Modèles pour d'autres grossistes?—R. Oui, monsieur.

D. Et ils sont compris au total dans les ventes?—R. Oui, ils sont compris au total dans les ventes et dans les achats aussi; alors, cela baisse un peu le profit brut.

D. Maintenant, ces augmentations de profits bruts que l'on vous demande d'expliquer...—R. Il peut y en avoir moins ou bien plus, cela dépend des années, cela varie.

Me Monet:

D. Pouvez-vous nous dire quelle serait la différence entre 1946 et 1947?—R. En 1947, c'est pas mal difficile à dire exactement sans en avoir fait l'analyse au complet.

M. Lesage:

D. Vous n'avez pas fait une analyse?—R. Au complet, non.

Me MONET: C'est parce que, à première vue, comme le disait le président l'autre jour, il y a un profit brut augmenté de $150,000, alors que le chiffre des ventes montre une augmentation de $900,000.—R. Oui.

D. Alors, je voudrais savoir si vous pouvez nous donner une explication de ce profit, qui, à première vue, paraît assez substantiel?

M. Lesage:

D. Pensez-vous, monsieur Boudrias, que cette marge de profits considérable que vous avez faits en décembre puisse compter pour beaucoup dans cette augmentation de profits?

M. BOUDRIAS: Non, les marges, ce n'est pas ça qui peut compter tellement, parce que, de la manière dont on a fait la distribution, on avait 50 p. 100; prenez les oranges ou les citrons, par exemple...

Me Monet:

D. Mais vous nous avez dit tout à l'heure que, dans les profits domestiques, vous aviez fait des profits plus substantiels. M. Lesage vous demande maintenant s'il est possible que l'augmentation de ce profit brut qui, à première vue, paraît considérable par rapport à l'augmentation de vos affaires, s'il est possible, dis-je, que cette augmentation aurait été causée par l'augmentation dans les prix de vente?

M. BOUDRIAS: Cela a pu contribuer, oui.

D. Est-ce que cela a pu contribuer pour la majeure partie de ce profit brut?

M. BOUDRIAS: Oui, pour une bonne partie.

M. LESAGE: Parce que, en définitive, cette partie à 50 p. 100 n'a réellement commencé à s'appliquer qu'à partir du premier janvier, n'est-ce pas?

Me Monet:

D. Pour les produits importés?

M. BOUDRIAS: Oui.

D. Quant aux produits locaux, vous nous avez dit tout à l'heure que vous aviez à ce moment-là une certaine quantité de ces produits et que vous en aviez bénéficié dans les autres?—R. La quantité qu'on avait, c'est certain que cela a contribué.

D. Vous l'avez même dit deux ou trois fois?—R. Oui.

Mr. MAYHEW: That is an increase over 1946?

Mr. MONET: Yes.

Mr. FLEMING: But there is no basis of comparison with the years previous?

Mr. MONET: That is the only reason I made that statement.

Mr. MAYHEW: There is no basis prior to 1944, but from 1944 on, you have the figures?

Mr. MONET: Yes. I am going to question the witness on that.

Mr. MAYHEW: I thought you were talking about this gross profit?

Mr. MONET: This is it.

Mr. MAYHEW: Do you notice that your gross profit has increased every year by about $145,000?

Mr. MONET: That is what we are discussing now. He is explaining that increase.

Mr. MAYHEW: Well, his salaries and other expenses have increased by about $150,000?

Mr. MONET: That is right. I am coming to that, Mr. Mayhew. It is because at first sight there is an increase in the gross profit of about $150,000, with regard to 1946; and I was asking the witness to explain this in view of the fact that the increase in sales is nine hundred times and at first sight this increase appears quite large. On the other hand, I am coming now to figures which indicate that this increase was offset by increased operating expenses with the result that the gross profit is not so large as one might expect.

Mr. MAYHEW: It remains just about the same.

Mr. MONET: It is just about the same.

M. VÉZINA: Autre chose aussi. L'an dernier, sur la ferme, il a produit sur une beaucoup plus grande échelle et ces marchandises étaient expédiées au magasin et vendues, alors qu'en réalité le prix coûtant aurait dû être inclus dans les dépenses de la ferme, ce qui n'a pas été fait et, pour moi, cela devient un calcul très difficile à faire parce que les hommes travaillent de temps en temps au magasin et de temps en temps sur la ferme, alors il aurait fallu prendre une certaine partie des salaires et appliquer cela comme aux achats pour arriver au prix coûtant des produits qui viennent de la ferme.

Me Monet:

D. En d'autres termes, monsieur Vézina, je comprends que les chiffres qui apparaissent sur l'état n° 4 comprennent les opérations de la ferme et les opérations de la maison Les Jardiniers Modèles?—R. Oui.

D. Ceci fait partie de l'un ou de l'autre?—R. Oui.

D. Ainsi, les recettes autant que les dépenses qui apparaissent sur cet état sont les recettes et les dépenses tant de la ferme que la maison Les Jardiniers Modèles?—R. Exactement.

D. Le tout est combiné?—R. Oui.

D. Et vous dites qu'il n'est pas possible de faire la démarcation entre les deux, tant pour les salaires, les produits et les ventes?—R. Bien, voyez-vous les employés vont ou bien à la ferme ou bien ils travaillent à la maison, alors...

D. Vous avez combien d'employés qui travaillent chez Les Jardiniers Modèles?

M. BOUDRIAS: On doit avoir facilement 65 à 70 hommes; entre 60 et 75 hommes, disons.

Me Monet:

D. Ces employés-là, qui travaillent au magasin, à l'entrepôt et à l'endroit où est le bureau, chez vous, à la maison Les Jardiniers Modèles, je comprends qu'ils travaillent également à la ferme?—R. C'est cela.

D. Est-ce qu'ils reçoivent un salaire pour travailler à la ferme et un pour leur travail au magasin ou bien s'ils ne reçoivent qu'un seul salaire?—R. C'est le seul salaire qu'ils reçoivent.

D. Vous n'avez jamais calculé la proportion de salaires qu'ils ont pu gagner par leur travail sur la ferme et leur travail au magasin?—R. Non; voyez-vous, dans le moment, on a beaucoup de marchandises à prendre là-bas; alors, on va prendre 10, 15, 20 hommes et on va les diriger sur la ferme et, s'il n'y a plus d'ouvrage, on va les envoyer au magasin.

D. Alors, l'état n° 4 est un état consolidé de toutes vos opérations, tant de la ferme que des Jardiniers Modèles?—R. Oui, monsieur.

D. Tant pour les recettes que pour les dépenses de vos opérations?—R. Oui, monsieur.

D. Maintenant, je vous réfère sur cette même page aux "dépenses et frais d'exploitation", et je vous prie de remarquer que la différence entre les frais d'exploitation de 1946 et de 1947 est d'environ $150,000.—R. C'est cela.

D. En d'autres termes, vos frais d'exploitation pour l'année 1947 ont dépassé de $150,000 vos frais d'exploitation pour l'année 1946?—R. C'est cela.

D. En prenant en considération, si je peux me servir de cette expression, le profit brut que l'ont vient de discuter, voulez-vous donner aux honorables membres de ce comité une explication, une raison de cette hausse considérable de vos frais d'exploitation pour l'année 1947 en rapport avec l'année 1946?—R. La première des choses, on s'occupe une grande partie de la saison d'été d'expédier la marchandise des jardiniers et on est obligé de se procurer pour cela des contenants et ces mêmes contenants ont subi une grosse augmentation. Ensuite, il y a l'entretien de notre "flotte" de camions; je calcule que, l'an passé, cela nous a coûté au moins 20 p. 100 de plus que les années précédentes pour l'entretien de nos camions.

D. Je comprends que vous avez ici les chiffres qui pourraient expliquer cela, les chiffres comparatifs; voulez-vous nous donner, pour les fins du dossier, les chiffres comparatifs?

M. VÉZINA: Il y a les salaires.

Me Monet:

D. Voulez-vous les donner en détail?

M. LESAGE: Monsieur Vézina, à mesure que vous arrivez sur un item pouvez-vous nous donner une explication, parce que vous dites qu'il y a une augmentation dans les salaires, assez considérable, et cette augmentation de salaires ne me semble pas en rapport avec l'augmentation des affaires.

M. VÉZINA: Les salaires sont passés de $80,843.93 qu'ils étaient en 1946 à $128,518.07 en 1947. Alors, il y a donc eu de grosses augmentations de salaires en 1947 et puis, à part de cela, il y a l'emploi d'hommes pour la ferme, il y a au moins 20 à 25 hommes sur la ferme .

D. Est-ce qu'il y a eu une augmentation du coût de la main-d'œuvre?

M. BOUDRIAS: Du coût de la main-d'œuvre?

Me Monet:

D. De 1947 sur 1946?—R. Oui, monsieur.

D. Combien payez-vous pour un homme sur la ferme?—R. Pour les hommes sur la ferme, c'est $45 par mois que l'on payait; on a des Polonais sur la ferme; c'était le prix fixé par le Gouvernement; et, à part cela, on a nos hommes, quand c'est tranquille au magasin, que l'on amène sur la ferme; mais on payait $45 par mois, c'est le prix que le gouvernement fédéral nous ordonnait de payer et, cette année, on paye $70 par mois.

D. C'est l'arrangement qu'il y avait?...

M. BOUDRIAS: Et, à part cela, nos gens qui travaillaient comme chauffeurs sur nos camions, qui gagnaient $32 à $33 par semaine; aujourd'hui, un homme avec une femme et quatre ou cinq enfants, il faut toujours lui donner une petite chance de vivre, il faut toujours lui donner $38 à $40 par semaine pour que les choses se balancent. Alors, les salaires ont monté de $5 ou $6, de $8 ou $9 et même $10 par semaine et, ensuite, les Polonais, cela a monté de $45 à $70.

M. Lesage:

D. Une augmentation d'environ 80 p. 100?—R. Oui. Mais, à part cela, sur la ferme on a beaucoup de difficultés à trouver des gens; si on n'avait pas ces Polonais-là on serait bien mal pris; et c'est pour cela que ça mérite d'être encouragé, un mouvement comme cela.

Me MONET: Ceci répond aux augmentations de salaires. Maintenant, je désire référer, Monsieur Vézina, aux augmentations sur les frais d'exploitation qui paraissent un peu considérables; je voudrais que vous nous donniez une explication.

M. VÉZINA: Ensuite, les dépenses de camions qui étaient de $26,209 en 1946 ont monté en 1947 à $59,557.

D. À quoi attribuez-vous une augmentation aussi considérable?—R. Bien, la flotte a été presque doublée et son champ d'expédition de marchandises a été bien agrandi; on a expédié à Sherbrooke, Saint-Jean, Saint-Jérôme, Ottawa, Québec...

D. Vous avez combien de camions, maintenant?

M. BOUDRIAS: Tout près de quarante, je ne pourrais pas dire au juste.

D. Et vous dites que c'est ce qui explique le fort montant d'augmentation de $26,000 à $59,000?—R. Oui, monsieur.

D. Pouvez-vous nous signaler autre chose maintenant qui pourrait justifier ce fort montant d'augmentation?

M. VÉZINA: Oui; ensuite, l'emballage.

D. Est-ce que ceci constitue un montant considérable?—R. Oui, ceci est passé de $13,649 à $36,987.

D. Ce sont des contenants?—R. Oui, des contenants, des boîtes, des "crates", des boîtes de bois, des "crates" de bois pour expédier la marchandise.

D. Avez-vous d'autres augmentations substantielles?—R. Il y a les assurances qui ont passé de $8,512 à $17,121. Il y a d'abord l'assurance sur les camions, qui a augmenté beaucoup, ensuite l'assurance sur les bâtisses que M. Boudrias a fait réévaluer; ces bâtisses l'ont forcé d'augmenter ses assurances, ensuite, il y a toutes les assurances qui ont été cancellées dans le passé et qui ont été renouvelées à neuf; alors cela a aussi augmenté le prix des assurances. Ensuite, il y a les téléphones et les télégrammes... Non, pardon, ici je dois dire qu'il y a le transport, c'est pour des camions loués qui ne lui appartiennent pas.

Me Monet:

D. Alors, en plus de la flotte de camions qui appartiennent à M. Boudrias, qui appartiennent à la maison Les Jardiniers Modèles, vous avez encore des dépenses enregistrées pour le transport par des camions que vous avez loués?—R. Oui, et qui étaient de $18,110 en 1946 et qui sont passées à $26,442 en 1947... Ensuite, il y a les dépenses de la ferme, question de salaires.

D. Oui, on a parlé des salaires tout à l'heure.—R. De $4,854 qu'ils étaient en 1946, ils ont monté en 1947 à $10,974.

M. Lesage:

D. Et cela comprend la nourriture des hommes?—R. Oui, cela comprend la nourriture des hommes et la ferme a été beaucoup développée en 1947; ensuite, il y a les téléphones et tous les télégrammes... Pardon, je vous ai donné les chiffres pour les dépenses de la ferme qui ne sont pas exactement les mêmes, c'était plutôt pour les téléphones et les télégrammes qui ont augmenté beaucoup, ceux de la ferme c'est $4,854 qui a augmenté à $10,974.

Me Monet:

D. Alors, vous venez d'énumérer certains chiffres comparatifs établissant un excédent d'environ $90,000?—R. Ensuite, les autres qui auraient pu varier, ce sont les dépenses de finance qui ont été occasionnées et qui ont pas mal augmenté l'affaire.

D. Qu'est-ce que vous entendez par ça des dépenses de finance?—R. Bien, il y a les dépenses de finance, c'est...

M. Lesage:

D. On les a ici?—R. Oui. Ensuite, on a à calculer les dépenses de finance, les mauvaises créances...

D. Est-ce qu'il y en a eu en 1947?—R. Oui, il y en a eu en 1947. Il y a eu des faillites d'au montant de $3,800 qu'il a dû supporter.

D. Est-ce que cela a recommencé, les faillites?—R. Oui.

D. Alors, ce sont les principales raisons que vous avez à donner pour justifier cette augmentation-là?—R. Oui.

Me Monet:

D. Et, pour terminer l'étude de l'état n° 4, vous donnez comme profits bruts sur les ventes 9 p. 100?—R. Oui, en 1947.

M. Lesage:

D. En 1947?—R. Oui.

D. Non, comme perte.

Me MONET: Non, comme profits bruts sur les ventes: 9 p. 100?—R. Oui.

D. Et, quant aux profits ou pertes avant impôts, vous donnez une perte pour l'année 1947?—R. Oui, monsieur.

D. Toutefois, vous donnez comme étant de 9 p. 100 les profits bruts, quant à vos ventes, ce qui, apparemment, a été le profit le plus considérable fait par la maison Les Jardiniers Modèles depuis 1944?—R. Oui.

M. Lesage:

D. Avant de laisser l'état n° 4, monsieur Vézina, est-ce qu'il y avait de gros inventaires au 31 décembre 1946 et au 31 décembre 1947?—R. Au 31 décembre 1946, l'inventaire était de $14,609 et au 31 décembre 1947, il était de $78,202.

D. Comment était évalué l'inventaire de $78,000?—R. Au prix coûtant sur le marché ou au prix du marché s'il était plus bas.

D. Mais, s'il venait de la ferme?—R. S'il venait de la ferme, on l'évaluait au prix du marché, au prix qu'il le payait, lui.

D. Qu'il payait, lui, à ce moment-là ou bien qu'il avait payé?—R. Oui, qu'il payait à ce moment-là, au 31 décembre.

D. De fait, si cet inventaire-là avait été évalué sur le prix de vente, vous auriez terminé l'année avec un profit assez considérable?—R. Mais cela aurait été un profit irréel.

D. Mais ce chiffre de $78,000 est certainement considérable?—R. Non, c'est le prix du marché à ce moment-là.

D. Oui, je comprends, mais je cherche une explication de cette perte en 1947.—R. C'est l'augmentation des dépenses.

D. Il va falloir changer de système?—R. Voyez-vous, dans les fruits et les légumes, les profits sont tellement variables, ils peuvent faire une grande perte une année et un gros profit une autre année...

D. Parce que c'est la première chose qui nous amène une perte aussi considérable.

Me MONET: Oui, la maison Parent et Goyer qui a été entendue la semaine dernière montrait des bénéfices très minimes mais elle montrait tout de même des bénéfices.

D. Avez-vous quelque chose à dire là-dessus, monsieur Boudrias?

M. BOUDRIAS: Oui, monsieur. Voyez-vous, nous autres, notre distribution est bien grande et toute la marchandise que l'on réussit à avoir, particulièrement la marchandise très rare, par exemple si on reçoit un char d'oranges, de pamplemousses ou de carottes, et que l'on a 400 et quelques clients à servir et que l'on a soin de la distribuer à ces clients-là, la distribution nous coûte quatre fois, cinq fois, six fois et sept fois ce qu'elle pourrait nous coûter. . . Si l'on avait pas voulu avoir soin du public, c'était facile de montrer un profit de $100,000; on n'avait qu'à mettre notre personnel dehors et à prendre les chars là, sur la rail, et à les vendre sans s'en occuper, prendre un profit et ne pas s'occuper de rien; mais il ne faut pas penser rien que pour aujourd'hui, spécialement sur le côté de l'importation.

En plus de cela, je suis à monter une organisation pour servir les jardiniers, il ne s'en fait pas dans Québec, il n'y a aucune organisation comme cela, comme nous autres qui nous occupons et qui nous intéressons à distribuer la marchandise de nos jardiniers dans tout le Canada. La distribution dans la province de Québec n'est pas parfaite déjà et on cherche à l'étendre le plus possible; j'ai un groupe de jardiniers qui coopèrent 100 p. 100 avec moi; ils ne me laissent pas faire une minute et si j'arrive $7, $8 ou $10 en dessous ces gens-là ne me laisseront pas tomber parce que nous expédions beaucoup de marchandises pour ces gens-là.

Par exemple, si ces gens-là arrivent et nous disent: J'ai 15 ou 20 mille "crates" de concombres et on n'a pas de place pour les vendre, on n'est pas capable de s'en défaire; es-tu capable de faire quelque chose pour nous autres?" Alors, on prend le téléphone, on télégraphie et on téléphone partout dans le Canada, à Québec, à Toronto, à Ottawa, à Kingston, à Cornwall (Ont.) et on descend jusqu'à l'Ile-du-Prince-Édouard. On ne s'occupe pas de ce que ça coûte; tout ce qui nous intéresse, c'est de pouvoir livrer cette marchandise-là. C'est pour cela que le travail pour réussir à monter cette organisation-là dans la province de Québec, on est les seuls à faire ce genre d'affaires-là...

Bien des fois, cette marchandise-là, monsieur Lesage, vous savez, nos gens de la province de Québec ne sont pas habitués aux stocks en consignation, cela ne se fait pas, alors on ne leur fait pas de prix, c'est une affaire qui n'a pas de bon sens, on perd de l'argent; j'ai vu bien des chars de marchandises, je peux vous en montrer, que j'ai perdu $600 à $700 et même $1,000; je peux vous montrer des chars de tomates au complet que j'ai perdu, bien des fois...

M. Beaudoin:

D. En d'autres termes, vous prenez la responsabilité de l'expédition?—R. Oui, on prend la responsabilité de l'expédition 100 p. 100 et, je ne devrais peut-être pas faire cela, mais pour vous le prouver je vais vous parler d'une organisation qu'il y a à Montréal, subventionnée par le gouvernement provincial et qui retire de $9,000 à $10,000 par année...

Le président:

D. Par le gouvernement provincial?—R. Oui, par le gouvernement provincial.

M. Lesage:

D. Par le gouvernement provincial du Québec?—R. Oui; qui retire $9,000 à $10,000 par année et qui montre un déficit à chaque année, qui sont dans notre ligne et qui essaient de nous faire du tort, tandis que les jardiniers que je sers, moi, j'ai organisé la distribution dans tout le Canada personnellement et sans rien demander à personne.

M. Beaudoin:

D. Quel est le nom de cette organisation-là?—R. La Coopérative des jardiniers-maraîchers du Québec.

D. La Coopérative des jardiniers-maraîchers du Québec?—R. Oui.

D. Et ils ont une organisation qui vient en concurrence avec vous?—R. Oui, une organisation qui vient en concurrence avec moi, et je suis obligé de lutter de la même manière qu'eux et, moi, il n'y a personne qui m'aide.

D. Vous ne recevez pas de subventions du gouvernement provincial?—R. Ah! non.

D. En avez-vous déjà demandé, une subvention, au gouvernement provincial?—R. Non, et je n'en demanderai pas; je ne demande qu'une seule chose, c'est que tout le monde soit sur le même plancher.

M. Lesage:

D. Monsieur Boudrias, en 1947, si j'ai bien compris, vous avez travaillé beaucoup à l'établissement d'un marché permanent pour les produits, spécialement de votre ferme et de ceux de vos voisins?—R. Oui, monsieur.

D. Et, en conséquence, cela a augmenté votre coût d'opérations?—R. Oui, on est à la période de l'organisation, cela ne se fait pas dans la province de Québec et on veut copier sur vous autres, en Ontario.

D. Alors?—R. Alors, vous allez bien, on ne vous en veut pas, mais on ne veut pas se faire battre; seulement, on est obligé de le faire avec notre argent, nous autres.

D. En 1947, vous dites que cela a été une mauvaise année de production et, pourtant, vous avez augmenté de $900,000?—R. Mais, on ne travaille pas en monde, par exemple.

D. Vous dites qu'il y a eu une diminution d'environ 65 p. 100 dans la production et, pourtant, vous, vous montrez une augmentation dans le chiffre de vos ventes de $900,000; est-ce que c'est parce que vous avez étendu vos marchés?—R. On a étendu nos marchés, on a été plus agressifs.

Me Monet:

D. Vous avez parlé d'une flotte de camions, de quarante camions?—R. Oui, monsieur.

D. En plus de cela, monsieur Boudrias, dans la nomenclature des frais d'exploitation, vous avez mentionné un montant considérable pour des camions loués pour transporter la marchandise. Vous transportez la marchandise un peu partout dans la province?—R. Oui, monsieur. A quatre ou cinq cents milles de Montréal; on va même livrer à Toronto et on a essayé de toucher au marché à New-York et à Boston et dans les villes de la frontière, de l'autre côté.

D. Revenons à votre état n° 2.

Monsieur Lesage, vous n'avez pas d'autres questions sur le rapport n° 4?

M. Lesage: Non, monsieur Monet.

Me Monet:

D. Revenons au tableau n° 2.

Mr. Monet (*In English*): I am going to state this in English because it is a change which has to be made in exhibit 115. I should like the members of the committee to make these changes which are very important.

Mr. Thatcher: What page?

Mr. Monet: Statement No. 2, it is the first page of exhibit 115. On March 11 and March 18, oranges, California, first column, you have a selling price of $6.50 and $6.60. If you refer to statement No. 3 for the same dates, March 11 and March 18, the most recent purchase price you have there is $4.49 for March 11 and $4.55 for March 18. Now, it should read $5.71 for March 11 and $5.71 for March 18.

Mr. Fleming: On which sheet?

Mr. Monet: On statement No. 3, $5.71 and $5.71 instead of $4.49 and $4.55. There is another correction on page 2; February 12. There is no change in the selling price of $6, but there is a change on statement 3 for the same date, February 12, in the purchase price. Instead of $4.00 it should read $5.50.

Mr. Fleming: The same as for February 19?

Mr. Monet: The same as February 19, yes. There was a mistake in the figures.

Me Monet:

D. Monsieur Boudrias, je veux maintenant vous poser quelques questions sur le prix des oranges. Si vous voulez bien suivre sur l'état comparatif que le secrétariat a préparé, vous aurez plus de facilité; je vous en ai donné un tantôt. A la date du 27 novembre, monsieur Boudrias, vous donnez comme prix de vente $7. C'est bien cela, c'est exact?—R. Oui, monsieur.

D. Et comme prix d'acquisition $4.12, pour les achats les plus récents; ce qui donne une différence par boîte de $2.88 ou un pourcentage quant au prix de vente de 41·1 p. 100. Des témoins qui ont été entendus ici antérieurement, de Toronto, et d'une autre maison, ont montré un prix de vente inférieur à ce prix-là pour la même date. Voulez-vous donner des explications à messieurs les membres du comité et dire pourquoi les oranges se vendaient à ce prix-là par votre maison à cette date-là?—R. Cela est dû à des grosseurs que l'on a en petite quantité dans un char d'oranges qui sont en grande demande. La marge paraît bien grosse mais si vous prenez l'ensemble du char vous arrivez avec un profit tout différent.

M. Lesage: Sur cette réponse que vous venez de faire, d'autres témoins ont donné la même réponse. Est-ce que vous pouvez donner un état de ce char?

Me Monet: Nous l'avons ce matin, un portrait de l'état complet pour un char.

Me Monet:

D. Qu'est-ce que vous considérez, monsieur Boudrias, comme profit raisonnable, qui vous permettrait de vivre convenablement, sur une caisse d'oranges? —R. Sur une caisse d'oranges, on a certainement besoin, si on investit de $3,700 à

$3,900 sur un char d'oranges, il faudrait au moins, dans l'ensemble, l'année durant, on a besoin de 75c. à $1 la caisse, l'année durant.

D. Si je comprends bien les témoignages antérieurs, lorsqu'il s'agit pour vous de déterminer les bénéfices que vous devez faire pour faire un profit convenable, vous considérez l'achat du char en entier et non de boîte en boîte?—R. Non, monsieur.

M. Lesage:

D. A 75c. la caisse, cela fait combien au point de vue pourcentage?—R. Il y a 561 caisses dans un char, alors à 80c., cela fait $450.

D. Sur $3,700?—R. Oui, monsieur.

D. Avez-vous dit ce que c'était?—R. Sur $3,900, 13·5 p. 100.

Me Monet:

D. Vous avez ici ce matin, monsieur Boudrias, un état complet d'un char d'oranges que vous avez acheté déjà?—R. Ce char d'oranges-là a été acheté le 9 mars.

D. Alors, prenons le char qui a été acheté le 9 mars. Je comprends que, lorsque vous achetez un char d'oranges, vous ne pouvez pas acheter un char de 288 en entier?—R. Non, mais une fois de temps à autre.

D. Habituellement, je comprends que, dans un char d'oranges, il faut accepter un certain nombre de grosseurs d'oranges?—R. Oui, monsieur.

D. Pour le char dont vous parlez, pour lequel vous donnez quelques détails, combien de caisses y avait-il dans ce char-là?—R. 561 boîtes.

D. Voulez-vous énumérer le montant de boîtes qu'il y avait dans de char-là, avec les grosseurs d'oranges que les boîtes contenaient, et le prix en même temps?—R. 16 boîtes de 176 à $7.75.

M. Lesage:

D. Est-ce le coût d'achat ou de vente?—R. D'achat.

D. A $7.75?—R. Il y avait 40 boîtes de 200 à $7.75; 80 boîtes de 220 à $7.50; 150 boîtes de 252 à $7; 175 boîtes de 288 à $6.25; 100 boîtes de 344 à $5.50, et c'est tout, cela.

Me Monet:

D. Vous avez là 561 boîtes?—R. Oui, monsieur.

D. Vous avez toutes les grosseurs d'oranges dans ce char, des grosseurs différentes?—R. Oui, monsieur.

D. Et qui vous coûtait?—R. $3,727.75.

D. Maintenant, voulez-vous expliquer à messsieurs les membres du comité comment vous procédez lorsqu'il s'agit de vendre ces oranges-là, pour en déterminer le coût, en prenant soin d'ajouter un bénéfice proportionné aux chiffres que vous avez donnés tantôt?—R. Quand on a reçu ce char d'oranges-là, si vous prenez ces oranges-là, lorsqu'on les a vendues, on s'est aperçu que, certaines grosseurs, on a perdu 50c., 60c. et 75c. la caisse.

M. Lesage:

D. Pouvez-vous donner les détails de ces chiffres-là?—R. Oui. Je ne les ai pas en détail. Cette chose-là arrive à chaque char d'oranges qu'on achète. Des fois, il arrive que le public ne veut pas d'une certaine grosseur d'oranges. A certaines périodes de temps, ils ne veulent pas de grosses oranges du tout et ils veulent seulement des petites oranges. Cela marche toujours l'un contre l'autre. On ne peut pas arriver à faire un profit de 10 à 15 p. 100, cela est impossible, parce qu'il faut suivre la vente au public.

Me Monet:

D. Est-ce que cela peut arriver, sur des oranges de $7.75, qu'il vous soit impossible de faire un profit normal, tel que vous l'avez mentionné tantôt?—R. Oui, monsieur. Et vous en avez la preuve là, si on suit ce char-là, celui du 9 mars.

D. En conséquence, lorsque, de fait, vous ne pouvez pas prendre votre bénéfice normal, vous vendez même à perte et vous vous compensez sur une autre grosseur en mettant le prix plus élevé?—R. Oui, monsieur. On est obligé de le faire.

D. Pouvez-vous donner certains chiffres en rapport avec le chiffre dont vous avez parlé, à $7.75, le chiffre du prix coûtant?—R. Je figure que ce char d'oranges-là, en particulier, nous a rapporté $6.60; c'est le prix de vente de ce char-là. Ce char-là, au lieu de faire de l'argent avec, il nous en a mangé.

M. Lesage:

D. Vous ne l'avez pas acheté à la fin de mars. Les 288, vous dites, vous ont coûté $6.25 la caisse. Le 11 mars, le coût d'achat le plus récent est $4.49.

Me MONET: Vous avez une erreur là, c'est $5.71.

M. LESAGE: Ah! oui. Je l'ai corrigé sur l'état n° 3, mais je ne l'ai pas corrigé sur l'autre; c'est parfait.

Me Monet:

D. Et cela c'est la façon habituelle? Avez-vous un mot d'explication à donner, là? Vous venez de dire que le char du 9 mars, la grosseur 288 coûtait $6.25, alors que, dans l'état corrigé tantôt, et en date du 11 mars, vous donnez comme votre acquisition la plus récente le prix de $5.71. Est-ce que c'était le même char?—R. Cela ne devait pas être le même char. Attendez un peu, oui, c'est le même char. Les 344, ici coûtaient $5.50.

D. C'est parce que vous avez donné tantôt 135 caisses de 288 à $6.25 et d'après les chiffres corrigés ce matin, vous avez donné, en date du 11 mars, $5.71?—R. Il y a d'autres chars qui sont arrivés aussi. Vous avez d'autres chars dans d'autres périodes pour lesquels c'est meilleur marché.

D. Je vous demande s'il s'agit du même char ou non. Vous donnez, à la date du 11 mars, comme achat plus récent, un prix de $5.71, et vous venez de donner, en décrivant le contenu d'un char, en date du 19 mars, un prix de $6.25 pour les 288?—R. Il est possible que ceci soit arrivé, que deux chars soient arrivés la même journée. C'est peut-être cela.

D. Le char que vous avez décrit tantôt, il n'y a pas de doute, c'est le char que vous acheté le 9 mars?—R. Oui, monsieur. Vous avez le document.

D. Et vous expliquez de cette façon-là, de la façon dont vous venez de répondre, comment il se fait ou pourquoi, à la date du 27 novembre en particulier, vous auriez un bénéfice de 41·1 de pourcentage sur une caisse d'oranges vendue à $7?—R. Cela est pour une quantité minime, mais c'est l'ensemble de nos profits pour cette journée.

D. Est-ce qu'il ne vous était pas possible, à ce moment-là, monsieur Boudrias, de vendre à un prix inférieur à celui que vous avez vendu et faire tout de même un profit raisonnable?—R. Oui monsieur, on aurait pu le faire. Mais en tenant compte de toutes nos grosseurs et de tous les chars qui rentraient notre profit, je pense, est un profit seulement raisonnable.

D. Comment expliqueriez-vous, monsieur Boudrias, qu'à la même période d'autres maisons auraient pu vendre à un prix inférieur à celui auquel vous vendiez?—R. Cela est possible que nos compétiteurs pouvaient avoir des oranges à l'entrepôt depuis trois semaines ou un mois, ou au mois de décembre, alors qu'elles peuvent se garder facilement. Cela en plus d'expliquer que d'autres maisons peuvent avoir un prix meilleur marché.

D. Est-ce possible aussi que cela puisse être à cause du fait que, dans un char reçu, la variété aurait été plus grande, une plus grande variété d'oranges permettant de vendre à un prix inférieur?—R. Oui, monsieur, vous avez une bonne idée là, monsieur Monet, parce que le manifeste des chars...

D. Je vous le demande pour essayer d'expliquer le profit qui paraît considérable à cette époque-là.

M. Lesage:

D. Avant de laisser ce point-là, j'examine l'état comparatif et je vois ici la maison Boyer & Cie et je remarque que quelquefois, par exemple le 27 novembre, Les Jardiniers Modèles ont vendu leurs oranges $7 et Parent & Gauthier $6. Cependant, à plusieurs autres dates, Les Jardiniers Modèles ont vendu à des prix inférieurs.

D. Il n'y a pas de prix fixe sur les marchés à Montréal?—R. Il y a un peu de compétition.

(M. Pinard occupe le fauteuil.)

D. Il n'y a pas de prix de marché pour vous autres?—R. Non, il n'y a pas de prix, il n'y en a pas d'établi. On cherche à servir la clientèle le plus facilement possible.

D. Dans les oranges, ce n'est pas le prix du marché qui détermine votre prix de vente, mais votre coût, plus une marge? C'est exact?—R. Oui, monsieur.

D. La loi de l'offre et de la demande n'agit que sur une période de temps, pour le prix immédiat, et vous le basez sur votre coût?—R. Pour ces choses-là, les oranges et toutes les marchandises qui sont sur une base de "quota".

Le Président suppléant:

D. Vous fixez vos prix avec cette politique-là en force et en considérant la fluctuation du marché même?—R. Oui, monsieur. Vous avez une période, par exemple, où vous allez avoir sept à dix chars d'oranges qui vous arrivent en même temps. J'ai vu être obligé d'en vendre en bas du prix coûtant. Par exemple, il y a des grosseurs qui ne se vendent pas du tout et, la semaine d'après, cela change et ils achètent toutes ces grosseurs-là.

D. Alors, vos achats, dans ce temps-là, étaient dans le sens inverse? Quand c'était des petites qui étaient en demande, vous aviez des grosses? Quelle est l'explication de cette situation-là? Est-ce une coïncidence?—R. Oui, monsieur. C'est une coïncidence et on passe notre temps au téléphone pour éduquer le public. On leur dit: "Prenez donc cela", mais on nous répond: "Non, ce sont les petites que l'on veut".

D. Ça va d'après les caprices des consommatrices?—R. C'est la nature.

M. Lesage:

D. Cela dépend de la période de l'année?—R. Oui monsieur, et du temps; cela dépend; des fois il y a plus d'argent. Quand elles prennent les petites, c'est qu'il y a moins d'argent.

D. À ce temps-là, les gens achetaient les petites et ils payaient leurs impôts. Vous avez fixé le prix des oranges d'après le total du char que vous avez reçu?—R. Bien.

D. Vous ajustez les prix des oranges, les 288 par exemple, pour le prix total qu'un char aurait pu coûter?—R. On tient compte de la grosseur et de notre prix coûtant et de la demande. On ne peut pas faire autrement.

D. C'est ce qui fait varier le prix des oranges, comme les 288 ou les 344, ou les 252?—R. Oui, monsieur.

D. C'est la raison de la différence des prix?—R. Oui, monsieur.

Me Monet:

D. Maintenant, monsieur Boudrias, je voudrais vous demander, au sujet de la livraison des pommes, d'expliquer à messieurs les membres du comité comment il se fait qu'à la date du 31 décembre, "B.C. Apples", le prix est de \$3.21, et qu'il n'y a pas de prix d'acquisition inscrit jusqu'au 1er avril, à partir du 31 décembre? Dois-je comprendre qu'il n'y a pas eu d'achat pendant cette période-là?—R. De décembre, par exemple, les achats ont été pratiquement nuls, en décembre, janvier et février.

D. Il n'a pas dû y en avoir, parce qu'il n'y a pas eu de prix?—R. C'est cela.

D. Pouvez-vous dire à messieurs les membres du comité comment il se fait que, du 8 janvier jusqu'au 1er avril, le prix des pommes vendues par votre maison a augmenté de \$3.38 à \$4.12, alors que le prix d'acquisition n'a pas varié? —R. Ces pommes-là, pour les conserver, on les reçoit en décembre ou en janvier et, si on les vend deux ou trois mois plus tard, vous avez les frais de l'entreposage à payer, les frais pour aller les chercher au solage, qui est de 5c. la boîte, et quand elles sont plusieurs mois à l'entreposage, si vous les laissez trente jours et une journée de plus dans l'autre mois, cela compte pour deux mois, et que vous voulez réclamer vos pommes en bonnes conditions. . .

Le Président suppléant:

D. Le risque de la perte et les frais de l'entreposage l'augmentent en même temps?—R. Oui, monsieur.

M. Lesage:

D. C'est ce qui explique la hausse du prix des pommes dont le prix coûtant n'a pas augmenté?—R. Oui, monsieur.

Me MONET: Le prix coûtant n'a pas augmenté, mais le prix à vous a augmenté?—R. C'est augmenté par les frais qui sont ajoutés.

D. C'est le prix que vous avez payé à la personne qui vous les a vendues, les risques de la perte et tout ce que vous avez expliqué, ce dont vous avez parlé, c'est pour ces raisons-là que l'augmentation paraît avoir été faite?—R. Oui, monsieur, c'est cela.

Me Monet:

D. Maintenant, voulez-vous tourner à la page 2, céleri d'Ontario n° 1? Comme vous l'avez dit tantôt, monsieur Boudrias, vous donnez par votre état un profit de 9 p. 100, brut, quant aux ventes, et c'est un profit établi pour l'année 1947? Pouvez-vous expliquer comment il arrive que, pour le mois d'octobre 1947, à l'exception du 30 octobre, le profit sur le céleri atteint une valeur de 36·7 à 39·7? Pourquoi vous faut-il prendre un profit aussi considérable que celui-là?—R. Dans le céleri, une chose qui est considérée extrêmement périssable, c'est une marchandise que l'on achète, je ne puis pas dire au jour le jour, mais que l'on achète quatre ou cinq jours avant la distribution. Il va arriver une ou deux fois par année que l'on va mettre notre céleri à l'entrepôt, mais, la plupart du temps, on le laisse sur notre plancher et c'est une chose périssable. Mais, dans ce cas particulier-là, le marché a monté assez vite. Ce profit de 31 p. 100, je pense qu'on aurait pu facilement, si on avait voulu ambitionner, le monter à 40 et 45 p. 100 dans ce temps-là. La marge de $3 la "crate", le prix du marché courant pour tout le monde. Si on avait voulu prendre avantage du marché, on aurait pu le vendre à $5.

D. A cette date-là?—R. Oui, monsieur. La demande était tellement forte que l'on avait des distributeurs à l'année. Si l'on avait voulu faire monter cette marchandise de 50c. on aurait pu le faire, mais on n'aurait pas eu l'avantage de profiter de notre "quota".

Le président suppléant:

D. Comment expliquez-vous la perte faite en 1948, en janvier, pour le céleri? Le 29 janvier vous avez payé $12.50 et vous l'avez vendu à $11.64?—R. C'était rendu tellement haut, là, qu'on n'avait pas le courage de demander ce prix-là. Je m'en rappelle.

D. Vous auriez pu l'obtenir?—R. On aurait pu charger $13, $14.

D. Vous avez préféré prendre une perte pour conserver l'estime de votre clientèle?—R. Oui, monsieur, il faut penser à notre clientèle. Nous ne sommes pas en affaires juste pour aujourd'hui.

D. Vous n'étiez pas obligés de le faire?—R. Quand vous prenez une boîte de céleri pour la vendre $12, je calcule que c'est un peu trop ambitionner.

Me Monet:

D. Est-ce que vous aviez du céleri à l'entrepôt à ce moment-là?—R. Non, monsieur.

D. Comment expliquez-vous que, du 15 janvier 1948 au 29, il y a une hausse dans le prix de vos achats de $6. Le 15 janvier, lors de vos achats les plus récents, le prix est de $6.50 alors qu'à la date du 29 janvier il a été porté à $12.50, le prix que vous avez dû payer, si je comprends. Comment expliquez-vous une hausse aussi considérable que celle-là?—R. Le temps était avancé et l'on dépendait sur le céleri qui était dans les entrepôts frigorifiques dans l'Ontario. A Montréal, il n'y a pratiquement pas de céleri à l'entrepôt. Le céleri consommé en décembre, janvier et février était du céleri en conserve et 85 p. 100 de ce céleri-là était entreposé en Ontario.

D. C'était de là que vous deviez l'acheter?—R. On était obligé de l'acheter de ces gens-là, ils étaient maîtres sur ce point-là. On a acheté un char, deux ou trois fois.

D. Il ne vous restait pas de céleri à ce moment-là et vous deviez l'acheter? —R. Dans Québec, notre céleri local, rendu au 1er décembre, on n'en avait plus. Chez tous les jardiniers de Montréal, il n'y avait pas un pied de céleri de disponible le 1er décembre à Montréal.

L président suppléant:

D. Tout le monde l'achetait en Ontario?—R. Oui, monsieur.

Me Monet:

D. Voulez-vous référer à la page 3, maintenant, le chou importé? Au 26 février, il y a là une augmentation, monsieur Boudrias, dans le prix de vente de 4·3, à la date du 26 février, à 5·8, au 4 mars, alors que, pour la même période... —R. Du?

D. Le 26 février, le quatrième item du haut, 4·3; il y a là une augmentation à 5·8, du 26 février au 4 mars, alors que, pour la même période, dans les achats, il y a une diminution de 3·7 à 3·3. Alors, voulez-vous expliquer à messieurs les membres du comité comment il se fait, alors que le prix d'acquisition avait baissé, que le prix de vente avait augmenté?—R. Dans les choux, c'est un petit peu explicable; les choux sont notre faiblesse, à nous autres. On en manipule beaucoup.

M. Lesage:

D. C'est votre force?—R. On en achète de l'automne au printemps. Ce qui aurait pu arriver, là, c'est que le marché local, dans le temps, aurait pu être bas. Nos jardiniers nous les offraient en grande quantité et on les achetait. Peut-être que les choux que nous avons achetés dans cette période-là ont été vendus plusieurs jours plus tard. Il n'y avait pas de demande, les demandes étaient faibles et on l'a acheté.

Me Monet:

D. Monsieur Boudrias, il y a plusieurs témoins qui nous ont dit que la base des prix, dans le commerce des fruits et légumes, comme dans bien d'autres d'ailleurs, serait la loi générale de l'offre et de la demande. Vous avez ici une situation que je voudrais que vous expliquiez, qui est un peu contraire à ce qui nous a été dit, puisque, du 26 février au 4 mars, le prix d'acquisition baisse; est-ce que cela serait dû à ce qu'il y avait une offre plus grande que la demande à ce moment-là? En d'autres termes, est-ce qu'il y avait plus de choux sur le marché?

M. Boudrias: Du 26 février...

Me Monet:

D. ...au 4 mars,—le prix d'achat?—R. Je pense que c'était 3·7c.

D. Le prix d'acquisition, le 26 février, était de 3·7c. n'est-ce pas et le 4 mars, une semaine plus tard, il était de 3·3c.; comment expliquez-vous cela? —R. Si je ne me trompe pas, on touche au chou américain, n'est-ce pas?

D. C'est le chou importé, oui?—R. Le chou importé.

D. Ainsi, alors que le prix d'acquisition baisse, le prix de vente monte; je désire que vous me donniez un peu d'explications parce que ceci semble être l'inverse de ce qui nous a été expliqué jusqu'à date.—R. Bien, il y a une chose qui arrive, comme je vous l'ai dit tout à l'heure, on en achète beaucoup de choux nous autres et je présume que notre marché ici, pendant qu'on faisait cet achat au Texas, je présume que le marché qui était de 3·7c. ici pouvait être là-bas, au Texas, à 4·3c.; cela peut être arrivé. Et vous savez que, si l'on achète un char et que le char arrive dans une dizaine de jours, il faut que l'on prenne notre "cost", nous autres. Alors, ces choux-là, qui sont au Texas et qui viennent dans une dizaine de jours, cela pourrait peut-être affecter notre "cost"; cela change si vite.

D. C'est-à-dire que le prix de vente mentionné sur l'état n° 3 et le prix d'acquisition peuvent refléter sur certaines marchandises achetées plusieurs jours antérieurement?—R. C'est cela; il pouvait y avoir de la marchandise qui avait été achetée à 4·6c., à 4·8c. et qui se trouvait mêlée à cela; quand on a dix chars de marchandises qui roulent, vous savez, on est obligé de prendre soin de tous et de chacun d'eux et, dans le magasin, cela...

Le président suppléant: Autrement dit, ce n'est pas les mêmes choux.

M. Lesage: Tout de même, si les choux qui ont été achetés au début du mois de mars pour être vendus à la fin du mois de mars, cela ne donne pas l'explication désirée.

Me MONET: Voyez-vous, vous avez ici une situation qui semble un peu anormale et qui ne concorde pas très bien avec ce qui a été dit jusqu'à maintenant. Lorsque les honorables membres du comité analyseront ces rapports, ils se trouveront en présence de ces chiffres et voudront savoir ce qui en est, ce que cela veut dire.

M. Lesage:

D. Vous prenez un profit brut de 4·3c.?—R. Par contre, vous prenez des choux d'un mois passé, des choux qui me coûtaient $2.75 à moi et qu'on a vendus à $2 et à $2.25...

D. Oui, à la fin d'avril, ça?—R. Oui, à la fin d'avril mais on perdait 75c., 80c., et même 90c.

Le président suppléant:

D. Il y a beaucoup plus de fluctuations dans la vente des choux que dans la vente des oranges, par exemple?—R. Oui.

D. Vous avez des profits de 43·1 en mars et, en février, vous avez des profits de 2·4?—R. Oui.

M. Lesage:

D. Même une perte de 2·2?—R. Oui.

Le président suppléant:

D. Et, en avril, vous avez une perte de 3·9?—R. Oui.

D. Tout cela me paraît bien extraordinaire. Pourquoi ces différences sont-elles si considérables?—R. Bien, voyez-vous, vous nous avez permis d'importer des choux au milieu de l'hiver; au milieu de l'hiver, nous n'avions pas de choux du tout pendant un certain temps, vous savez cela, et vous nous avez permis d'importer des choux. Alors, la première chose, c'était libre, on pouvait entrer de l'importation; mais, vu qu'on manquait pas mal de marchandises à ce moment-là, on en a acheté peut-être quatre ou cinq fois plus et, à un moment donné, il se peut que, pendant un bout de temps, on ait été encombré avec.

D. Est-ce la raison qui explique cette perte du mois d'avril?—R. Oui.

M. Lesage:

D. Considérez-vous qu'un profit brut de 43 p. 100 est normal sur les choux? Est-ce que ce n'est pas un peu élevé?—R. Bien, pour trafiquer dans les fruits et les légumes, c'est impossible de prendre une règle précise et de dire: prend 15 ou 20 p. 100, parce que vous ne savez jamais comment vous allez en sortir; c'est impossible de dire: on va prendre un profit de 20, de 30 ou 35 p. 100, comme dans d'autres commerces, parce que l'on a beaucoup de perte et on ne peut pas juger d'avance ce que sera cette perte.

D. Ce qui est important, c'est votre profit brut, sur l'ensemble d'une année? —R. Oui, c'est ça. Voyez-vous, on n'avait pas de choux du tout au mois de janvier; alors vous nous avez permis d'importer; c'était parfait; cela faisait de la nourriture à bon marché pour tout le monde. Maintenant, on va en récolter dans une semaine; alors vous imposez l'embargo; il n'y a rien de mieux que cela, cela travaille à 100 p. 100 pour nous autres.

D. Comme producteurs, vous voulez être protégés?—R. C'est parfait, ça. Vous n'avez qu'à faire comme vous avez fait pour les choux et l'on va nous donner des "tips".

Me Monet:

D. Maintenant, si l'on enquête dans les carottes, c'est la même explication, je présume, que vous donneriez pour le mois d'octobre?

M. LESAGE: Il n'y a rien dans les carottes, c'est la même chose.

Me Monet:

D. C'est la seule période où vous avez eu un pourcentage qui pourrait dépasser un peu la normale; est-ce que vous avez la même explication à donner que celle que vous venez de donner en ce qui concerne les choux?—R. Dans les carottes, c'est la même chose.

D. Alors, je n'ai pas d'autres questions à poser à ce témoin-là.

M. LESAGE: Les oignons, il n'y a rien dans les oignons.

Me MONET: Il n'y a rien dans les oignons, c'est le cas où il y a le moins de majoration.

M. Lesage:

D. Qu'est-ce que c'est cela, "autres revenus", dans l'état financier?

M. VÉZINA: Une partie des entrepôts sont loués à d'autres. Et puis, à part cela, il y a un gain important, c'est le principal montant, il y a le...

Le président suppléant:

D. Les ristournes sur les pertes des compagnies d'assurance, je suppose?—R. Non, c'est qu'il y a $9,000 de loyer d'entrepôt sur $10,000.

Mr. MONET: I have no more questions for this witness.

Mr. MCGREGOR: I would like to ask two or three questions. This item here, other income; has that been explained?

Mr. LESAGE: No, it has not.

Mr. MONET: Pardon me, I didn't get that.

Mr. MCGREGOR: Other income, on the financial statement.

The CHAIRMAN: That is rentals from warehouses.

Mr. MCGREGOR: Rentals from warehouses?

Mr. LESAGE: Yes, $9,000 is warehouse rentals.

M. Lesage:

D. Quelle était la structure en capital en 1944 et en 1947?

M. VÉZINA: En 1947?

M. Lesage:

D. Commencez en 1944, monsieur Vézina.—R. C'est parce que je ne l'ai pas ici. J'ai seulement les états d'opérations, je n'ai pas le bilan, alors je pourrais, simplement de mémoire, vous dire qu'il s'est maintenu aux alentours de $50,000.

Me Monet:

D. Il n'y a pas eu d'augmentation?—R. Non.

(*In English*)

Mr. MCGREGOR: These warehouses are rented?

Mr. LESAGE: They rent space in the warehouses.

Mr. McGREGOR: And this other income is from the space in their warehouses which they rent?

Mr. LESAGE: In their own warehouses, and it amounts to $9,000 of that $10,000.

Mr. McGREGOR: What was their capital setup in 1944 and 1947?

Mr. LESAGE: Around $60,000.

Mr. McGREGOR: In 1944?

Mr. LESAGE: It is about the same, it has not increased at all.

Mr. McGREGOR: There has been no increase?

Mr. LESAGE: No.

Mr. MONET: There has been no increase.

Mr. McGREGOR: The breakdown of that $221,000; has that been shown so that one can read it?

Mr. MONET: Yes, that has been shown.

Mr. McGREGOR: That has been broken down and it is all itemized?

Mr. MONET: Yes, and the $128,000 also—salaries, has been explained; and also the $150,000, increase in the cost of operating has been explained.

Mr. McGREGOR: And they have been put down in detail so that we can read them?

Mr. MONET: Yes.

Mr. MAYHEW: Have you the number of people on salary?

Me Monet:

D. Combien avez-vous d'employés, en tout?

M. BOUDRIAS: Cela varie.

Me Monet:

D. En moyenne, quel est le montant maximum d'employés que vous avez, le montant minimum, à différentes périodes de l'année?—R. Cela peut varier, avec toutes les succursales et les périodes de temps, de 90 à 125.

(*In English*)

Mr. MONET: He says that the total number of employees both for the farm and the wholesale store, and the employees work either in the one or the other, and some of the people work both on the farm and in the store, they run all the way from 125 to 90.

Mr. McGREGOR: From 90 to 125?

Mr. MONET: Yes.

Mr. MAYHEW: So that is all salary, or is there other expense?

Mr. MONET: That is all salary.

Mr. MAYHEW: All salary?

Mr. MONET: Yes.

Mr. LESAGE: And he says, some are fed.

Me Monet:

D. Est-ce qu'ils sont tous à salaire?

M. BOUDRIAS: Oui, ils sont tous à salaire.

Me Monet:

D. Et, pour leurs dépenses de voyage, cela va dans les frais d'exploitation?—R. Oui, les dépenses de voyage, cela va dans les frais d'exploitation; quand on rencontre un client, n'importe quoi...

(*In English*)

Mr. MONET: He says that their salaries always include the gardeners, and when they are out on the road selling and have other expenses those other expenses are put under operating costs.

Mr. MAYHEW: Is there any division between sections of the business?

Me Monet:

D. Pouvez-vous nous dire, d'après la façon dont vous tenez vos livres et votre façon d'opérer, si vous êtes en état d'établir si votre ferme rapporte des bénéfices ou bien si votre magasin en rapporte, ou vice versa, et dans quelle proportion?—R. Pas à venir jusqu'à maintenant, parce qu'on a organisé notre système pour avoir un système de comptabilité complet pour les différentes places rien que dernièrement. Alors, je ne suis pas capable de diviser cela.

(*In English*)

Mr. MONET: He said that not until they were organizing; they have been organizing things since the beginning, and they have not been able up to now to make a complete division as between the farm and the store.

Mr. MAYHEW: And this $150,000, does that include the capital employed, invested in the farm as well as the warehouse and business?

Me Monet:

D. M. Mayhew désire savoir si le montant de $50,000 que vous avez mentionné tout à l'heure... Vous avez compris la question?

M. BOUDRIAS: Oui, monsieur.

(*In English*)

Mr. MONET: He said, yes.

Mr. MCGREGOR: Do they own the farm, the warehouse and everything else?

Mr. MONET: Yes. It started, as the witness described earlier in his evidence, he started this business with his wife and everything has been built up as they have gone along.

Mr. MCGREGOR: Now, in the four years they had a loss of $8,798, and they had a loss of $31,141; that is after taking out their rentals in this here that they got from the warehouse. In other words, on the operation of their business alone they had a loss of $31,142 on sales of $8,750,000.

Me Monet:

D. M. McGregor a fait l'addition des chiffres de vos ventes et il dit que, sur le total de vos ventes, se chiffrant à $8,700,000 en résumé, de par le tableau n° 4, vous auriez fait des pertes d'environ $30,000.

M. LESAGE: Je ne vois pas cela, monsieur le président.

(*In English*)

I cannot see that.

Mr. MONET: I understand that is on the operation of the farms and everything else.

Mr. McGregor: There are two losses. Your losses were $4,270; and then you take credit for the amount you received as rent—$26,000—which leaves you a total loss of $21,000 on the business.

Mr. Lesage: And that is about $13,000 loss; but in two years they made a profit.

Mr. McGregor: That is a total loss of $4,670; then rentals from warehouses amounted to $26,000, which is in the business.

Mr. Mayhew: Apparently we do not know what rental he was charging himself for the warehouse space and what part that forms of this rent received. It is all included in the operations of the business and that is the total loss to date.

Me Monet:

D. Donnez-leur donc l'explication, monsieur Vézina. Avez-vous un mot à dire là-dessus? C'est le temps de le dire.

M. Vézina: Le seul mot d'explication que je vois là-dessus, c'est que, depuis trois ou quatre ans, tout son effort tend à étendre son commerce; alors, il a beaucoup de frais d'exploitation. Je regarde l'an dernier, rien que les frais d'expédition s'élèveraient à...

Le président suppléant:

D. Mais les calculs de M. McGregor vous paraissent-ils exacts?—R. Oui, je crois que c'est pas mal correct.

D. La conclusion qu'il tire, est-ce qu'elle est exacte? Est-ce qu'il est exact, d'après vous, qu'il y ait eu une perte de $31,000?

M. Lesage: Non. pas $31,000, $4,000... Bien, si l'on tient compte des entreposages, mais on ne peut pas en tenir compte.

Le président suppléant:

D. Alors, sans en tenir compte, il y aurait eu une perte de $4,000?

M. Vézina: Oui.

M. Lesage: Oui, mais je crois qu'il faut toujours baser ça sur sa valeur d'augmentation de capital.

M. Boudrias: Maintenant, l'ouvrage que l'on fait et l'ouvrage que les maisons comme nous font, il y en a qui ont mangé des centaines de mille dollars et, nous autres, on essaie de faire cela tout seul.

M. Beaudoin:

D. Sans subvention du Gouvernement?—R. Oui, sans subvention du Gouvernement; et on traite nos hommes et nos habitants le mieux que l'on peut, on cherche à leur donner tout l'argent possible pour leurs produits.

Me Monet:

D. En d'autres termes, vous essayez d'établir un autre marché?—R. Oui, on essaie d'établir un marché qui ne coûte rien ni au gouvernement provincial ni au gouvernement fédéral...

D. En vous contentant de profits raisonnables, même à perte dans certaines occasions, et vous espérez réussir à vous bâtir une affaire qui, un jour, pourra vous rapporter de l'argent?—R. Oui, et qui va bénéficier aussi à bien du monde, de 100 à 150 jardiniers, je peux aller les chercher n'importe quand; et, aujourd'hui pour demain, si j'ai besoin de finance, j'ai rien qu'à me retourner du côté de mes habitants et je vous demande de me donner rien qu'une heure et, dans une heure, ils m'auront donné une lettre de crédit de $100,000. Alors, il ne faut pas que je les aie maltraités, pour cela. Cela me prend rien qu'une heure pour avoir une lettre de crédit de $100,000; c'est parce que je distribue leurs marchandises et que je veux leur ouvrir des marchés pour vendre leurs marchandises. Et nous autres, on ne demande pas d'argent au gouvernement. Vous avez d'autres organisations ici, dans l'Ontario, qui vous coûtent beaucoup d'argent; on vous a demandé des subventions de toutes sortes et on vous en demande tout le temps.

M. Beaudoin:

D. Le gouvernement fédéral n'a pas donné de subventions semblables à des organisations de la province de l'Ontario; c'est le gouvernement provincial.

M. Boudrias: Pour des coopératives. Ce n'est pas mal, je ne les blâme pas, mais...

M. Beaudoin: Ce n'est pas le gouvernement fédéral, c'est le gouvernement provincial de l'Ontario.

M. Boudrias: Oui, c'est le gouvernement provincial, pardon.

M. Lesage: Les octrois pour l'agriculture ne relèvent pas du pouvoir central.

M. Martin: Vous devriez vous adresser à M. Duplessis.

Me Monet: Je n'ai pas d'autres questions à poser au témoin.

M. Boudrias: La manière dont vous avez travaillé l'affaire pour les choux, la minute que vous venez à travailler comme cela dans les autres domaines, cela fait 100 p. 100 l'affaire. On veut bien que le consommateur soit bien traité et on ne demande qu'un peu de protection, on demande que tout soit fait avec justice. Que l'on nous donne un peu de protection comme cela et on sera satisfait.

Le Président Suppléant: Ceci termine votre témoignage et je tiens à vous féliciter, au nom des membres du comité, du zèle que vous avez déployé dans l'édification de votre entreprise. Je constate, comme les autres membres du comité, que vous n'avez réalisé dans cette entreprise que des profits raisonnables et je vous souhaite plein succès.

M. Boudrias: Je vous remercie beaucoup, messieurs.

(*See Appendix for English translation.*)

Arthur Crelinsten, President and General Manager, Crelinsten Fruit Company, Montreal, called and sworn.

By Mr. Monet:

Q. Will you give us your first name, please?—A. Arthur Crelinsten.

Q. Your private address?—A. 5029 Grosvenor Avenue, Westmount.

Q. You are attached to the Crelinsten Fruit Company?—A. I am the president and the general manager.

Q. What is the address of Crelinsten Fruit Company?—A. 1665 Trudel Avenue, Montreal.

Q. Would you tell us when the company started its operations?—A. Crelinsten Fruit Company started in May, 1941.

Q. Before I put any more questions, Mr. Chairman, I would like to file as Exhibit 116, the questionnaire which has been prepared by Mr. Crelinsten. I am now showing you a questionnaire which you have answered and I take it that you accept this as being the information supplied by your company, is that right?—A. Yes sir.

Mr. MONET: This will be filed as Exhibit 116.

EXHIBIT 116: Reply to questionnaire filed by Crelinsten Fruit Company.

Exhibit 116

STATEMENT 1—GENERAL INFORMATION

PRELIMINARY INFORMATION—FRUIT AND VEGETABLE INQUIRY

1. Name of company: Crelinsten Fruit Company.
2. Address of head office: 1665 Trudel Avenue, Room 80.
3. Date commenced business: 1940.
4. Names and addresses of parent, subsidiary and affiliated companies: Crelinsten Cartage, 1665 Trudel Avenue, Room 80; Plymouth Produce Company Ltd., Grand Falls, N.B.; Produce Packaging Company, 500 Cote de Liesse Road; Crelinsten Realties Company, 1665 Trudel Avenue, Room 80; Peerless Fruit Company, 1709 Notre Dame Street West; Richmount Investment Company, 1665 Trudel Avenue, Room 80.
5. Names and addresses of officers and directors or partners: Arthur Crelinsten, President, 1665 Trudel Avenue, Room 80; Russel Crelinsten, Vice-President, 1665 Trudel Avenue, Room 80; Charles Crelinsten, Secretary Treasurer, 1665 Trudel Avenue, Room 80.
6. Location of branches, warehouses and other places of business (including those of subsidiary companies engaged in the fruit and vegetable trade): Crelinsten Cartage, 1665 Trudel Avenue, Room 80; Plymouth Produce Company Ltd., Grand Falls, N.B.; Produce Packaging Company, 1665 Trudel Avenue, Room 80; Peerless Fruit Company, 1709 Notre Dame Street West.

CRELINSTEN FRUIT COMPANY

(1665 Trudel Ave., Montreal)

STATEMENT 2—PRICES

AVERAGE SELLING PRICE

Date	Oranges Calif. 288	Apples B.C. 125-138 McIntosh Fancy	Celery Ont. No. 1	Celery Ont. No. 2	Potatoes P.E.I. Canada No. 1	Tomatoes Ont. hot-house	Cabbage local green	Cabbage imported green	Carrots local No. 1 washed	Carrots imported U.S. No. 1 washed	Onions Ont. No. 1 yellow
	per crate	per box	per crate	per crate	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.
	$ cts.	$ cts.	$ cts.		cts.		cts.	cts.	cts.	cts.	cts.
1947											
October 2..........	4.82	3.45	1.98	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.028
October 9..........	4.83	N.A.	.96	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.032
October 16..........	5.17	3.36	1.83	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.032
October 23..........	N.A.	3.29	1.16	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.032
October 30..........	5.34	3.25	2.51	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.031
November 6..........	4.75	3.18	2.55	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.03
November 13..........	4.82	N.A.	2.22	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
November 20..........	6.30	3.30	2.51	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.045
November 27..........	7.34	N.A.	4.57	N.A.	N.A.	N.A.	.06	N.A.	.043	N.A.	.014
December 4..........	N.A.	3.45	4.31	N.A.	N.A.	N.A.	.06	N.A.	.032	N.A.	.054
December 11..........	5.00	N.A.	4.56	N.A.	N.A.	N.A.	.065	N.A.	.02	N.A.	.05
December 18..........	5.35	3.50	2.35	N.A.	N.A.	N.A.	.085	N.A.	.038	N.A.	.04
December 24..........	N.A.	3.25	1.00	N.A.	N.A.	N.A.	.09	N.A.	.022	N.A.	.045
December 31..........	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.045	N.A.	N.A.
1948											
January 8..........	6.08	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.045	N.A.	.051
January 15..........	5.40	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.05	N.A.	.054
January 22..........	N.A.	3.44	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.049	N.A.	.036
January 29..........	5.40	3.25	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.049	N.A.	.065
February 5..........	5.87	3.25	N.A.	N.A.	N.A.	N.A.	N.A.	.053	.045	N.A.	.076
February 12..........	N.A.	3.50	N.A.	N.A.	N.A.	N.A.	N.A.	.036	.05	N.A.	.082
February 19..........	N.A.	3.65	N.A.	N.A.	N.A.	N.A.	N.A.	.028	N.A.	N.A.	.09
February 26..........	5.00	3.58	N.A.	N.A.	N.A.	N.A.	N.A.	.033	N.A.	N.A.	.087
March 4..........	5.54	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.035	N.A.	N.A.	.084
March 11..........	5.54	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.048	N.A.	N.A.	.084
March 18..........	5.08	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.047	N.A.	.089	.082
March 25..........	5.51	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.054	N.A.	.091	.085
April 1..........	5.67	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.058	N.A.	.089	N.A.
April 8..........	5.64	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.064	N.A.	.087	N.A.
April 15..........	5.00	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.075	N.A.	.089	N.A.
April 22..........	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.078	N.A.	.089	N.A.

CRELINSTEN FRUIT COMPANY

STATEMENT 3—PURCHASES

(1665 Trudel Ave., Montreal)

LAID-DOWN COST OF MOST RECENT PURCHASES—IN CENTS PER POUND

Date	Oranges Calif. 288	Apples B.C. 125-138 McIntosh Fancy	Celery Ont. No. 1	Celery Ont. No. 2	Potatoes P.E.I. Canada No. 1	Tomatoes Ont. hot-house	Cabbage local green	Cabbage imported green	Carrots local No. 1 washed	Carrots imported No. 1 washed	Onions Ont. No. 1 yellow
	per crate	per box	per crate	per crate	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.
	$ cts.	$ cts.	$ cts.				cts.	cts.	cts.	cts.	cts.
1947											
October 2	4.33	3.16	1.85	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.4
October 9	4.77	N.A.	1.85	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.7
October 16	5.06	3.17	1.65	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.4
October 23	N.A.	3.17	1.65	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.6
October 30	5.28	3.17	2.14	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.6
November 6	5.28	3.17	2.14	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.8
November 13	4.27	N.A.	2.14	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
November 20	4.19	3.17	2.14	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.7
November 27	4.37	N.A.	4.24	N.A.	N.A.	N.A.	4.0	N.A.	2.0	N.A.	2.6
December 4	N.A.	3.06	3.37	N.A.	N.A.	N.A.	4.0	N.A.	2.0	N.A.	2.4
December 11	4.27	N.A.	4.33	N.A.	N.A.	N.A.	5.5	N.A.	3.0	N.A.	2.8
December 18	4.12	3.20	2.73	N.A.	N.A.	N.A.	7.0	N.A.	2.0	N.A.	2.5
December 24	N.A.	3.20	2.73	N.A.	N.A.	N.A.	8.0	N.A.	2.0	N.A.	2.9
December 31	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4.3	N.A.	N.A.
1948											
January 8	4.18	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4.3	N.A.	2.8
January 15	4.38	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4.2	N.A.	2.8
January 22	N.A.	3.20	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4.5	N.A.	6.1
January 29	4.23	3.08	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4.0	N.A.	6.1
February 5	4.13	3.20	N.A.	N.A.	N.A.	N.A.	N.A.	4.8	4.5	N.A.	6.1
February 12	N.A.	3.20	N.A.	N.A.	N.A.	N.A.	N.A.	4.4	4.2	N.A.	6.1
February 19	N.A.	3.20	N.A.	N.A.	N.A.	N.A.	N.A.	4.5	N.A.	N.A.	6.1
February 26	4.06	3.20	N.A.	N.A.	N.A.	N.A.	N.A.	3.3	N.A.	N.A.	8.5
March 4	4.61	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.5	N.A.	N.A.	6.1
March 11	4.61	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.6	N.A.	N.A.	8.6
March 18	4.60	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.3	N.A.	8.6	8.6
March 25	4.54	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.8	N.A.	9.0	7.5
April 1	4.80	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4.6	N.A.	8.6	N.A.
April 8	4.80	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	5.3	N.A.	8.4	N.A.
April 15	4.15	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	7.0	N.A.	8.6	N.A.
April 22	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	7.6	N.A.	8.6	N.A.

CRELINSTEN FRUIT COMPANY

FISCAL YEAR ENDING JANUARY 31

—	1941	1942	1943	1944	1945	1946	1947	1948
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts
Sales	142,383.85	560,736.75	1,819,903.90	2,930,947.21	3,539,696.86	4,232,790.45	3,746,613.01	3,988,007.03
Cost of sales	137,077.61	537,375.15	1,751,875.95	2,833,002.76	3,441,700.50	4,096,819.74	3,617,682.92	3,812,295.43
Gross profit	5,306.24	23,361.60	68,027.95	97,944.45	97,996.36	135,970.71	128,930.09	175,711.60
Commissions earned—Miscellanous Income								
Gross revenue	5,306.24	23,361.60	68,027.95	97,944.45	97,996.36	135,970.71	128,930.09	175,711.60
Executive or partners salaries	....	3,780.00	8,337.00	16,360.00	12,998.30	12,480.00	12,480.00	19,680.00
Other salaries and wages	3,050.57	5,505.40	16,093.96	20,273.28	23,868.88	28,379.59	35,619.37	50,477.58
Other operating expenses	2,841.73	10,797.45	38,082.62	45,726.60	54,179,21	69,889.89	64,670.07	76,008.30
Total expenses	5,892.30	20,082.85	62,513.58	82,359.88	91,046.39	110,749.42	112,769.44	146,165.88
Operating profit before income tax	*586.06	3,278.75	5,514.37	15,584.57	6,949.97	25,221.29	16,160.65	29,545.72
Investment Income—								
Interest paid and profit and loss	361.52	4,102.57	7,671.87	6,155.76	2,512.30	4,998.51	2,870.02	4,840.86
Profit before taxes on income	*947.58	*823.82	*2,157.50	9,428.81	4,437.67	20,222.78	13,290.63	24,704.86
Provincial tax on income	....	....	....	3,771.31	1,775.07	8,089.11	5,203.38	10,208.99
Net profit	*947.58	*823.82	*2,157.50	5,657.50	2,662.60	12,133.67	8,087.25	14,495.87
Per cent gross profit to sales	3.76%	4.16%	3.73%	3.34%	2.77%	3.21%	3.44%	4.41%

* Signifies loss.

CRELINSTEN FRUIT COMPANY

Month	Sales	Gross profit	Per cent gross profit to Sales	Com- missions and miscel- laneous income	Operating expenses	Operating profit
	$ cts.	$ cts.	%	$ cts.	$ cts.	$ cts.
1946						
January 21—February 16	208,244.30					
February 18—March 16	188,551.25					
March 18—April 13	312,212.27					
April 15—May 11	341,392.74					
May 13—June 8	350,667:23					
June 10—July 6	446,772.54					
July 8—August 3	465,042.89					
August 5—August 31	301,133.89					
September 2—September 28	235,536.31					
September 30—October 26	241,160.34					
October 28—November 23	213,563.36					
November 25—December 21	229,594.31					
December 23—January 18, 1947	212,741.58					
	3,746,613.01	128,930.09	3·44	....	112,769.44	16,160.65
1947						
January 18—February 15	245,234.68					
February 17—March 15	245,818.83					
March 17—April 12	293,862.21					
April 14—May 10	378,663.85					
May 12—June 7	463,276.88					
June 9—July 5	428,170.59					
July 7—August 2	382,984.85					
August 4—August 30	302,526.54					
September 1—September 27	269,394·52					
September 29—October 25	350,006.56					
October 27-November 22	244,979.81					
November 24—December 20	238,492.29					
December 22—January 17	144,595.42					
	3,988,007.03	175,711.60	4·41	....	146,165.88	29,545.72
1948						
January 19—February 14	207,311.79					
February 16—March 13	187,792 40					
March 15—April 10	278,218.46					

Mr. MONET: I will ask that this be distributed to members of the committee. At the same time they will be supplied with a table which has been prepared for easy comparison of figures, in the same way as the material has been prepared by other witnesses.

By Mr. Monet:

Q. Now, Mr. Crelinsten, is there any parent company or subsidiaries to your company?—A. We have listed them on the form which we sent down. We have given you a list of our affiliated companies.

Q. They are all operated for the benefit of Crelinsten?—A. No, they are all separate corporations.

Q. They are all separate corporations?—A. Yes, sir.

Q. And they are all listed on this exhibit 116?—A. That is correct, sir.

By the Acting Chairman:

Q. Are they all chartered companies?—A. Yes, sir.

By Hon. Mr. Martin:

Q. Is the witness the president of the company?—A. Yes. I am president of the Crelinsten Fruit Company.

By Mr. Monet:

Q. Would you name the presidents of the other affiliated companies?—A. I am the president of every one of them.

Q. Is the bulk of the shares of these companies owned by the Crelinsten Fruit Company?—A. No.

Q. It is not?—A. No.

Q. They are also operated as separate companies?—A. Separate companies under separate charters

Hon. Mr. MARTIN: You mean the companies in Montreal are all separate companies?

The WITNESS: Yes, sir.

Mr. LESAGE: But they are all owned by your company?

The WITNESS: Yes, sir.

By Mr. Monet:

Q. You are the president of each and every one of them?—A. Yes, sir.

Q. And the officers of the Crelinsten Fruit Company are the same officers as are shown for the other companies which are listed here, and you are also the manager and president of each of those companies?—A. No. They are all the same officers.

Q. So we can take it that the officers of the Crelinsten Fruit Company, including yourself as president, are the officers of the other affiliated companies?—A. That is correct.

Mr. MAYHEW: Is the statement attached a consolidated statement of all the companies?

Mr. MONET: I do not think so, we just asked for Crelinsten Fruit Company.

Mr. LESAGE: Have the companies been formed for some time?

The WITNESS: The Crelinsten Fruit Company, as I said before, was formed on May 13, 1941; and then, subsequently, these companies were formed. May I just have a copy of that, please?

Mr. LESAGE: When the corporate income tax was going up?

The WITNESS: That was not the reason for it. If I might explain why we did that, I would be glad to do so if anybody is interested.

Mr. MONET: Do that, please.

The WITNESS: Our firm, Crelinsten & Sons, started in 1918, and we developed to a quite extensive business which included real estate, and then we had two semi-trailers operating between New York and Montreal. In 1937, we got into financial difficulties and we had to reorganize, and in the light of that experience I made up my mind that the Crelinsten Fruit Company, the company operating the produce business, would never handle anything other than liquid capital. I did not want to have any frozen assets to get us into the position in which we found ourselves in 1937, again. As I said, we had too much of our capital tied up in frozen assets bought for the purpose of the business. We then decided that our new organization would be made up of units each of which would operate within its own capital, and each of these companies was formed separately.

By Mr. Monet:

Q. And these companies, as I understand, all do the same kind of business, they are engaged in fruits and vegetables?—A. Well, if I can give one word more of explanation—

I wish you would. This is the proper time.—A. My advisers in this particular instance were our accountants, Messrs. Laurenz Belanger and associates.

Q. And all these companies were operating the same trade, fruits and vegetables?—A. No.

Q. You have listed them all on your statement?—A. Yes.

Q. Would you tell us which of the ones are operating in fruits and vegetables?—A. The Plymouth Produce Company is operating in Grand Falls as a potato shipping company. It handles the carload potato business. The Produce Packaging Company, organized about a year ago, was organized for the purpose of developing a consumer package on tomatoes—a cellophane wrapper package—which has been in operation since we started the program, but now it cannot get tomatoes. The Peerless Fruit Company—

Mr. MAYHEW: What about the Crelinsten Realties Company?

The WITNESS: You ask me about those engaged in the produce business. I will explain them all. The Crelinsten Realty Company was a company organized for the purpose of building the plant for the Produce Packaging Company which is located at 500 Cote de Liesse Road.

Mr. MAYHEW: Was that holding company organized to handle the real estate end of your business?

The WITNESS: No, it is a separate company. I might go back to the first one then and tell you about the Crelinsten Cartage. It handles the cartage and supplies trucking and delivery service for our entire operations, and they handle the cartage for the Crelinsten Fruit Company and all other operations we have.

Mr. MAYHEW: Does it do any outside business as well?

The WITNESS: No, Crelinsten Cartage handles cartage and deliveries from Crelinsten Fruit and the other companies.

Mr. FLEMING: They do not do any outside business?

The WITNESS: No.

Mr. FLEMING: You are not common carriers, in other words?

The WITNESS: They are not common carriers. They are contract carriers. We have a licence from the Quebec provincial authorities as contracting carriers for provincial operations.

Mr. MAYHEW: Do they make a profit?

The WITNESS: Yes, sir. The Peerless Fruit Company is a company which handles imported produce, and that company has not been operating since November 17, because their business was entirely imported merchandise, special items from New York City, Boston and Florida—highly perishable commodities which are now excluded under the ban, so we are not operating at present.

Mr. LESAGE: When it was operating was it selling produce to Crelinsten Fruit?

The WITNESS: No, this company was selling to the retail trade in the city of Montreal and to the chain stores.

Hon. Mr. MARTIN: It is not operating now at all?

The WITNESS: No, sir.

Mr. MAYHEW: But they did make profits up until November 17?

The WITNESS: Yes.

Mr. FLEMING: You mean they went out of operation when the embargo was placed on?

The WITNESS: They ceased operating. They could not get the merchandise as it was all imported merchandise.

Mr. MAYHEW: But you would still have the quota to which you were entitled, would you not?

The WITNESS: Yes, they could get their quota; but, unfortunately—

Mr. MAYHEW: Did you take over their quotas?

The WITNESS: No. Unfortunately the Department of Agriculture has a ruling in which they say that you are supposed to bring in three commodities in each truckload. In other words, you could not contract for one commodity and it has been extremely difficult to assemble a shipment out of New York; so this company is not operating, and as our quota was very small because demands were mostly for special items—they included such things as oranges, grapefruit and highly perishable merchandise.

Mr. KUHL: Is that a dominion or provincial regulation?

The WITNESS: That is dominion.

Mr. FLEMING: How long has it been in effect, to your knowledge?

The WITNESS: I should think about eight months.

Mr. FLEMING: So it actually went into effect about the same time as the ceiling?

The WITNESS: About the same time.

Mr. KUHL: What is the exact nature of that regulation which says that you have to have three items in a load?

The WITNESS: In the amended regulations which they put into force at the outbreak of the war—previous to that we were allowed to buy rolling cars, and a rolling car—perhaps you gentlemen are not familiar with that—say a car of merchandise could not be disposed of at shipping point—for instance, the growers in California in the Imperial valley might start 200 cars of produce rolling to a certain central delivery point and when the cars got there let us say they would only find a market or a sale for 150 of them and the other 50 would start rolling a certain distance east to points in the United States and Canada. Previous to the war we could buy a car of merchandise two or three days away from Montreal. When the war started they put in a law prohibiting that continuing. They said it tied up too many refrigerator cars, so we had to buy all our merchandise at shipping point whereas we used to be able to order say 25 hours after the car had been shipped. Well, that more or less gave the trucking industry, or the people handling the trucking business a great edge over the car lot dealers, because the trucks would be able to buy at New York into the Canadian markets and would be able to hurt the direct price because the market under those conditions fluctuated very greatly; so the Canadian Wholesale Fruit Association asked the Department of Agriculture to put through a law that in the intermediate market you were not allowed to bring in any truckloads unless you had, at first it was 5 commodities, and when the embargo came on they changed that to 3 commodities. Is that clear?

The ACTING CHAIRMAN: We will adjourn until 4 o'clock.

Hon. Mr. MARTIN: There will be a meeting of the steering committee at 3.30.

The committee adjourned to meet again today at 4 p.m.

AFTERNOON SESSION

The committee resumed at 4 p.m.

The CHAIRMAN: All right, Mr. Monet.

Arthur Crelinsten, President and General Manager, Crelinsten Fruit Company, recalled:

By Mr. Monet:

Q. Mr. Crelinsten, I think you had reached the last subsidiary company mentioned on statement 1, exhibit 116, the Richmount Investment Company. Would you tell the members of the committee what that company brought in? —A. The Peerless Fruit Company is located in a building in the heart of the produce district, and one of our competitors was trying to buy the building, so we organized the Richmount Investment Company and bought that building this last January.

Q. And what are its operations?—A. Just a realty company.

Q. Just a realty company?—A. That is right.

Q. I also notice on this statement No. 1 that you have a certain number of branches?—A. Certain what?

Q. A certain number of branches or warehouses, the Crelinsten Cartage Company. What is that?—A. I explained that was a company which handles the trucking for all our operations.

Q. And the explanation you gave about the Plymouth Produce Company and the Produce Packaging Company and the Peerless Fruit Company refers to your branches or warehouses?—A. That is right.

By Mr. Lesage:

Q. Before you leave that page in paragraph No. 5 you have the names and addresses of officers and directors or partners. You do not all live in room 80? —A. No, that is our office; that is the office in the Produce Terminal Building at 1665 Trudel.

Q. You do not live there?—A. No, we do not.

By Mr. Monet:

Q. I understand you have said that you are the president of all of these companies?—A. Yes.

Q. And the directors are the same for every one of them?—A. That is correct.

Q. Mr. Russel Crelinsten is the vice president; is he any relation of yours? —A. My brother.

Q. And Charles Crelinsten?—A. He is also my brother.

Q. So it is you as president and your two brothers as vice president and secretary treasurer of the Crelinsten Fruit Company, and all the other companies affiliated are subsidiaries of the Crelinsten Fruit Company?—A. That is correct.

By Mr. Lesage:

Q. Are you the only shareholders?—A. Yes.

By Mr. Monet:

Q. Now, Mr. Crelinsten, you have been asked to answer a certain number of questions put in a questionnaire only as far as the Crelinsten Fruit Company is concerned.—A. That is right.

Q. From now on my questions will deal only with the Crelinsten Fruit Company. Would you give the members of the committee the nature of the operations of the Crelinsten Fruit Company? What does that company deal with?—A. We are engaged in the general fruit and produce business in the capacity of carload distributors and wholesale dealers.

Q. Only in fruits and vegetables, or any other produce?—A. That is all.

Q. Just in fruits and vegetables?—A. That is right.

Q. I suppose that you deal both in domestic and imported fruits and vegetables?—A. That is correct.

Q. Can you give the proportion of your dealings as between imported and domestic produce?—A. Based on our turnover I would say imported fruits and produce comprise at least 90 per cent of our total business.

Q. You say importations?—A. That is right.

Q. Would be 90 per cent?—A. That is right.

Mr. MAYBANK: In this case does importation mean from a foreign country?

Mr. MONET: That is what I was going to ask.

By Mr. Monet:

Q. When you refer to importation, it has been said here that sometimes in this fruit and vegetable business you use the word "importation" as from one province to another. Do you mean importation from foreign countries or from one province to another?—A. From foreign countries.

Q. So that only about 10 per cent of your dealings would be with domestic produce, meaning Canadian produce?—A. Yes.

Q. And 90 per cent from foreign countries?—A. That is correct.

Q. Now, as to the domestic produce do you store any of the domestic produce, or do you purchase it outright and sell it as soon as you purchase it? —A. We purchase practically all of our merchandise and dispose of it just as quickly as the market will take it.

Q. Do you store any domestic produce?—A. We might unload some merchandise in order to save demurrage charges, or keep it in good condition, but take it out just as soon as we have a sale for it.

Q. How long could that be?—A. I would say the most that we would have anything on hand would be anywhere from three or four days to possibly, on a commodity like apples or pears or California grapes, three or four weeks.

Q. Would that be just for those fruits you have just mentioned?—A. That is correct.

Q. Dealing with domestic produce you would not carry in storage any large quantity of vegetables or local fruits?—A. Practically none.

By Mr. Thatcher:

Q. I wonder if you would enlarge on that. I do not understand why in your business 90 per cent of the produce would be imported on these particular items. I wonder if the witness could give us an explanation why it is so high.

Mr. MAYBANK: These items that are dealt with on statement 2?

Mr. THATCHER: Apples and celery and potatoes. You would think those things could be produced locally, and I wonder why such a large percentage would be imported.

The WITNESS: I agree with you, but I qualify it by stating that of our volume, which is approximately $4,000,000, 10 per cent of that is domestic, which is $400,000. Now, our volume of sales of domestic vegetables consists of carrots, cabbage, celery, apples, and would not run over possibly $300,000 or $400,000.

Q. Most of your business is like a specialty business, oranges?—A. No, not specialty; I believe we handle the most complete line of fruits and vegetables of anybody in Montreal, but our source of supply the greatest part of the year is from the United States.

Q. And has to be, does it?—A. That is correct.

Q. You have no opportunity of buying most of it locally?—A. In certain seasons, you see.

By Mr. Monet:

Q. Mr. Crelinsten, while we are on the subject, to follow up the question, out of the total of close to $4,000,000 for your last fiscal year why is it that you did not handle more domestic produce than you say you did? Most of the other companies that have appeared here have had larger dealings in domestic produce than you seem to have had. Would there be any special reason?—A. To start with, if you would not mind me taking a few minutes to give you a clear picture on it, some of the houses you have investigated here were from Toronto, which is the heart of the celery district in so far as eastern Canada is concerned. In addition to that on account of the proximity to Toronto of the Niagara fruit belt, which is the fruit producing section in Canada for eastern Canada, they would get a greater proportion of that merchandise than we would. When you examined Mr. Boudrias this morning he is in the capacity of a grower. As to Parent, Goyer, while they do an extensive business, theirs is primarily an import and jobbing business, and I have stated that our business was general produce, carload distributors and wholesale dealers. You have not got very much scope to distribute Ontario small fruits because the shippers handle that themselves. We do not speculate on Canadian celery. For that reason that has been a very small deal of ours. To give you an illustration I had my office manager take off some figures for me, and on November 17 our stock on hand of Ontario celery was 39 boxes. Our stock on hand of domestic onions was 584 bags. Our stock on hand of Canadian carrots was none, and our stock on hand of domestic cabbage was none.

By Mr. Maybank:

Q. There is nothing unusual about that on November 17 from other times?—A. That is correct, because we do not deal extensively in those commodities.

By Mr. Thatcher:

Q. In view of the restrictions I suppose your business will be more domestic than it was formerly, in percentage?—A. Well, our business since the restrictions were put in force has been cut down approximately 75 per cent.

Q. But the domestic proportion of your business will be greater?—A. Sure, because if we had $400,000 against $1,000,000 it would run about 40 per cent.

By the Chairman:

Q. Did you read the brief of the vegetable producers association?—A. No, sir; you mean Mr. Robinson?

Q. Yes.—A. No.

By Mr. Thatcher:

Q. Did you say your business has been cut down 75 per cent?—A. Yes, sir.

Q. By the restrictions?—A. Yes, sir.

The CHAIRMAN: That is why I asked him if he had read the vegetable producers association brief. It might be worth while, Mr. Monet, if the witness could have that over night and be asked his opinion.

The WITNESS: Well, I have an idea of what Mr. Robinson might have said even without reading it.

By the Chairman:

Q. Do you agree with what he might have said?—A. Well, I will put it this way, there are certain periods of the year when the Canadian producer can supply the Canadian market with a certain proportion of certain varieties of fresh fruits and vegetables.

Q. Apart from things like oranges, can he not produce everything that is necessary to health?—A. No; I will tell you why, because we have not got the climatic conditions here to do that.

Q. I may say you disagree with the nutritionists of the Department of Health and Welfare?—A. I would not say I disagree. I am not a qualified nutritionist.

By Mr. Monet:

Q. Now, in the domestic handling of goods do you purchase them outright or do you sell them on a commission basis?—A. Ours I would say is 99 per cent purchased outright.

Q. That would be 99 per cent of the 10 per cent?—A. That is correct.

Q. So that we can take it you do not deal on a commission basis at all?—A. That is correct.

Q. Now, to whom do you sell the goods that you import or your domestic produce that you purchase outright? To whom do you distribute that produce?—A. You are confining yourself to domestic now?

Q. Both of them, all your operations?—A. Well, our operations, as I have said before, are as carload distributors and jobbers. In the capacity of carload distributors we sell at one time or another to practically every market from Ontario right down to Prince Edward Island, and in the United States at times we sell to a great variety of the American cities. In addition to that, in our capacity as wholesale dealers we sell all the general stores in the city of Montreal, part of their supplies and we cater to about 400 or 500 retail stores plus about 40 or 50 truck jobbers.

By Mr. Maybank:

Q. Do the words "carload distributor" mean one who endeavours to sell a carload lot at a time, or one who buys a carload lot and sells it in different places?—A. A carload distributor is one who sells it in carload lots. In other words the business of carload lot distributors is that of buying by the carload and selling by the carload both.

Q. In that case the nature of the business is to get a car and without handling it in any way to dispose of the same car loads, generally speaking?—A. Well, when you say without handling I assume you mean without breaking it up. There is a considerable amount of handling in disposing of a carload. I mean, you have to negotiate your sale and where to place it and there is much work of a different nature.

Q. I mean there is not a physical handling of the contents of the car?—A. That is right.

Q. I appreciate you would have to negotiate and do all that sort of thing?—A. That is right.

By Mr. Monet:

Q. Now I would like you to turn to statement 4 of Exhibit 116. Mr. Chairman, I notice this does not bear the heading "Statement 4". In here they set out statement 1, statement 2, and statement 3, but I just noticed that statement 4 has not been put there. Witness, I understand your fiscal year ends on January 31.—A. Yes.

Q. So that the figures we see on the last column under the year 1948, that would be actually 1947?—A. Yes.

Q. And including January, 1948?—A. That is correct.

Q. Would you give the members of the committee the volume in dollars of your sales for the year 1941?—A. $142,383.

Q. Then, of course, as you said this morning this includes only the operation of the Crelinsten Fruit Company?—A. That is correct. That is also from the 15th of May. As I explained this morning, the Crelinsten Fruit Company was organized on the 15th of May.

Q. And all the figures are for the Crelinsten Fruit Company and have nothing to do with subsidiary companies?—A. That is correct.

Q. Will you give the total amount for 1948?—A. $3,988,007.

Q. By the comparison of those two figures you have just given one can see that the business of your company in sales hás increased by something like seventy-five times in this period of seven years.

By Mr. Maybank:

Q. Hardly that. I understand that in 1941 the figure did not represent the whole year?—A. No, because we started business on May 15.

Q. Well, from May to January 31 is not twelve months?—A. No, it is half a year.

Q. We have left out of the first year the months of February, March and April, therefore the $142,383 would appear to be three-quarters of a year's business?—A. Yes, sir.

Mr. McGregor: Why not take it for 1942?

Mr. Fleming: Would it not be fair to take it for the first complete year?

By Mr. Monet:

Q. In 1948 I see that your operating profits before income tax were $29,545.72?—A. That is correct.

Q. And I also notice under the heading of "Executive or partners' salaries" that there has been an increase of a little over $7,000 as between the years 1947 and 1948. Now, would you tell the members of the committee how many executive or partners' salaries were raised to account for this increase?—A. The increase in the executive salaries was only one, mine.

Q. Just your salary?—A. Yes.

Q. So in 1948 you did increase your salary at a little over $7,000?—A. It wasn't an increase, but was a bonus given on account of the year's operation.

Q. Why did you feel like taking a bonus that year? I understood you to say a few moments ago your operation was of lesser volume than the year before?—A. No, I said after November 17, due to the ban, the volume had dropped.

Q. How do you account for taking a raise of a little over $7,000?—A. The directors, who happened to be my brothers but nevertheless they are the directors, in their opinion they figured I was entitled to a bonus on the year's operation considering the small salary I have been drawing.

Q. And they voted to raise your salary by $7,000?—A. That is right.

By Mr. Fleming:

Q. Was it raised in salary?—A. No, it was a bonus.

Q. I asked you that because you seemed to assent to Mr. Monet's last question. He asked you about a raise in salary?—A. I corrected him and said that that was not a raise in salary but a bonus.

Q. And you are on the same salary that you were a year ago?—A. Yes.

By Mr. Monet:

Q. Now, according to the questions in the questionnaire, it was mentioned as a salary, but you corrected that and you say it is a bonus?—A. That is right.

By Mr. Maybank:

Q. I suppose from the point of view of income tax it is a salary?—A. I have to declare it as a salary.

Mr. FLEMING: The point is as to whether it would be continuing.

By Mr. Maybank:

Q. That is right. You may not get the $7,000 at the end of 1949?—A. I do not expect to get it. I hope so.

By Mr. Monet:

Q. Now, coming to the next item, "Other salaries and wages". I see there is an increase of close to $15,000 between 1947 and 1948?—A. The exact figures I had my office manager put down is an increase of $11,338.23.

Q. So that the figure given here on this statement is not correct?—A. That is correct.

Q. You have for other salaries and wages for 1947, $35,619.—A. I am sorry. I was looking at something else. Which one do you refer to?

Q. "Other salaries and wages" right below, "Executive or partners salaries". Between 1947 and 1948 there is an increase of fifteen thousand, eight hundred and something.—A. That is taken care of by the fact that there were increases in salary throughout our entire staff.

Q. How many employees have you got?—A. Twenty-five.

Q. There was no increase of employees during the last year?—A. We might have taken on some employees.

Q. Then it would be either that you have a larger number of employees or a raise in the salary of former employees?—A. That is correct.

Q. Now, in other operating expenses there is a difference of close to $12,000. Will you tell the members of the committee what accounts for this?—A. Yes, I asked my office manager to give me the figures on that and it is accounted for in this manner: $5,195.84 is an increase in cartage; $1,971.52 is an increase in advertising and charitable donations; $1,964.81 is an increase in our telephone bill; $1,353.69 is an increase in our stationery and printing; $393.76 is an increase in postage and excise, and $458.61 are accounted for in the matter of general expenses such as unemployment insurance, taxes and smaller disbursements like that, which make up a total of $11,338.23.

The CHAIRMAN: I am glad that you referred to taxes as small disbursements and things like that.

Mr. FLEMING: These would not be Dominoin taxes, would they?

The CHAIRMAN: I was quite sure, Mr. Fleming, that you could not resist making an observation on income tax.

Mr. FLEMING: We are very allergic to the subject of income tax.

By Mr. Monet:

Q. The operating profit for 1948 was $29,545.72?—A. That is correct.

Q. Would it also be correct to say that this operating profit before income tax of 1948, or rather for the last fiscal year, was the highest operating profit in the history of the company?—A. By a very small margin because in 1946 we made about $4,000 more.

Q. But still it is the highest?—A. That is correct.

Q. It is a little over $13,000 with regard to the previous year?—A. That is correct.

Q. Before leaving this statement I also see that your gross profits to sale is 4·41 per cent?—A. That is correct.

Q. Which is also the largest gross profit to sales made by your company since its inception?—A. That is correct.

Q. Before turning to statement 5 would you tell the members of the committee if you did receive any bonuses from all the other companies that you are president of?—A. No.

By Mr. Thatcher:

Q. Before you leave that page I should like to ask one question. This page says that the gross profits to sales was 4·41 per cent. I would like to know the invested capital again of the business and relate the profits to the invested capital. Can you give me that?—A. I could, Mr. Thatcher, but I would like to ask you to not insist on that because I would very much dislike to have our competitors know too much about us. If you insist I have no alternative but to give you this.

By Mr. Maybank:

Q. This being a private company?—A. Yes. As a matter of fact, my own views, which might differ from yours, is that the question of capital investment in our business really is not a factor. The factor is the amount of volume that you do and the amount of credit that you can secure.

By Mr. Thatcher:

Q. I do not want to embarrass you. Other witnesses have answered that question. The only thing I would like to know is whether you made $29,545 on a small capital or on a large capital investment. I think that is of some relevance?—A. Again, I say, Mr. Thatcher, I do not want to be at variance with you, but I really would appreciate your not asking me as to whether it is a small or large capital for the very reason that I have explained. Now, in our business I have seen firms who had a half-million dollars in that business and they wound up by losing $100,000. I have seen firms that do not have five cents. As a matter of fact, in 1941, when we started, I could have gotten from our connections in the United States without any difficulty a quarter of a million dollars with which to do business, so the amount of capital investment in the produce business I do not believe is material, and I would appreciate it if you would not insist on my divulging that.

Mr. THATCHER: I will not insist, but I would like it.

By Mr. Fleming:

Q. The next highest year to 1948 in terms of per cent of gross profit to sales was 1942, 4·16 per cent?—A. That is right.

Q. Have you any comment on that at all, Mr. Crelinsten?—A. Well, I cannot remember that far back. I am very sorry.

Q. I just wondered if there is any particular comment on it?—A. No, I cannot remember that far back.

Mr. MCGREGOR: Could you put on the record a complete breakdown of this one item here, other operating expenses?

Mr. MONET: The one for 1948, $76,000?

Mr. MCGREGOR: Yes.

Mr. MONET: Do you want a breakdown for every year?

Mr. McGregor: Say the last two years.

By Mr. Monet:

Q. Could you give that breakdown of other operating expenses?—A. I cannot give it now, I have not got it with me.

Q. Could you supply the members of the committee with the information?—A. I believe I could.

Q. Have it sent down to me for those last two years, 1947 and 1948.—A. What was it, exactly, you wanted?

Q. The two fiscal years ending January 31, 1947 and 1948, for other operating expenses—that is what you want, Mr. McGregor?

Mr. McGregor: Yes.

The Witness: It would be for 1946 and 1947 because our year ends—it is the last two you want?

Mr. Monet: Yes.

The Witness: You want a breakdown of other operating expenses.

Mr. Maybank: Just on that point, we have had letters similar to that come back at times. What has been the policy, has the information been read into the record?

Mr. Monet: Well, in the butter investigation there were a few read at the end of the last session of the butter investigation. I read them into the record.

Mr. Maybank: We have not asked for very many.

Mr. Monet: This is the second one in this inquiry. We have requested Mr. McCallum of Winnipeg to send one.

Mr. Maybank: It would be read into the record when it comes back?

Mr. Monet: That is what I intend to do, so far as I am concerned.

By Mr. Monet:

Q. Would you turn to page 5 and explain to the members of the committee why you did not supply counsel with the information requested as to monthly operations for 1946 and 1947 and the first three months of 1948?—A. Well, as you will notice, our approximate turnover per month is about $370,000. Now, in order to have that turnover we have fifty to seventy-five carloads of merchandise rolling from various points in the United States all the time, California, Texas and Florida. We cannot determine at the end of the month what the value of those will be. If we started to take off a monthly statement, by the time this merchandise came in our figures might be so many thousands of dollars better off or so many thousands of dollars worse off. We have never taken such a statement off because we never found it of any benefit to us in judging our business.

Q. So, it is impossible for you to do so because of your system of accounting?—A. Well, you see, it would give you a distorted picture because if we took in our rolling inventory at a certain figure, there might be a variance of 15,000, 20,000 or 30,000 dollars in it.

By Mr. Thatcher:

Q. Mr. Crelinsten, could you estimate or could you make any guess as to how much of the profit you made came after the ban, between November 15 and the end of the year? One company which was before us suggested a very large portion of their profits last year came in that period. Would the same be true of your company?—A. No, I can give you an idea. As a matter of fact, we were one of the rare companies that really suffered after the ban because we had 25 carloads of California grapes bought. Twelve of them were paid for.

We had difficulty in getting them and we spent considerable money in getting them in. Those six cars we got in made us about $3,000 but the six cars we had to dispose of in the United States lost us about $10,000, plus the loss we took on the other 12 cars.

Our profit in the year 1947 was made on a few deals last March and April. The tomato market, the imported tomato market was very good. The Texas crop was late and the Florida crop was through. Cuba had a poor season on tomatoes. It was a continuous advancing market as we bought and it showed a nice profit.

Q. Are you telling the committee you did not make any undue profits in the latter part of November and December?—A. That is correct.

Mr. MAYBANK: They were one of the few companies who were hurt by it.

The WITNESS: It is easy to see.

Mr. THATCHER: I take your word for it.

The WITNESS: I mentioned we had 39 crates of celery. One firm testified they made $60,000 in celery. We could not make any money on celery. We had no carrots; we had no cabbage. Our business and our overhead were geared up to handling $350,000 a month in business and we were shut right off. We did not have the domestic stuff.

By Mr. Thatcher:

Q. When Mr. Robinson was here he was quite bitter, it seemed to me, about some wholesalers who refused to buy domestic produce. It seems to me to get back to that again, there might be some way by which companies such as yours could buy more on the domestic market. Would you not be subject to some of the criticism Mr. Robinson made?—A. Definitely not, and I will explain it to you. I will give you a picture of the Montreal market because I do not know Toronto. I never operated there. In Montreal, we have the Bonsecours market which is a farmers' market. In Toronto, practice is for the growers to take their produce to the commission house. They sell it for the growers. The practice in Montreal is, with the exception of Mr. Paul Boudrias who does merchandising, all the other farmers go down to the Bonsecours market and sell direct to the retail stores. This eliminates our operation during the domestic season so far as Montreal is concerned.

Now, Mr. Robinson is talking about Ontario—

Q. That is a different situation?—A. That is a different situation. Another thing; firms like ours or any other firm do not import competitive commodities with the domestic market. I will tell you why. In all markets, the consumer will pay 5 to 10 cents a pound more for domestic tomatoes when they are available than for the competitive American tomatoes. So, from a purely business point of view, to try to save our losses, we try to catch the proper time to discontinue American imports.

Q. Have you any cold storage facilities at all?—A. Personally?

Q. Yes?—A. No.

Q. You would not be able to get storage facilities and store some of this celery, tomatoes and things bought locally?—A. You cannot store tomatoes. So far as celery is concerned, I have never yet seen where any domestic celery can be kept much longer than about the 1st of January and be kept in good condition. If there is some, it would not be a very large quantity. Ontario does produce terrifically good celery during its season but so does Montreal. Beyond January, we have always depended—I am talking about our firm—on imported celery. If we did have storage facilities, we still could not prolong the life of the Ontario celery.

So far as carrots are concerned, we do not have to store them. As Mr. Boudrias told you this morning, all farmers in the province of Quebec can produce better carrots than the province of Ontario and produce them in sufficiently large quantities that we do not have to buy in advance. We can always buy from a grower. There are really very few commodities.

So far as British Columbia apples are concerned, the B.C. Tree Fruits have laid down a policy they will not supply anybody more than he can sell immediately because they do not want us to store them. They want us to deliver fresh apples to the retail stores so they will arrive for the consumer in good condition. There really is no opportunity for storing, so far as Montreal is concerned.

Q. What apples you sell would be domestic?—A. Except, in past years, during the latter part of June and July. We would have to depend on imported apples because there are no domestic then.

By Mr. Monet:

Q. You referred a minute ago to the Bonsecours market. Would what you have said also be true of the Atwater and St. Lawrence markets?—A. Those are retail markets.

Q. The Bonsecours market is not?—A. No.

Q. The Atwater market is a retail market?—A. It is not a very important market.

Q. The Atwater and St. Lawrence markets are retail markets?—A. It is not very important. I am not going to quarrel with you about it.

Q. When you referred to Bonsecours market you said many people purchase produce there. You seemed to give that as a reason why you could not handle domestic produce?—A. That is right.

Q. What would be the percentage of the domestic produce purchased by Montreal consumers on the Bonsecours market?—A. I did not say the consumer bought it. I was pointing out that the wholesale houses in Toronto handle domestic produce. Then, I was pointing out to you that in Montreal the retailer, I did not mean the housewife when I said the retailer, I meant the man who runs the retail store, the retailer goes on the Bonsecours market and buys direct from the farmer, thereby eliminating all the commission or our speculative profit if we buy from him to try and resell.

Q. What would you set the percentage at?—A. Conservatively speaking, 90 per cent of the home grown vegetables grown around the island of Montreal are sold direct from the farmers to the retail outlets.

Q. On the Bonsecours market?—A. Well, using that as their outlet. In other words, they might take an order from a buyer and deliver it right from the farm.

Q. When you speak of the Bonsecours market, do you mean the wholesalers that are dealing on the Bonsecours market?—A. No, the farmers' market.

Mr. LESAGE: I think the set-up is exactly the same in Quebec city, Mr. Monet.

By Mr. Monet:

Q. You say 90 per cent would be sold to retailers, taking that much business away from the wholesalers in the city of Montreal?—A. I am not saying they are taking it away; we are not entitled to it. We do not do anything for it.

Q. That is what I want to find out.—A. That is what I am explaining. We do not perform any service. We are not entitled to it.

By Mr. Thatcher:

Q. May I ask one more question? When Mr. Robinson was here he suggested, Mr. Crelinsten, that some of the dealers who were handling American goods primarily guessed badly in the past year and had to destroy several carloads of produce. Your company would not have been one of those?—A. Not only would our company not have been one of those, but if you will allow me the privilege I would like to point out to this board that there is very, very little if any American produce gone bad due to the receiver's guess on the wrong date of domestic stuff coming in.

Q. Then you would say that Mr. Robinson was wrong in that allegation?—A. I would say that his information was a little inaccurate.

By Mr. Monet:

Q. Now, you say that you estimate your profits for the last four months to be lower than the corresponding four months of last year?—A. Well, I have not compared them for the last year. What I did say was that I did not attribute our profit in 1947, to the profit made in the last four months in the time of the restriction program, but I attribute that profit to the fact that we had an excellent tomato deal during the months of March, April and May, and in addition to that we had several other very profitable deals, and that profit after November was not abnormal as far as our company was concerned; if any, it would be either smaller or a little less.

Q. I see by the four last months that your volume in sales since December 20 has been less than the corresponding four months last year?—A. I haven't looked at that.

Q. Will you look at it?

Mr. WINTERS: It is not down anything like 75 per cent.

The WITNESS: Well, on November 17, we still had considerable merchandise going.

Mr. WINTERS: This gives your volume for March 13?

The WITNESS: That is right.

By Mr. Monet:

Q. So the volume has come down?—A. Yes.

Q. Would you be able to tell us if you can give an estimate as to your profits in percentage for these four months?—A. No, that would be very difficult.

Q. Would you be able to tell the committee why you estimate they will be higher than the corresponding months of last year in spite of the lesser volume?—A. No, I would not care to do that. It would only be a guess, and that would be a very dangerous guess for me to take.

Q. You say it is impossible to give it? All the other witnesses who have come here have shown a larger profit for the last four months and that is the reason why we asked to have the monthly statement. You stated you could not give a monthly statement, but every other witness who could not supply a monthly statement has agreed I think that they made a larger profit than the corresponding months of the preceding year. Can you answer my question now, whether you estimate that you will or will not make larger profits for the last four months as compared to last year?—A. I do not think we will make as much now that you have mentioned it. Yes, I recall quite well a year ago that we had a very, very successful deal which made us considerable money again on tomatoes, and I notice these past three months will not show as good a margin as the corresponding periods have.

Q. Would you be able to supply the members of the committee with those figures?—A. No. As I told you, it is because it is not based on figures, it is based on my recollection of certain deals.

Q. And you could not give it?—A. No.

Mr. MCGREGOR: All the others with the exception of one gave us those figures.

Mr. MONET: And that is on the record, and one of my questions to the witness—

Mr. THATCHER: I think they are probably up.

The WITNESS: Mr. Parent did not have them, and Mr. Boudrias didn't have them, and the B.C. Growers were not able to give them to you. It all depends on the type of bookkeeping you set up to handle that.

Mr. McGREGOR: We have them all with the exception of Atlantic Fruit.

Mr. MONET: I think there were two or three who did not keep a monthly statement, and I think there was only one who did not give the monthly profit.

The WITNESS: He gave a guess, and I have given you a guess.

Mr. MONET: What would be your guess?

The WITNESS: I would say it would not be as much as last year.

By Mr. Monet:

Q. If there were any difference would it be more, or less?—A. I would not care to venture on that.

Q. Would you care to make a guess on that?

Mr. LESAGE: There would not be much difference between the two of them.

Mr. THATCHER: And what difference there would be would be more.

Mr. LESAGE: It would show up to the end of the year anyway.

Mr. MONET: Would it show up to the end of the year, or at the end of the month?

The WITNESS: No.

Mr. THATCHER: Is it not a fact that it would be more if there was a difference?

The WITNESS: I would not agree with that.

The CHAIRMAN: Why would it not show up at the end of the month?

The WITNESS: We do not take off monthly statements.

By Mr. Monet:

Q. Would you refer to your statement No. 2—

By Mr. Winters:

Q. Just before you leave that statement 5, Mr, Crelinsten said that the embargo was placed on the importation of goods and his business dropped by 75 per cent. These figures up to the end of April 10, do not seem to bear that out. I wonder if you would draw that out a little more?—A. Yes. I can explain that. When I said our business dropped, I did not mean overnight that it dropped 75 per cent, because, as I explained a little while previously, our carloading requirements are anywhere from 50 to 75 carloads of merchandise—

Q. What you actually meant I think was April 7.—A. No. In addition to that possibly we were a little optimistic and we did not think that the restrictions would continue as drastically as they did and we used up our quota very fast. The same thing has happened now for the balance of the month of May and for the whole of the month of June all that we have left in our quota to buy citrus fruits—which includes oranges, lemons and grapefruit—the last time I looked at the balance it was \$3,000. That means that our total volume of oranges, lemons and grapefruit that we will handle for the next 6 weeks is 6 cars against our normal handling of oranges alone of 135 cars, or approximately 2½ cars per week—that is 10 cars per month—16 cars in about 6 weeks. Now, that \$3,000 will only allow us to bring in 2 cars of oranges for each of the next 6 weeks. Does that clarify it?

Mr. LESAGE: That does not answer the question completely because after all if you add the period at the end of 1946, with the corresponding period in 1947, and then doing the same thing, dividing the volume of business for the last period in 1947, and the three first periods of 1948, then you are spreading—I am spreading the quota now, and it does not bear out what you have said.

The WITNESS: That is right, except this Mr. Lesage, do you see; our volume of business starting in the month—I will clarify it for you, I don't want to create the impression that overnight our business dropped by 75 per cent—but during the year's operation—I will point out to you and clarify it—it will drop 75 per cent. We are the largest handlers of tomatoes in the city of Montreal and normally handle about $200,000 of tomatoes; and as I told you before, 90 per cent of our business is importations. Now, out of all the commodities that we have to handle in the imported merchandise we only have a 30 per cent quota on oranges, lemons and grapefruit. That means that our volume of cherries, strawberries, asparagus, lettuce, tomatoes, cauliflower, spinach and beans—all imported stuff—will be eliminated. So even if it does not show up for the first three months I can assure you that by the time the year is out, that in comparison with our preceding year that difference will show up.

Mr. THATCHER: Of course, you are only down 17 per cent.

By Mr. Lesage:

Q. Now, in order to understand what you are saying, is it correct to say that it would be in May and June that the heaviest volume of your business would be down?—A. That is right. Our biggest sales of these commodities I mentioned are March, April, May and June.

Q. Yes. I can see that by your last year's operations.—A. One of our big items is California grapes—whereas as a matter of fact during the month of June, July and August the commodities we handle, of that amount they would be about 75 per cent of our tonnage—that is California deciduous, and cantaloupes and honey dews. Well, all that is eliminated.

Q. So it would be correct to say that your business has not dropped 75 per cent yet, but you expect that for the 1948 calendar year it will be down by 75 per cent as compared with 1947?—A. I think that would be the better way of putting it.

Q. That is an expectation but not a fact which is true now.—A. It is based on commodities which we have in sight.

Q. It is based on what you know now?—A. That is right.

By Mr. Thatcher:

Q. Under this embargo is there any other fruit you can import, grapefruit, lemons or oranges; I mean, could you not go to some South American countries for instance to import some of these things, or Cuba? Are not there alternative sources?—A. The only thing you can import from there is lemons from Italy, and they insist on American currency which we can get.

Q. Then you will be able to get lemons?—A. From Italy, yes; and we can get oranges from brazil, but the difficulty with that is that we can't get steamer facilities.

Q. How about grapefruit from Australia, won't you be able to get it there? —A. We never have.

Q. Why?—A. We never have got there. I do not know if they produce them, and if they could I would not even venture to bring them in because they haven't got refrigerator steamships and the voyage takes from 6 to 7 weeks.

Q. I was wondering if there were some alternative sources from which you could secure some of these commodities?—A. Very few, of which I know.

Mr. FLEMING: I would like to hear your comment on that.

Mr. THATCHER: You have not been able to find any alternative sources yet, is that it?

Mr. LESAGE: Have you looked for them? You better ask him that.

By Mr. Thatcher:

Q. You say you haven't found an alternative source of supply yet, have you looked for it?—A. On specifically what?

Q. Grapefruit and lemons.—A. I said that we can secure Italian lemons; we can get all the Italian lemons we want. In so far as oranges are concerned, the only place I know of where we can get these supplementary supplies is from Brazil and there are some coming, but the steamship service is very, very irregular. In so far as grapefruit are concerned, Jamaica did have a few boxes of grapefruit to offer but her prices were so much higher than the comparative price on American produce that we didn't want to take them.

By Mr. Lesage:

Q. Did you try North Africa?—A. I do not believe there are any there. If I may correct you, South African oranges and South African grapefruit have come here before the war during the months, if I recall correctly, of August or September.

By Mr. Thatcher:

Q. If you went after some of these alternative supplies and tried to get them in quantity would that not help to bring the price down for these things in Canada? It would greatly enlarge the supply that is allowed under the quota?—A. I consider buying citrus ten days away speculative enough. I would not want to venture our company's capital on bringing in huge quantities of foreign citrus.

By Mr. Lesage:

Q. You mean outside of the United States?—A. I am sorry, outside of the United States.

By Mr. Thatcher:

Q. You think it is safe to risk spending large amounts of money in the United States to bring it in, but you are afraid to risk it in say the British sterling countries?—A. First of all you have got to remember we have got a ten day run from California to the eastern seaboard. From California oranges take ten days to get here. Let us assume Australia did have oranges and we wanted to bring them in. In order to get refrigerator space we would have to contract, if it was available, for possibly 20,000 or 25,000 boxes. Then we would have to gamble on the condition for six weeks. In addition to that we would have to gamble on the stability of the market for six weeks. That would be too terrific a gamble.

Q. A good many of the alternative sources are not feasible?—A. I would not say whether they were feasible or not. I say as far as our company is concerned I would be against that type of operation.

By Mr. Fleming:

Q. Would it be fair to say, Mr. Crelinsten, that some of these alternative sources may look promising enough to somebody sitting in Ottawa with books and papers in front of him, but to a man in business as you are, who is expected to risk his capital in importing them, they do not appear to be practical alternatives at all?—A. I would not care to make that type of statement. I would say this, that our firm would not be prepared to buy them and take that risk. I do say this, that if the British possessions want to take advantage of the opportunity created by our government as far as the market here is concerned they ought to have the initiative to send them here on consignment and try to develop that market.

By Mr. Thatcher:

Q. Did you ever ask them to do that? Did you ever suggest that? —A. Their policy is that they want to sell f.o.b. or on terms of a letter of credit.

Q. They will not sell on consignment?—A. Not as far as I am concerned.

Q. Did you ever ask them?—A. Yes, we have even offered to take half the risk.

By Mr. Winters:

Q. Did you say you are obliged to pay American dollars for Italian lemons? —A. Yes, sir.

Q. Did you also say you could get all the American dollars you want for Italian lemons?—A. Yes, sir.

Q. Is that so, you can get American dollars for Italian lemons but not for United States lemons?—A. No, we can get United States dollars for American lemons under a quota.

Q. But you can get United States dollars for all the Italian lemons you want to bring in?—A. That is correct.

Q. That is a peculiar situation.

Mr. Fleming: It is quite anomalous.

Mr. Lesage: Are you sure about that?

Mr. Fleming: It is an anomalous situation.

The Witness: Mr. Lesage, I am very careful not to make a statement I am not positive of.

By Mr. Fleming:

Q. You have brought in Italian lemons? You are speaking from experience? —A. That is correct.

Q. There was not any question raised about your obtaining an adequate supply of United States dollars for all the lemons you wanted to bring in from Italy?—A. That is correct.

Q. Dou you buy them direct from Italy or through the United States? —A. We buy them direct; if you buy them through the United States then it is charged up against your quota.

Mr. Thatcher: Maybe the parliamentary assistant to the Minister of National Revenue can tell us about that.

Mr. Winters: I just did some asking.

Mr. Fleming: That is not the first lemon we have run across in this problem.

By Mr. Monet:

Q. Now, Mr. Crelinsten, would you turn to statement 2? I am dealing with oranges, 288s, on page 1 of the comparison sheet which has been given to members of the committee. On November 27 I see that 288s had reached a price of $7.34 per crate?—A. That is right.

Q. And oranges, according to your last most recent purchase, have cost $4.37?—A. That is right.

Q. Giving a difference per crate of $2.97, or 40·5 per cent.—A. That is right.

Q. Would you have any comment to make on this very large mark-up?—A. Well, there is no question it is large, but it is difficult to say whether that price is obtained for 25 boxes that we had in a car, or whether it was obtained for 50 boxes. The over-all profit on that car might have been—was—let me put it that way—vastly smaller than would appear from this.

Q. Would you have a breakdown of that car of oranges?—A. No.

Q. You would not?—A. No.

Q. What would you figure would be the normal profit on a crate of oranges in normal times?—A. I would not want to say what the normal profit is on a crate of oranges because at any time, even in depressed markets, there are certain sizes out of a car that are in demand, and because of the very few in there the profits range as high as $2 or $2.50, but if you ask me what is the normal profit on a carload of oranges then I will say the normal profit on a carload of oranges is anywhere from $300 to $500, depending on the season of the year.

Q. That would be approximately 13 to 15 per cent; would that be it?—A. You see—

Q. From the figures I have been given so far it would be.—A. Basing it on last year's cost, yes, on last year's cost. You might make $500 on a car of oranges which would be 30 per cent in normal times. We have had that ourselves.

Q. This price of $7.34 on that particular date appears to be higher than any of the Toronto wholesalers or even the Montreal wholesalers who have been here so far. Would you have any comment to make as to that?—A. No, I really have not.

By Mr. Thatcher:

Q. How do you account for the fact—

Mr. LESAGE: Would you mind me interrupting? I should like to give an explanation I have just secured about these Italian lemons. They are paid for in American dollars you secure, but the American dollars never get to Italy.

The WITNESS: I do not want to give the impression that I am a financial expert.

Mr. LESAGE: This does not concern the witness at all. The basis of payment is American currency, and as we ship more to Italy than we import the balance of payment is in our favour and we do not divert any American currency in the deals.

Mr. FLEMING: If we keep on—

Mr. LESAGE: We ship much more to Italy than we import. The basis of payment on both sides is American currency, but the balance of payments is in our favour.

Mr. FLEMING: If we keep on boosting our purchases theoretically we would get to a point where we would owe them American dollars, and presumably that situation may have to be faced some day.

Mr. LESAGE: That is certainly a physical impossibility with the countries of Europe for many years to come.

By Mr. Thatcher:

Q. If I may get back to the question asked by Mr. Monet a minute ago as to the price of oranges in November, how is it when your cost was going down after controls were put on—your cost dropped 10 cents—you put your selling price up $1.48 one week and a week following you put it up another $1.04? In other words, while your cost is going down you have put the selling price away up. Did you take advantage of the fact the embargo went on?—A. Look, I want to explain this to you, and then I will answer you, if you will permit me. On this particular question you raised our whole operation, the whole operation of the Crelisten Fruit Company, is predicated on volume and on small profits, not from an altruistic point of view but from a sound business point of view, because we have to perform a distributing service at a certain maximum price. Beyond that we encourage direct buying and channelling away from our business. When you say that we took advantage I have tried to tell you before that does not give the picture. It is true that 288's showed they cost a dime less, but in the same car of 561 boxes we might have had 50 boxes of 288's that cost a dime less, which is a saving of $5, and the balance of the car, 511 boxes, might have contained other sizes on which the salesman of the California Fruit Growers Exchange might have raised their price 75 cents to $1 a box.

Q. Is it not true that might happen any week? What might happen on November 27 might happen in exactly the same way on November 13?—A. I am not disputing that. I am trying to convey to you that when you say, did we take advantage, I will answer you by saying it was in order to arrive at a reasonable profit that it was necessary to increase the price on the choice size and reduce the price on the undesirable sizes in the car.

Q. You said a minute ago you base your business on trying to take a small profit?—A. That is right.

Q. Then why did you suddenly take such a terrific profit on November 20 and November 27 after the embargo went on? That is not a small profit?—A. I do not concede we did, because I am trying to tell you that if the car contained 561 boxes—if you want to mark that down I will show you how it works out—on 50 boxes we might have taken a profit of $2 a box or $2.94. Let us assume we took $3. That means we made $150 on 50 boxes, but on 511 boxes, in order to get movement on undesirable sizes, we might have reduced it 50 cents a box against the previous day, so that the average on the car, in spite of what appears to be an abnormal profit, actually might have been a lower profit than we got before.

Q. It might have been but it is not probable.—A. I would not say that.

Q. You will have your cars divided into various grades every week in pretty much the same way. What you have said would be true of any week? —A. That is right, yes, but if you will pardon me, suppose you take the week of July 5th. You asked me to submit to you a record of what we realized for 126 sized oranges, and in that particular time the demand was on 126 sized oranges because the stores, the icecream parlours and hotels wanted them. You have on the market twenty kinds of oranges, possibly 200 boxes of oranges of 126's which is the desirable size and we make $3 a box. That does not give you an indication because at the same time we might be losing $1 on a size that is not desirable.

Q. How do you arrive at your selling price?—A. There are three factors. The first one is the replacement value. In other words, if we have oranges that cost us $5 and the next day we have oranges costing us $3, we anticipate in normal times a weakening market. That is one factor that enters into the calculation of cost. The next thing is the supply available of the choice sizes.

Q. Supply and demand?—A. No, I am not using the standard term of supply and demand. I am saying that you might have, which I have seen, on the terminal floor as many as five thousand boxes of 216's sized oranges, and we have to call in one of the chain stores and we take a loss of $1 a box to move them, and at the same time there is a shortage of 344's or 288's and you do not have a big enough supply of these. So, you have to take into consideration the replacement value and the available supplies of the choice sizes, and then you have to judge your demand on these particular sizes.

By Mr. Lesage:

Q. Cost has nothing to do with it?—A. Except by replacement value.

Q. It is the cost, but not only the actual cost but the replacement value taken together with the cost?—A. You see, the replacement value comes in as the pulse of the market. That is the only way I can explain that.

By Mr. Thatcher:

Q. I want to finish my questions. On November 13 you were selling oranges at $4.82, then the market came on and you sold them at $6.30 the next week. Will you tell me how you arrived at that price? In the first place, your replacement value was down instead of up.—A. That was no consideration. I will admit that.

Q. Now, the supply available was shorter because the market was up?—A. No. As I told you a few moments ago, none of us anticipated that this thing would be in force as long or as rigidly as it was.

Q. Your supply had nothing to do with it?—A. No, you said the supply was shut-off.

Mr. MAYBANK: "Shorter", he said.

The WITNESS: No. As a matter of fact, the Canadian Wholesale Fruit Association came out with the news item telling the public not to go panicky, and that because of the lower price the quantity available would be similar to last year.

Q. Then, supply didn't have anything to do with it?—A. I said that the demand on that particular size. Here is what can happen in normal times. Forget November 17. In normal times—

Q. I wish before you tell us all this that you answer my question. I just want you to answer my question.—A. I want to illustrate it so you can understand it a little clearer. You have in the city of Montreal four major general stores—

Q. I just want to know how you got at your price. Can you not tell us without going all around. You said that three factors influenced your price, the price jumped to $6.82 when the market came on. Now, you said that replacement didn't have anything to do with it. The other two reasons are supplies, secondly, and demand, thirdly. Now, can you tell us how that helped you to determine your price?—A. I just told you there were not enough 288's on the market.

Q. The supply then was cut down?—A. No, it wasn't.

Q. The supply was the same as the week before?—A. The supply in oranges was the same or more than the week before.

Q. Then the supply couldn't have affected your— —A. If you will allow me to clarify that. You had in the week previous to November 17, twenty carloads of oranges in the city of Montreal. Then you had after November 17, twenty-five carloads, so you have more oranges on the week after November 17, right?

Q. Right.—A. But in those twenty-five carloads you might have a shortage of 288 sized oranges.

Q. Of course you might not have had that shortage?—A. You don't know what we had for 288's before November 17. We might not have been getting this price.

Q. Are you suggesting that that is one of the reasons you put your price up?—A. That is definitely the only reason. I will show you and illustration. We have had California iceberg lettuce on which we pay $2 extra on the 4,000 size, but when they arrived the demand was for 5,000 size.

By the Acting Chairman:

Q. In other words, in this case there were less of 288 size in that shipment.—A. Obviously.

Q. Are you sure?—A. That I cannot say.

Q. There is a question I want to ask you. On the very same date you were selling your own oranges at $7.35 and I see that in Montreal, Parent, Goyer were selling at $6. I assume that the shipments were the same as they were for you?—A. That is correct. Mr. Chairman, I do not want to appear impertinent—that is for the want of a better word—but I really don't think it is fair to stick to November 17. If you will look at December 11, the selling price was $5, and on December 18, the price was $5.35, and on January 5, it was $5.40.

Mr. MAYBANK: May I make a suggestion. The witness in answering seems to be afraid that too much emphasis will be given to a certain date, and therefore he wants to switch to a different date. That is the way it looks to me, and I think that if he were to understand that the mere fact questions are being asked about a particular date it does not necessarily mean that that is the only date that we are concerned about. I think it would result in quicker answers and less need on his part to explain if this were done. It seems to me that the witness fears that by reason of a certain date chosen, that undue emphasis will be given to that date, but that is not so.

The ACTING CHAIRMAN: Certainly not.

The WITNESS: I am sorry to correct you. That never entered into my mind. I don't care whether you use November 27 or whatever date you wish. I can explain to you that it was because our salesmen found out they could get that price. If we had $7.35 our salesmen found out they could get $7.35.

Mr. MAYBANK: I will give you the impression that has been in my mind. I say this, as you said a few moments ago, without the slightest intention of being impertinent. My impression is that you did not wish to answer anything at all until you found out what use was going to be made of it.

By Mr. Lesage:

Q. Would you let the witness repeat what he just said. The only explanation would be that his salesmen found out they could get that price on the market?—A. That is right.

Q. Well, then, there was only one factor in you setting your price on that date, and that was to get as much as you could on the market?—A. No. I said, Mr. Lesage, that obviously they could not get $7.35 if our neighbor in the terminal got, let us say, $6. Now, if the demand is on that size of orange we don't tell our salesmen at all what price to get on the merchandise.

Q. You never tell them what price to get?—A. No, sir.

Q. So, they settle the price themselves?—A. The produce merchant, if you have to tell him what price to sell, you might as well throw him out.

By Mr. Maybank:

Q. How does it work?—A. Let us assume that on Monday you were selling a certain commodity at $5 and movement was a little bit slow. You start at $5 and go down to $4.50, and then down to $4. Possibly if you could have in your mind the picture of the produce terminal it would be better. It is different than in Toronto. We have one building in which eighteen wholesale houses are located. Now, at seven o'clock in the morning the salesmen are allowed to get on the floor and check up available supplies. By eight o'clock in the morning the buyers are allowed to get on the floor to do their purchasing. Now, the previous day we will assume that 228 sized oranges were cleaned up. There were none available. They started in the morning with 1,000 and somebody set the value at $5. They sold out. The next-door neighbour sold out at $4.50, and the market closed at six o'clock at $3. The following morning the salesmen get down on the floor to check up available supplies and if in their judgment they feel there are not enough 288 sized oranges available they say, "I am going to try to get $7" and they ask that but the fellow won't buy it and so they cut it to $6.50 and the fellow buys it.

Mr. LESAGE: I think the explanation is clear. He gets as much as the market can bear.

By Mr. Fleming:

Q. You suggested that it may not be fair to pick out one particular week because that might be somewhat isolated, but let us take a period up to and including November 13 on your list and then try to run through and deal with the balance of the period from November 20 to April 15. Just looking at the spread, first of all in percentage terms; before the embargo, the spread is between a low of 1·1 per cent and a high of 11·4 per cent; after the embargo it goes from a low of 9·4 per cent to a high of 40·5 per cent. If you put it on a dollar and cents basis instead of percentage, before the embargo your spread varies from a low of 6 cents per crate to a high of 55 cents and after the embargo your spread varies from a low of 48 cents per crate to a high of $2.97 per crate. Is it not quite clear that the average mark-up—forgetting about any particular isolated items— your average mark-up was considerably higher after the embargo than before? Is it not a fact the rate of profit has been substantially higher all the way through since the embargo than it was before?—A. From those figures, taking this particular period and particular size, I agree with you. Again, I want to tell you it is not unusual at any time during normal operations to make equal profits on a particular size of orange for a continuous period of a month or two.

Q. I was trying to spread it out so as not to draw a conclusion from a few transactions. That is the reason I took the whole period. That leads me to ask this: if that is a fair conclusion from this statement on page 1, is it not equally a fair conclusion that after the embargo came in because the dealers were anticipating handling a smaller volume they moved up their rate of profit to compensate them for what they anticipated in the way of reduced volume?—A. No, I would not say that. I will point that out to you. If you look at the apple sheet, you will see we made no money on apples. You will say, why did we not increase our rate on apples. Anybody who tells you that can be done is living in a world of dreams. In a perishable business like ours, we cannot control mark-ups or markets.

By Mr. McGregor:

Q. Do you mean to say that between November 20 and February 12 you did not make a larger percentage of profit than you did before that or after that?

Mr. MAYBANK: That is not what he said.

The ACTING CHAIRMAN: He said he did not attribute that to the embargo.

Mr. MAYBANK: He agreed that he did do that but he said that such a condition might be found—

Mr. MCGREGOR: On account of the different size of oranges in a car?

The WITNESS: Yes.

By Mr. McGregor:

Q. The 288 is a popular size?—A. It was at that time.

Q. If it is a popular size why is the price so uniform after February 19? Did you sell any?—A. They put the ceiling on.

Q. That is when you started to lose money?—A. No, they gave us a reasonable mark-up. Incidentally, I think it might be well to record at this stage that the Montreal fruit trade—

Mr. LESAGE: What was that?

The ACTING CHAIRMAN: Finish your statement.

The WITNESS: The Montreal fruit trade sent a brief to the Canadian Wholesale Fruit Association's secretary somewhere around the beginning of the summer recommending that he approach the government with a view to putting on a maximum price in certain commodities.

Mr. THATCHER: Do you hear that, Mr. Fleming.

Mr. FLEMING: We heard that before. The butter producers asked—

Mr. THATCHER: The fruit dealers themselves asked that.

By Mr. McGregor:

Q. They left you a margin of profit of what?—A. 17 per cent, I think.

Q. How did you arrive at the mark-up on these oranges which you gave away or practically gave away as souvenirs to make up for the ones on which you made $2.90? How did you arrive at the 17 per cent?—A. We did not. The government gave us that mark-up.

Q. That is all right, but no matter what size they were, you still had to sell at 17 per cent?—A. Oh well, here is what happened. When the government put the mark-up on oranges at 17 per cent, you see, the buyers took proportionate sizes the same as we did. Then, there was no more question of a choice size.

Mr. MAYBANK: That is to say, taste and desire were interfered with somewhat; would that be right?

The WITNESS: I would not want to make that statement.

By Mr. McGregor:

Q. In other words, you sold these oranges after the 19th of February at approximately 90 cents a case profit, but on the others you made as high as $2.30 profit?—A. Yes.

Q. Still, there is no particular reason why they were sold for that profit?—A. No, except this, Mr. McGregor; after February 19, every box of oranges in every car made 90 cents a box profit. I cannot tell you whether we averaged, previous to that, 90 cents a box. On the 288's we made $2.50, but I cannot tell you that.

Q. It would be a strange thing if you were selling 288's at $2.97 and taking a loss on the other?—A. No, because in the 288's you have about 24 dozen to a crate which is 30 cents a dozen. The retailer can sell oranges at 39 cents, but, if he were to pay you for the 150 size $8, it works out to 50 cents a dozen. He is restricted in the trade that will pay him 59 cents or 69 cents a dozen for oranges. Naturally, therefore, the demand for that size is very much less. If your car contains too many, you have to reduce the price to move them.

Q. There is only one way in which we can find out what happened in this period between November 12 and February 19 and that is to ask the witness for a complete statement.

Mr. MONET: I was going to ask the witness for a complete breakdown of the contents of the cars which gave rise to this.

By Mr. Thatcher:

Q. Would you agree that in the week of November 20 to November 27 on this particular 288 orange, you did take a mark-up which was abnormal?—A. No, I won't agree to that because I have repeatedly stated it was not unusual for us to make an equal mark-up in a particular size in a particular car.

By Mr. Winters:

Q. What do you mean by "an equal mark-up"?—A. We have made a mark-up of $3 a box..

By Mr. Thatcher:

Q. It seems to me from these figures you have taken a mark-up which was excessive because oranges were scarce at that time or because the newspapers were saying they were going to be scarce. It would appear from the figures as if you had done so?—A. It might look that way.

By Mr. Monet:

Q. To clarify that so there will not be any misunderstanding, would you please send a breakdown for the cars from which the oranges were sold from November 20 to November 27, giving the price you paid for each size and the number of boxes in each car?—A. We will give you a copy of the invoices.

Q. And also the prices at which you sold the different grades of oranges?—A. The different sizes.

Q. You will send it to my address and I will see it is read into the record.

Mr. MAYBANK: So far as it has gone I suppose the fact of a rather high mark-up at this particular time following upon the embargo or restriction, the fact of it being higher at that time is purely coincidental?

The WITNESS: That is my honest opinion.

By Mr. Fleming:

Q. You mentioned a moment ago, Mr. Crelinsten, that an appeal had been sent out to the public?—A. No, I did not say an appeal. I said around that time the Canadian Wholesale Fruit Association gave out a press release telling the public not to be concerned about their supplies of citrus because the 50 per cent quota would allow the importation of practically the same amount of citrus as they had the year previous.

Q. In spite of the press release, was it the experience of the retailers to whom you were selling that they did, nevertheless, encounter something in the nature of panic buying on the part of the consuming public?—A. No, they did not, but it can be explained in this way. If you go into a fruit store or a food store to take home some fruit in the evening or whenever you decide to do so, you have a choice of buying pears or grapes or apples or several other commodities. Your buying is not concentrated on one commodity. Obviously, by eliminating all those other fruits, you have created a greater demand on what is available; that is obvious and that is what happened.

Now, that is what happened in celery, even though we did not handle celery. The only vegetables, the only green vegetable that was available during the month of December was celery. Ordinarily, you have lettuce, you have cauliflower, spinach, beans, peppers, eggplants, chicory. If you eliminate that you create a high demand for the commodity that is available.

Q. But you do not think that it would reach the proportions of panic?—A. It would never reach the point of panic. It would naturally increase the demand for the restricted varieties of fruits and vegetables available.

The CHAIRMAN: Is it not a fact that you have the same supply of oranges available as you had before, as was said in that press release?

The WITNESS: Partly correct, sir.

By Mr. Monet:

Q. Now, I have no further questions for you on oranges and I do not have any questions to ask you about your supplies of celery, because I do not think there is any difference there from what previous witnesses have already put on the record, but I would like to ask you a couple of questions on celery. I see that on October 9, you sold celery at 96 cents, although you paid $1.85 for it. Would you just explain that?—A. That might have been the tail-end of a car we had left over, somewhat deteriorated in quality, and we would take a lesser amount for it.

By Mr. McGregor:

Q. You see, the most recent purchase on that same day, or even the week before you bought at the same price; and I see further down you have got sales here where you bought at $2.73, and sold at a loss of 173 per cent—that is somewhat exaggerated, don't you think?—A. I am sorry, Mr. McGregor, it is not exaggerated at all. It is the accurate figure. I will give you an instance. You bring in a car of celery in the month of December, or November, and you have left over some 50, 70 or 80 crates. You sell the bulk of that car of celery, and then you have to clean out what is left. We may have sold the bulk of a car at a fair margin of profit and then we would have say 50 crates or so left on that car which we bought, let us say, on Monday at $1.85.

Q. You mean to say that you would sell 50 crates of celery left in a car purchased on Monday, that you would sell that left-over celery for an average loss of 173 per cent?—A. Yes, sure. That is nothing unusual. You only have 35 crates, or maybe 50 crates, and we made on the balance of that car 50 cents to 75 cents a crate—we still have a profit.

Q. According to these reports everything you sold on December 24, you sold at $1 a crate and everything you sold on October 9, you sold at 96 cents a crate.—A. No, that was the average.

Mr. MAYBANK: You have shown there the average?

The WITNESS: That is what we were asked to give.

Mr. MONET: Yes, the average selling price.

The WITNESS: I do not say that every box of that is average.

Mr. MCGREGOR: You must have sold some of it very cheap in view of the fact that your purchases are nowhere more than 2 weeks back.

Mr. MAYBANK: But just a moment. We are looking through all of these purchases of $3.32, and $4.33—there is nothing in here to show that these sales of December 24, which averaged $1 were many in number. It does not mean, does it, that you cleaned out at that price?

The WITNESS: Yes, because you will notice we didn't have any celery on December 31.

Mr. MAYBANK: So you did clean out?

The WITNESS: Yes.

Mr. MCGREGOR: But you did have it on October 16?

The WITNESS: No, October 9.

By Mr. Maybank:

Q. December 24, and then overnight you sold your celery which was purchased not further back than 4 weeks—would that be right?—A. I do not think it was 4 weeks, but it might have been.

Q. But it would not have been more than 4 weeks?—A. No, sir.

Q. Therefore whatever was sold on December 24, was purchased at 3.37 and 4.33 and sold at 2.73?—A. That is correct.

Q. Consequently in all cases there was a loss—2.37, 2.73 or 1.73—A. On that particular clean-up, yes; but I do not know how many crates there were.

Q. No. I suppose—would it be right to say that at December 24, you had had a good sale of celery?—A. We didn't have many.

Q. You did not have many?—A. No.

Mr. WINTERS: Does not the representation in your statement intimate that much?

The ACTING CHAIRMAN: No.

By Mr. Monet:

Q. I have just one more question to ask you about cabbage, imported green?—A. Yes, sir.

Q. On March 4, you were selling cabbage at 3·5?—A. March 4?

Q. Yes, which was the cost price; or, as far as the lowest purchases were concerned it was the ceiling price?—A. Yes, sir.

Q. Two weeks later your cost price has gone down a little and you had increased your selling price by 1 cent and 2·1 cents?—A. Yes, sir.

Q. Would you give us some explanation as to that?—A. The only explanation I can give is that the market reacted and we were able to get that price for it. Cabbage was on ceiling at that time and the ceiling was up to $3—the ceiling I believe was 6 cents a pound.

Q. But when you were buying at less you did not feel like charging a little bit less to the consumer?—A. I tell you, Mr. Monet; if you look at February 12, cabbage goes to $4.40, not figuring the expense of handling, we sold that at 3·6. We have to have an opportunity of averaging up our sales in order to take care of overhead and not have to reorganize.

By Mr. Fleming:

Q. Your loss was bigger the next week, the week of February 19, it was even greater?—A. Yes. The cabbage market was in a demoralized condition.

Mr. MONET: You have given us the reason. That is what I was asking you for.

The WITNESS: That is what I am telling you.

Mr. MONET: Because when members of the committee look at these figures in the light of the explanation you have made they may put a different construction on the figures when they come to write their report.

The WITNESS: Yes.

Mr. WINTERS: The witness says the cabbage market was in a demoralized condition. Another witness got considerably more.

The WITNESS: He might have had a certain telephone trade that he would be able to get more than we would get on the terminal. He has a more or less retail distribution and ours is wholesale. That is why you must have noticed that our gross percentage of sales is the lowest of anyone who has appeared before this committee.

By Mr. Monet:

Q. On April 8, 15 and 22, I see for your selling price that your selling price at that time was above ceiling. What explanation have you to give as to that selling practice?—A. You are referring to what?

Q. Cabbage, imported green, April 8, 15, and 22.—A. No, I think Mr. Monet—might I correct that? We were not selling above the ceiling, but there was an adjustment made by the Wartime Prices and Trade Board to enable us to sell at a higher price. All these prices that you see on here and everything that is under ceiling, before we sell we get the local Wartime Prices and Trade Board administrator to O.K. price as being correct.

Q. When I asked you my question you told me you were selling at the ceiling, so my question was right; but you adjusted it?—A. That is right.

Mr. MONET: That is the information I wanted. That is what I wanted you to say.

By Mr. McGregor:

Q. You were purchasing cabbage in April?—A. Yes.

Q. And the ceiling was 5 cents?—A. No, we adjusted that, Mr. McGregor.

Q. What were you selling it at then?—A. Originally it was 5 cents—no, it was 10—no, I am sorry, I think it was 6.

Mr. MONET: 5 to 5·75.

The WITNESS: No, it was 6 cents.

Mr. McGREGOR: What grounds did you have to give the Wartime Prices and Trade Board to raise the ceiling for you?

The WITNESS: There were times when we did not control the f.o.b. market. In other words, the Canadian purchases did not have a bearing on the f.o.b. market; and, if for a certain period the market is up high, so you cannot import and sell under the ceiling, it resolves itself down to a question of whether the government or the W.P.T.B. allows a proportion of the retail markup in order to enable you to bring in cabbage for them.

The CHAIRMAN: Now, gentlemen, it is 6 o'clock.

Mr. THATCHER: I have just one general question.

Mr. McGREGOR: My question has not been answered very clearly; what grounds does a man have to have to get a permit from the Wartime Prices and Trade Board to sell over the ceiling price?

The CHAIRMAN: I am in the hands of the committee. If you feel the witness should come back to answer further questions on other matters.

Mr. McGREGOR: Oh no.

By Mr. Thatcher:

Q. I wonder if the witness would just answer one question for me and I would be satisfied. Can you tell us what are the prospects of the next few months, in your opinion. I mean, it is likely that these things will continue to go up, or are there prospects that we may see some levelling off. Have you any ideas on that?—A. My opinion is that the price of vegetables will go down and should go down.

Q. That is domestic vegetables largely?—A. Yes.

Q. Yes?—A. But as far as citrus is concerned, oranges and grapefruit, I think you will run into a decided shortage because all of our allowed quotas are mostly used up.

Q. They are likely to go up?—A. They won't go up, but there will be a shortage of supply.

Q. How about the domestic, will they go down with the season and then go back up in the fall?—A. Oh, yes. In my opinion, you are going to find on green vegetables fantastic prices this fall.

Q. They are going to be a lot higher on domestic?—A. After the peak is over.

Q. There will be fantastic prices?—A. Because there will not be any green supplies available.

The ACTING CHAIRMAN: I am given the following explanation by Mr. Spence, that when the laid-down cost does not enable the wholesaler to make a profit he can get an order from the board to sell at a higher price as long as there is no reflection on the consumer by the retailer after the sale is made. That must have been the reason.

The WITNESS: That is the split markup.

By Mr. Monet:

Q. The wholesaler and the retailer both agree rather than do without it. —A. Yes, but the retailer does not pay over 10 cents at any time.

By the Acting Chairman:

Q. You are then expected to split your mark-up between the two?—A. That is right.

By Mr. McGregor:

Q. There is one question I want to ask about carrots. On December 12 you bought carrots at 3 cents a pound and sold them at 2 with a loss of 50 per cent. Is that right?

Mr. MONET: Local carrots, December 12.

The WITNESS: You will notice, Mr. McGregor, these are washed carrots. We do the washing ourselves, and in washing we grade them. We must have had some small ones and misshapen ones we sold and took a loss on.

By Mr. McGregor:

Q. You see the week before you paid 2 cents a pound for carrots and you sold at 3·2, and then that particular week you paid 3 cents a pound and you sold for 2 cents. The next day you paid 2 cents and you sold them for 3·8—A. I am trying to explain that we buy carrots field ripe, and they cost us 2 cents. Then we wash them and grade them. We do not show you here what our processing cost is.

Q. We know all about that. We have gone into that before.—A. I am explaining to you the sale at 2 cents of carrots that cost us 3 cents.

Q. It is strange that this one day, December 11th, is the only day up until December 31st where that has happened. You sold at 3 cents on all other days and paid 2 cents, but on the one particular day you paid 3 cents and sold them for 2 cents with a loss of 50 per cent. I was wondering if that was put in there to keep your average down?—A. No, we would not do that. Why should we do that?

The ACTING CHAIRMAN: The committee is adjourned until 4 o'clock tomorrow.

By Mr. Thatcher:

Q. May I ask one very brief question, and I promise it will be the last. You said a minute ago that prices might be fantastic in the fall. I think that was your word.

Mr. MAYBANK: Your word.

Mr. THATCHER: No, it was the witness' word. Is there any way—

The WITNESS: I did not say for domestic vegetables. I said for green vegetables. I think cabbage, carrots, beets and turnips will be at a reasonable level.

Q. My point is this: Is there any way that we can keep this down without ceilings? Have you any suggestion in a voluntary way as to how this can be kept down?—A. Ceilings won't keep them down if you are not getting the supplies.

Mr. MAYBANK: Was the question fully answered? The witness was not stopped in the middle, by any chance, was he?

The ACTING CHAIRMAN: I think he gave the answer, that if there were no supplies ceilings would not make the difference.

The WITNESS: As I said, there are ample supplies of root vegetables to take care of the anticipated demand between now and throughout the winter, but on green vegetables, since they are eliminated, if there are any, they would have to come from hothouses, which is a much more expensive method of production and naturally these would be higher. So comparing them with the field stuff the price would be fantastic. Ceilings would not cure that situation because if you have not supplementary imports, the ceilings will not solve the problem.

Mr. MAYBANK: When the merchant says, "Yes, we have no bananas" the price is low.

The committee adjourned to meet again on Wednesday, May 26, at 4 o'clock.

APPENDIX

Translation of evidence given by Mr. Paul Boudrias and Mr. Armand Vezina

House of Commons,
May 25, 1948.

(Text):

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin presided.

The CHAIRMAN: The meeting will come to order. All right, Mr. Monet, will you proceed.

Mr. MONET: Mr. Chairman, Mr. Boudrias is the next witness. He represents Les Jardiniers Modèles of Montreal. Mr. Boudrias informed me that he wishes to give his evidence in French.

The CHAIRMAN: May I remind the committee that it has been agreed there will be a steering committee meeting in my office at 3.30 this afternoon.

(Translation):

Mr. Paul Boudrias, President of the firm of Les Jardiniers Modèles, is called:

By Mr. Monet:

Q. Mr. Boudrias, what is your first name?—A. Paul.

Q. And what is your occupation, Mr. Boudrias?—A. I am a gardener and dealer.

Q. I understand that you carry on business under the name of Les Jardiniers Modèles?—A. That is correct.

Q. And this firm's head office is located in Montreal, at 161 St. Paul Street East?—A. Yes, sir.

Q. Would you tell the members of the committee what position you occupy in this organization?—A. I am the owner, the sole owner; that means I have a hand in every thing that has to be done. I buy and sell and I have several employees.

Q. This firm carries on a wholesale trade?—A. Yes, sir.

Q. In fruits and vegetables?—A. Yes, sir.

Q. I understand that apart from being the president and owner of the firm of Les Jardiniers Modèles, you are a gardener?—A. Yes, sir. We have some 150 acres under cultivation and there are about one hundred and fifty gardeners in the neighbourhood where I live. We work together very closely and I do my utmost to find a market for their produce. The firm of Les Jardiniers Modèles serves as an outlet for the produce from my parents' farm and the produce grown by gardeners round about.

Q. What do you mean when you say, "We have a farm"?—A. I expressed myself incorrectly; I am referring to myself. I mean that I am the owner of a farm.

Q. You are the owner of a farm on which you do gardening?—A. Yes, sir.

Q. And if I understand correctly, the produce of the growers operating those farms is sold through the medium of Les Jardiniers Modèles?—A. Yes, sir.

Q. You also state you have a certain number of farmers who grow vegetables and that you are the principal buyer?—A. Yes, sir.

Q. How many farmers operate with you, or rather, how many of them supply your trade?—A. I would say between fifty and one hundred.

Q. Am I correct in saying that the great bulk of their produce is sold through you?—A. I would say that at least 60 per cent of the produce grown by all those people is graded first quality; second quality produce is sold on the local markets.

Q. Must I understand that you purchase that produce on your own account to resell for your own profit or do you sell it on a commission basis?—A. We never take goods on consignment; however, that might occur once or twice a year, but 99 times out of a 100 the produce is purchased at a set price agreed with the gardeners. It is our produce and we can take a loss or a profit on it.

Q. Does that apply to all goods called domestic goods? Is all the produce which you buy from farmers, no matter where, produce which you buy and resell exclusively for your own profit?—A. That is correct.

Q. So that you do practically no business on a commission basis?—A. Practically none, possibly one per cent, as I stated a moment ago.

Q. Then, there is one per cent which you call trade on a commission basis?—A. Yes, sir.

Q. In addition to your trade in local produce, do you handle imported produce?—A. My trade is in the ratio of 75 per cent of local produce and 25 per cent of imports. The purpose of our business, and I want you to understand this clearly, is that we deal in imports in order to provide a livelihood for our staff during the winter and to improve our distribution, for in our case, in the Montreal area, the production season lasts from six to seven months. This is done to give employment to the men and enable them to benefit by a good distribution. That is why we handle imports. We are gardeners and we have always been gardeners from father to son; we are one hundred per cent gardeners. As I stated a moment ago, that is solely for the purpose of marketing the produce of our relatives and friends.

Q. Now, you spoke a moment ago of local gardeners and you said you sold their produce. Would you tell the members of the committee, taking November 17 of last year as a basis, whether your firm had more produce on hand at that time than in previous years?—A. In the first place, our firm, we are not speculators. I always say "we . . . ."

Q. When you say "we"—A. I am speaking of the employees. We are not speculators and have never been. That is the first reason. We are a young concern. We have been in business ten years only. Our reserve cannot be large. We never engaged in speculation. We have just about the quantity of produce we can market in a matter of ten or fifteen days, and we have never had a greater supply on hand. If we handle a turnover of $100,000 or $125,000 weekly, we never handled such a turnover with a quantity of produce greater than what we could market in ten days.

Q. Speaking of last fall in particular, at what time of the year do you store your products for the winter?—A. We start to store our products at the end of September or the beginning of October.

Q. You have storehouses?—A. Yes, and the growers have a little storage space. But when the embargo was imposed last year, only a few growers had produce in hand. We experienced a very bad summer and had very poor crops.

By Mr. Lesage:

Q. For all types of produce?—A. Yes, sir, generally. I figure that the crop has been some 60 or 65 per cent smaller than it was for the five previous years.

By Mr. Monet:

Q. I take it, Mr. Boudrias, that you make your statements not as representative of Les Jardiniers modèles, but as a grower yourself?—A. Yes, sir.

Q. Your statements do apply not only to yourself but to growers whom you do business with generally?—A. Yes, sir. This concerns all growers in the Montreal area.

By Mr. Lesage:

Q. That does not apply to potatoes?—A. Not many potatoes are grown in the Montreal suburbs. We depend on New Brunswick for our supply.

Q. What produce do you mean then?—A. Celery, cucumbers, tomatoes, lettuce, cabbages, turnips, cauliflowers, spinach, and so on; also beets.

Q. And the production of these vegetables had been smaller by some 60 to 65 per cent?—A. Yes, sir. It is due to bad weather. There was less produce or rather less production, as shown by the average of 60 to 65 per cent in the Montreal suburbs. Of course, when the embargo was imposed, the little group who had vegetables on hand at the time benefited by that situation, there is no doubt about that. That group represents at most from 6 to 10 per cent of all our gardeners. So one can readily understand that vegetables have doubled and even trebled in value, and that for many more causes. That was not due to the embargo. That was the will of Providence who did not favour us with fair weather. There was no production.

Mr. THATCHER: Would you speak more slowly, please, so we may follow you?—A. With pleasure.

By Mr. Monet:

Q. Would the crop, which you described a moment ago as more or less poor, have been a contributing factor to the rise in prices?—A. It is the main cause.

Q. You consider that the rise in prices is due to a more or less poor crop? —A. Yes, sir.

Q. Now, I understand you said that growers who, after that date of November 17 you just mentioned, had on hand certain produce referred to in your answer to Mr. Lesage's question, had benefited by the rise due to supply and demand.—A. That was a well deserved rise. For years we had been denied fair and even normal prices. From time to time, farmers need encouragement such as this.

Q. So you don't express yourself as owner of Les Jardiniers modèles but as a grower?—A. I am more a farmer than a businessman.

Q. What you state applies more to gardeners than to farmers?—A. Yes, sir.

The CHAIRMAN: They are happier, too.

By Mr. Monet:

Q. As the Chairman is saying, they are happier?—A. That's it.

Q. You are giving us very interesting information. You find yourself in the happy situation of being both grower and tradesman. Now, let us go back to the questionnaire submitted to you and which you have answered.—A. On that point—I like to tell you what is going on in our group of producers comprised of about twenty-five to thirty of us—last Sunday we discussed the situation and the way of disposing of our vegetables now. Our people are getting ready to produce more, from two to six times more.

By Mr. Lesage:

Q. That is for last year.—A. Even, in August or November... When the farmer is encouraged and aims to treble or quadruple his production, this automatically entails a drop in the cost of living. In September or November, we will even need help from you to find markets. At the present time the gardener is encouraged to produce and in two months' time vegetables will be plentiful. Last week, radishes were selling for 80 cents; with the new production coming in, they are worth 40 cents as I found out at 2 or 3 o'clock this morning. Soon they will sell for 5 cents a dozen. More than that, I would not be surprised to see them reach a bottom of 30 cents or 3 for 10 cents.

Q. That is the pre-war price?—A. If you encourage the farmer, he will produce and prices will come down automatically.

Q. Therefore you think that production is the corrective for inflation?—A. From my point of view, that is really the corrective. In the first place, people must be encouraged to return to agriculture. No one wants to pay exorbitant prices but everyone will accept normal prices. Then the consumer, when he spends his money, wants to be protected and prices must not be too high. We want ordinary prices, prices that will enable all to make a living.

Q. You want a fair return?—A. We want a happy medium, and we have it at the present time. By next fall everything will become normal and we will even have a production surplus.

The CHAIRMAN: Thanks to the committee! That is very encouraging.

By Mr. Monet:

Q. Coming back to your business, to whom do you sell?—A. We have a branch at Sherbrooke, one at St. Johns and one at St. Jerome. We work in co-operation with the firm of Courchesne and Larose. We make our purchases collectively. We have four hundred or four hundred and twenty-five independent grocers. Institutions, Catholic as well as Protestant constitute a large portion of our customers, and a very big customer from the very beginning is the Atlantic and Pacific Company, which does its utmost to help in the distribution of vegetables in the Montreal suburbs. The minute we have overproduction, the moment we tell them, those people pay a fair price, as equitable as they possibly can to our gardeners.

Q. You sell your products to the retailers and over and above you sell to chain stores?—A. Yes, sir.

Q. Now, will you produce that statement as exhibit 115?—A. Yes, sir.

(Text):

Mr. MONET: The next exhibit will be filed as No. 115.

EXHIBIT 115

Statements on fruit and vegetable operations.

LES JARDINIERS MODÈLES

(161 St. Paul St. East., Montreal)

AVERAGE SELLING PRICES

Date	Oranges Calif. 288	Apples B.C. 125-138 McIntosh Fancy	Celery Ont. No. 1	Celery Ont. No. 2	Potatoes P.E.I. Canada No. 1	Tomatoes Ont. hot-house	Cabbage local green	Cabbage imported green	Carrots local No. 1 washed	Carrots imported No. 1 washed	Onions Ont. No. 1 yellow
	per crate	per box	per crate	per crate	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.
	$ cts.	$ cts.	$ cts.	$ cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.
1947											
October 2	5.33	3.64	3.15	2.65	.022 N.B.	...	.029	...	.024	...	.034
October 9	5.09	3.38	3.15	2.65	.022 P.E.I.	...	.029	...	.024	...	.034
October 16	5.33	3.38	3.15	2.65	.022 P.E.I.	...	.034	...	.024	...	.039
October 23	5.33	3.38	3.16	2.67	.021 P.E.I.	...	.034	...	.024	...	.039
October 30	5.33	3.38	3.16	2.67	.025 P.E.I.	...	.034	...	.024	...	.039
November 6	5.10	3.38	3.64	3.40	.025 P.E.I.	...	.034	...	.026	...	.039
November 13	5.35	3.38	3.40	3.40	.025 P.E.I.	...	.034	...	.027	...	.039
November 20	6.30	3.38	4.85	3.88	.027 P.E.I.	...	.053	...	.035	...	.048
November 27	7.00	3.38	5.33	4.85	.028 N.B.	...	.074	...	.047	...	.058
December 4	6.31	3.38	4.85	4.85	.027 P.E.I.	N.A.	.073	...	.043	...	.073
December 11	5.25	3.58	5.33	4.85	.027 N.B.	.242	.073	...	.043	...	.063
December 18	5.50	3.38	5.45	5.25	.028 Que.	.242	.073	...	.043	...	.063
December 24	3.34	3.38	5.45	5.25	.028 N.B.	.242	.076	...	.051	...	.065
December 31	5.50	3.38	7.00	5.50	.03 N.B.	...	.093	...	.041	...	.065
1948											
January 8	5.57	3.38	7.75	6.75	.031	...	.106	...	.048	...	.063
January 15	6.00	3.38	8.25	8.25	.032	...	.13	...	.048	...	.063
January 22	5.82	3.39	8.25	8.73	.029	...	N.A.	...	.048	...	.067
January 29	5.82	3.34	11.64	...	.028	...	.138	...	.048	...	.067
February 5	5.82	3.30	N.A.	N.A.	.029	...	...	.058	.048	...	.085
February 12	6.00	3.30	...	...	.029	...	...	.045	.077	...	.093
February 19	6.18	3.30	...	...	.029	...	...	.041	.078	...	.093
February 26	5.98	3.14	...	...	.028	...	...	.043	.082	...	.092
March 4	5.47	3.64	...	...	.029	...	...	.058	.078	...	.085
March 11	6.50	N.A.	...	...	.029	...	...	.058	N.A.	.077	.092
March 18	6.60	...	...	...	.028	...	...	.047	...	.079	.087
March 25	5.20	4.12	...	...	.029	...	...	.058	...	.094	.097
April 1	5.36	4.12	...	...	.031	...	...	.06	...	.088	.098
April 8	5.14	N.A.	...	...	.034	...	...	.071	...	.088	.126
April 15	4.67	...	...	...	.033	...	...	.071	...	N.A.	.12
April 22	5.18	...	...	...	.035	...	...	.076	...	...	.12

LES JARDINIERS MODÈLES
(161 St. Paul St. East Montreal)
LAID DOWN COST OF MOST RECENT PURCHASES

Name and Address	Oranges Calif. 288	Apples B.C. 125-138 McIntosh Fancy	Celery Ont. No. 2	Celery Ont. No. 1	Potatoes P.E.I. Canada No. 1	Tomatoes Ont. Hot-house	Cabbage local green	Cabbage imported green	Carrots local No. 1 washed	Carrots imported No. 1 washed	Onions Ont. No. 1 yellow
	per crate	per box	per ctare	per crate	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.
	$ cts.	$ cts.	$ cts.		cts.		cts.	cts.	cts.	cts.	cts.
1947											
October 2	4.79	3.18	1.90	B 1.67	.019 N.B.	N.A.	.026	N.A.	.015	N.A.	...
October 9	5.00	3.17	1.90	1.65	.019 P.E.I.	...	.023	...	.016	...	.028
October 16	5.19	3.18	1.90	1.55	.021	...	.027	...	.018	...	...
October 23	5.04	3.25	2.00	2.00	.021	...	.023	...	.015	...	...
October 30	4.93	3.30	2.75	2.10	.021	...	.023	...	.015	...	...
November 6	4.93	3.17	2.10	2.25	.021	...	.023	...	.02	...	.03
November 13	4.17	3.25	2.50	3.00	.021	...	.025	...	.022	...	...
November 20	4.15	3.25	T 4.50	T 4.00	.026 N.B.	...	.03	...	.023	...	...
November 27	4.12	3.06	O 4.36	4.50	.031 N.B.	...	.05	...	.04	...	...
December 4	3.92	3.11	T 4.50	T 4.40	.031 P.E.I.	...	.06	...	.032	...	.055
December 11	3.75	3.12	T 4.65	T 4.35	.025 N.B.	.20	.057	...	.033	...	.055
December 18	4.68	3.12	O 4.81	4.75	N.A.	.20	.06	...	.038	...	...
December 24	4.00	3.21	N.A.	T 5.50	.025 P.E.I.	...	.075	...	.038	...	...
December 31	4.30	3.21	T 7.00	N.A.	.030 P.E.I.	...	.087	...	.035	...	...
1948											
January 8	4.65	N.A.	T 7.50	T 7.00	.029	...	.10	...	.038	...	...
January 15	4.80	N.A.	T 6.50	8.00	.03	...	N.A.	...	N.A.	...	.061
January 22	4.60	N.A.	N.A.	7.00	.029	...	.13	...	.04	...	...
January 29	5.00	N.A.	12.50	T 7.00	.028	...	.10	...	.043	...	...
February 5	4.60	N.A.	10.00	T	.027	...	N.A.	.048	.05	...	...
February 12	4.00	...	...	...	.027	...	...	.046	.05	...	...
February 19	5.50	...	...	...	.027	...	...	.04	.07	...	.084
February 26	5.13	...	...	...	.026	...	...	.037	.075	...	.069
March 4	5.04	...	...	...	.027	...	...	.033	.09	...	.082
March 11	4.49	...	...	...	.026 N.B.	...	...	.033	.07	...	...
March 18	4.55	...	...	...	.026 N.B.	...	...	.036	...	.075	.07 T
March 25	4.45	...	...	...	.028 N.B.	...	...	.037	...	.65	...
April 1	4.70	3.50	...	...	.031	...	...	.038	...	.09	...
April 8	4.45	...	...	...	.31	...	...	.058	...	.085	...
April 15	4.25	N.A.	...	...	.03	...	...	.061	.085	.09	.10 T
April 22	4.38	N.A.	...	...	.33	...	...	.079	N.A.	N.A.	.10 T

STATEMENT No. 4

LES JARDINIERS MODÈLES

Montreal

—	Sept. 1 to Dec. 31, 1944	1945	1946	1947
	$ cts.	$ cts.	$ cts.	$ cts.
Sales	327,782.02	1,855,737.23	2,843,609.36	3,771,654.62
Cost of sales	301,883.56	1,720,588.38	2,648,360.72	3,431,963.26
Gross profit	25,898.46	135,148.85	195,248.64	339,691.36
Other income	....	391.11	15,203.73	10,877.05
Gross revenue	25,898.46	135,539.96	210,452.37	350,568.41
Salaries	14,121.63	52,468.96	80,843.93	128,518.07
Other expenses	17,014.42	76,780.44	118,903.91	221,429.04
	31,136.05	129,249.40	199,747.84	349,947.11
Operating profit or loss	*5,237.59	6,290.56	10,704.53	621.30
Interest paid	355.01	3,240.40	5,320.75	7,933.24
Profit or loss before taxes	*5,592.60	3,050.16	5,383.78	*7,311.94
Per cent gross profit to sales	7·9%	7·3%	6·9%	9%

* Loss.

(Translation):

By Mr. Monet:

Q. I understand, Mr. Boudrias, that you have read with me the questionnaire that was submitted, which you have completed and which will now be filed as exhibit 115, and you accept it as reproducing correctly the figures that you submitted?—A. That is correct.

Q. And with exhibit 115, which you have produced in the same way as previous witnesses have already done, you produce a comparative schedule, which will not be printed, giving the figures opposite each other in order to facilitate an understanding of this document. Therefore I refer you to statement No. 4.

(Text):

Mr. MONET: I wish now to refer to statement No. 4, but before doing so I would ask the witness why all the information requested for the monthly statement as from other witness has not been supplied; and, also why we did not get any figures as to his sales and operations before 1944.

(Translation):

By Mr. Monet:

Q. Mr. Boudrias, I have just explained in English to the members of the committee that I would now ask you why you have not given, as requested, the monthly statements for the years 1947 and 1948, which were asked of the other firms and obtained from them, so as to enable the members of the committee to examine your monthly operations in 1947 and 1948. You gave me an explanation which I would like you to give now to the members of the committee?—A. Mr. Monet, from the very inception of our firm we have never done that; we have tried from time to time to draw up such statements, but we found it impossible. One must realize that we sell perishable goods. At times the goods may be valued at $50,000 when the farmer delivers them and then, fifteen days later, the same goods may have dropped in value to $35,000. We have thus figured that such statement would not give a true picture, that it would be useless work. We thought that closing the books once a month was unnecessary work and that it would be preferable to do it once a year.

Q. For that reason it is not possible for you to give us the particulars that we requested from you?—A. We thought it would serve no purpose to do it that way.

Mr. LESAGE: In other words, you make no inventory at the end of each month?—A. No.

By Mr. Monet:

Q. The inventory you could make for that period would not give a true picture of your operations or of your goods on hand?—A. That is right.

Q. I also notice in Statement No. 4—

Mr. THATCHER: Mr. Monet, will you tell us if those figures were prepared by auditors?

By Mr. Lesage:

Q. Were they audited by a chartered accountant?—A. He is here.

Q. Were the figures in Statement 4 audited by a charted accountant?—A. Yes, sir, they have been audited.

By Mr. Monet:

Q. Do I understand that your accountant is here?—A. Yes, sir.

By Mr. Lesage:

Q. Who is your accountant?—A. Messrs. Devarenne and Vezina.

(Text):

Mr. MONET: You understood what the witness said in answer to your question, Mr. Thatcher?

(Translation):

By Mr. Thatcher:

Q. Were those figures given to the Government?—A. Certainly.

Q. For your taxes?—A. That is right. They are the exact figures of the operations, 100 per cent.

By Mr. Monet:

Q. What you show in statement No. 4, as requested, is a statement or a picture of your yearly operations?—A. 100 per cent.

Q. As you just told Mr. Thatcher, this statement of your operations was sent to the income tax department?—A. Yes, sir.

Q. But with regard to the monthly statement, you are not in a position or it is not possible for you to give it?—A. No.

By Mr. Thatcher:

Q. It is difficult to understand that with such a large volume of business you can say that you lost money last year?—A. I have broken it down, and this is given.

(Text):

Mr. MONET: I will question the witness in detail on this statement I was referring to just now.

The CHAIRMAN: Mr. Thatcher's statement was that he could not understand how with such a large volume the profit was so small.

Mr. MONET: I want to question the witness on that now.

(Translation):

By Mr. Monet:

Q. Let us take now your statement No. 4, Mr. Boudrias. Would you tell the members of the committee what was the total figure of your sales for 1944?—A. For the year 1944, $327,782. One moment please.

By Mr. Lesage:

Q. For four months only?—A. Yes, sir. For four months.

By Mr. Monet:

Q. You are answering the question as it was put to you, and it is for a four month period?—A. Yes, sir.

Q. Would you tell the members of the committee why you did not provide the figures for the years prior to 1944, as requested, as you were asked to?—A. The figures for the previous years?

Q. To September 1, 1944?—A. My organization, when I started, was not much concerned with bookkeeping; we were working night and day, my wife and I, and we had a fair, simple and ordinary accounting system, and for further details I might refer you to Mr. Vézina, our auditor; he can acquaint you with all that.

Mr. MONET: Mr. Chairman, I ask that Mr. Vézina should be heard. He has some information to give us, and in all fairness to the committee and to the Boudrias firm he should give evidence immediately.

(Text):

Mr. MONET: And the reason why there were no figures for 1944, was because there was no proper system of accounting in the business at and before that time; and I would like to have Mr. Vézina sworn so that he may be able to give us the reasons for that.

(Translation):

Mr. Armand Vézina, chartered accountant, 10 St. James St. West, Montreal, called:

By Mr. Monet:

Q. I understand, Mr. Vézina, that you had something to do with preparing statements, and particularly statement No. 4, for the firm Les Jardiniers Modèles of Montreal?—A. Yes, sir.

Q. You contributed to their preparation, if you did not prepare them yourself, in the light of the figures submitted by the firm Les Jardiniers Modèles?—A. Yes, sir.

Q. Would you, more particularly at the moment, Mr. Vézina, tell the members of the committee why this firm is not in a position to give a statement of its operations or the result of its operations, as it has been able to do since 1944, why it was impossible for that firm to get those figures for the previous operations?—A. Mr. Boudrias sought my services in August 1944, and at that time I established a complete accounting system. There was no complete accounting system before. He had a book for accounts receivable and expenses, and the entries were made in a copybook, very simply; they were single entries. As he paid he marked that down. However, that was not complete. There was no bank or cash balance. There was not any control. I could not know all the expenditures he had made. I examined those entries in the books, and I happened to find some invoices, a lot of things; and however I found many things that he had paid for, but for which I never found any account.

Q. Then the previous accounting system was wholly inadequate, there were no means of giving an accurate answer on that basis?—A. It is true.

By Mr. Lesage:

Q. It was a mere journal?—A. That is right.

By Mr. Monet:

Q. I understand at that time the operations of the firm Les Jardiniers Modèles were not as developed as they are to-day?—A. No, they have been much extended during the year.

Q. And Mr. Boudrias said a moment ago they were chiefly what you call family operations, that is he conducted his business himself with the help of his family?—A. Yes, sir.

Q. And you, as an accountant, are giving the information you were able to secure until the period of August 1944, and it was impossible to reconstruct—A. To get accurate results, no.

Mr. MONET: I must add for the information of members of the committee that some figures and a statement similar to that described by Mr. Vezina were submitted to me and that, after auditing all of them with the committee's accountant, we reached the conclusion that such figures would definitely be of no use to the honourable members of the committee because they were inaccurate and, consequently, we decided not to table them in view of the fact that they were absolutely useless.

(Text):

Mr. MONET: I want to say this for the benefit of members of the committee, that Mr. Boudrias and Mr. Vezina, the accountant, submitted to me certain figures as to the operation of this firm previous to September, 1944, but on account of their being inaccurate and inadequate, as was ascertained by an examination of Mr. Vezina and other witnesses, we came to the conclusion that it was purely a waste of time to put them in the record because they would really not show the operating figures with respect to this company. That is why we have put in only the figures which have been audited.

Mr. MAYHEW: Will you explain that $102,000 increase?

Mr. MONET: I will question the witness on each of these figures. I was just pointing out that the witness could not, as some other firms have done, give us figures for any period previous to September of 1944.

(Translation):

Mr. LESAGE: Mr. Monet, before you question the witness, could he tell us if gardening operations are included, or if it is only the business end.

The WITNESS: Both are included, Mr. Lesage.

By Mr. Lesage:

Q. Farming is there also?—A. Farming is there.

Q. Farming operations are included— —A. Farming operations are included, and so are Les Jardiniers Modeles, both of them, both are included together, the farm—and then the store.

By Mr. Monet:

Q. That is to say in statement No. 4 you have the total purchases with reference to all commodities bought by yourself or your firm?—A. That is correct.

Q. Whether those commodities come from your farm or from other farmers or growers throughout the country, the figures in statement No. 4 show the total of your operations?—A. Yes.

By Mr. Lesage:

Q. They are combined then, the purchase and production costs?—A. They are grouped together; and, in order to answer the gentleman's question who, a moment ago, found that rather singular—

Q. I think you had better wait for Mr. Monet's questions, Mr. Vezina.

Mr. MONET: Yes, I should like to ask you a few questions.

Q. Mr. Vezina, you said that for the four months ending December 31, 1944, your sales reached a total of $327,782.02?—A. Right.

Q. Would you tell us now what was the total of your sales for 1947?

Mr. BOUDRIAS: For the year 1947?

Q. The accountant might answer if that can help at all?

Mr. VEZINA: $3,771,654.62.

By Mr. Monet:

Q. That is the total of the sales of the firm "Les Jardiniers Modeles?

Mr. VEZINA: That is it.

By Mr. Monet:

Q. Would you tell us when your fiscal year ends?—A. December 31.

Q. So that the figures that you just gave us represent the operations for the twelve months of 1947?—Yes, sir.

Q. Now, you note, do you not, as between the totals of the sales for the years 1947 and 1946, an increase of over $900,000?—A. Yes, sir.

Q. And that the total of your sales for 1947 is practically double what it was in 1945?—A. Yes, sir.

Q. I now refer you to the gross profits. Would you give us the total amount of gross profits for the year 1947 by comparison with the year 1946?—A. $339,691.36 in 1947 and $195,248.64 in 1946.

Q. Then you have an increase there, Mr. Vezina, I am not speaking of a few dollars, but of an increase of approximately $150,000?—A. Yes, sir.

Q. Then, how do you account for a substantial increase in your gross profits when your turnover after only shows $900,000?—A. Did you say, an increase of the gross profits? Here you have $339,691.36—

Q. You said that you had an increase of approximately $900,000 from 1946 to 1947, when you show in gross profits the sum of $150,000 more in 1947 than in 1946; hence, could you explain to the members of the committee this profit which seems considerable at first sight.

Mr. LESAGE: Once more, if Mr. Vézina prefers to answer—

Mr. MONET: Yes, I believe that Mr. Vézina can answer, unless Mr. Boudrias prefers to answer himself.

Mr. VÉZINA: That can be explained because a good part of the purchases—and that is what accounts for the fact that the percentage is higher in gross profits—is made by others. We buy carloads for others and we sell those carload lots at a profit of 1 per cent only; the percentage varies considerably in our line of business.

By Mr. Lesage:

Q. Les Jardiniers Modèles often buy in common for other wholesales merchants?—A. Yes, sir.

Q. And that is included in the total of the sales?—A. Yes, that is included in the total sales and in the purchases also; therefore that has the effect of decreasing the gross profit slightly.

Q. Now, these increases of gross profits that we are asking you to explain — —A. They may be smaller or larger according to the different years; they vary.

By Mr. Monet:

Q. Could you tell us what the difference between 1946 and 1947 would be?—A. In 1947, it is rather hard to say exactly without having made a complete breakdown.

By Mr. Lesage:

Q. You did not make a breakdown?—A. No, not a complete one.

Mr. Monet: We want that because, as the Chairman said the other day, at first sight, the gross profit increased by $150,000, and the sales show an increase of $900,000.—A. Yes.

Q. I would like you to explain to us this profit which, at first sight, seems rather substantial?

By Mr. Lesage:

Q. Do you believe, Mr. Boudrias, that this greater margin of profits which you made in December could contribute a great deal to this increase in profits?

Mr. Boudrias: No, it is not so much the margins that count really, because the way the distribution is made, we had 50 per cent; take for instance oranges or lemons—

By Mr. Monet:

Q. But you told us a few moments ago that you had made more substantial profits on domestic products. Mr. Lesage asks you now if it is possible that the increase of this gross profit which, at first sight, seems considerable in relation to the increase of your business, if it is possible that this increase would have been caused by the increase of the selling price?

Mr. Boudrias: Yes, that might have contributed.

Q. Can that account for the greater part of this gross profit?

Mr. Boudrias: Yes, a good part of it.

Mr. Lesage: Because, in final analysis, this part at 50 per cent did not really begin to be applied before January 1st?

By Mr. Monet:

Q. For the imported products?

Mr. Boudrias: Yes.

Q. As regards local products, you told us a while ago that you had then a certain amount of these products and that you made a profit on the others?—A. There is no doubt that the quantity we had was a contributing factor.

Q. You even said so two or three times?—A. Yes.

(Text):

Mr. Mayhew: That is an increase over 1946?

Mr. Monet: Yes.

Mr. Fleming: But there is no basis of comparison with the years previous?

Mr. Monet: That is the only reason I made that statement.

Mr. MAYHEW: There is no basis prior to 1944, but from 1944 on, you have the figures?

Mr. MONET: Yes. I am going to question the witness on that.

Mr. MAYHEW: I thought you were talking about this gross profit?

Mr. MONET: This is it.

Mr. MAYHEW: Do you notice that your gross profit has increased every year by about $145,000?

Mr. MONET: That is what we are discussing now. He is explaining that increase.

Mr. MAYHEW: Well, his salaries and other expenses have increased by about $150,000?

Mr. MONET: That is right. I am coming to that, Mr. Mayhew. It is because at first sight there is an increase in the gross profit of about $150,000, with regard to 1946; and I was asking the witness to explain this in view of the fact that the increase in sales is nine hundred times and at first sight this increase appears quite large. On the other hand, I am coming now to figures which indicate that this increase was offset by increased operating expenses with the result that the gross profit is not so large as one might expect.

Mr. MAYHEW: It remains just about the same.

Mr. MONET: It is just about the same.

(Translation):

Mr. VEZINA: There is something else. Last year, on the farm, he produced on a much greater scale and these products were sent to the store and sold; while, in fact, the cost price should have been included in the expenses of the farm, but this was not done, and it is a very difficult computation for me to make because the men worked now and then at the store and on the farm, while a certain portion of the salaries should have been charged to purchases in order to find the cost price of the farm products.

By Mr Monet:

Q. In other words, Mr. Vezina, I understand that the figures in statement No. 4 include the farm operations and those of the enterprise Les Jardiniers Modèles?—A. Yes.

Q. These figures belong to one or the other?—A. Yes.

Q. Therefore, the returns as well as the expenses in this statement are those of the farm as well as of Les Jardiniers Modèles?—A. Exactly.

Q. Everything is combined?—A. Yes.

Q. And you say it is impossible to draw a line of demarcation between the two, as far as salaries, products and sales are concerned?—A. Well, you see, the men work on the fram or at the store, then—

Q. How many men work at Les Jardiniers Modèles?

Mr. BOUDRIAS: At least 65 to 70 men; let us say between 60 and 75 men.

By Mr. Monet:

Q. I understand that those men who work at the store, at the warehouse, and at the place where the office is situated, at your home, at the store of Les Jardiniers Modèles, also work on the farm?—A. Yes.

Q. Do they receive a salary for working on the farm and another one for working at the store or do they get only one salary?—A. That is the only salary they get.

Q. You never computed the proportion of salaries they could have earned by their work on the farm and their work at the store?—A. No; you see, at the moment we have a lot of merchandise to handle there; we will therefore send 10, 15 or 20 men on the farm and, if there is more work, we will send them to the store.

Q. Statement No. 4 is therefore a consolidated statement of all your operations, of the farm as well as of Les Jardiniers Modéles?—A. Yes, sir.

Q. On the returns as well as on the expenses of all your operations?—A. Yes, sir.

Q. I now refer you on this same page to the "operating expenses", and I ask you to note that the difference between the operating expenses for 1946 and those for 1947 are about $150,000.—A. Exactly.

Q. In other words, your operating expenses for 1947 have exceeded by $150,000 those for 1946?—A. Right.

Q. By taking into consideration, if I may use this expression, the gross profit which we have just mentioned, would you give the members of this committee an explanation, a reason for this considerable increase in your operating costs in 1947 by comparison with 1946?—A. First, a major part of the summer season is devoted to the shipment of the gardeners' produce, and we have to secure containers for that purpose and there has been a considerable increase in the price of those containers. Then, there is the maintenance of the truck "fleet"; I estimate that last year this cost us at least 20 per cent more than in years previous.

Q. I understand you have here figures which could explain that, comparative figures; for the record, would you give us the comparative figures?

Mr. VEZINA: There are the salaries.

By Mr. Monet:

Q. Would you give a breakdown?

Mr. LESAGE: Mr. Vezina, as you get to an item, would you give us an explanation, because you say there is quite an increase in the salaries and this increase in salaries does not seem in keeping with the increase in the volume of business?

Mr. VEZINA: The salaries varied from $80,843.93 in 1946 to $128,518.07 in 1947. There were therefore considerable increases in salary in 1947 and then, there is besides, the employment of men on the farm, there are at least 20 to 25 men on the farm.

Q. Has there been an increase in labour costs?

Mr. BOUDRIAS: In labour costs?

By Mr. Monet:

Q. In 1947 as compared with 1946?—A. Yes, sir.

Q. How much do you pay a man on the farm?—A. For the men on the farm, we paid $45 a month; we have Poles working for us, that was the price fixed by the Government; and, besides, we have our own men, when there is not much work at the store we bring them to the farm. But we paid $45 a month, that is the price which was set by the Dominion Government and, this year, we pay $70 a month.

Q. That was the arrangement?

Mr. BOUDRIAS: Besides that we had our truck drivers earning between $32 and $33 a week. Nowadays one has to pay a man who has a wife and four or five children $38 to $40 a week to enable him to balance his budget. One has to give him a chance to live. Consequently wages went up $5 or $6 a week, perhaps $8 or $9 or even $10 a week, and in the case of the Poles wages increased from $45 to $70.

By Mr. Lesage:

Q. That would be an 80 per cent increase approximately?—A. Yes. Then apart from that it is very difficult to secure farm workers. Without the Poles the situation would be very bad and that is the reason why such a movement should be promoted.

Mr. MONET: That explains wage increases. Now, Mr. Vezina, I wish to refer you to the increase in operating costs which seems rather high. Would you give us an explanation for that?

Mr. VEZINA: Then the truck expenses amounting to $26,209 in 1946 increased to $59,557 in 1947.

Q. What would you say was the reason for such a large increase?—A. Well, the fleet was nearly doubled and the area covered for the delivery of goods widely extended. We made deliveries to Sherbrooke, St. Johns, Que., St. Jerome, Ottawa and Quebec city.

Q. How many trucks have you now?

Mr. BOUDRIAS: Nearly forty, I believe. I could not say exactly.

Q. And that is, you say, the explanation for that large increase from $26,000 to $59,000?—A. Yes, sir.

Q. Can you tell us now what other factor could account for such a high increase?

Mr. VEZINA: Yes, packing.

Q. Does that represent a large amount?—A. Yes. It increased from $13,648 to $36,987.

Q. Are they containers?—A. Yes, containers, boxes, crates, wooden boxes for packing goods.

Q. Have you any other substantial increases?—A. Insurance premiums have gone up from $8,512 to $17,121. The insurance on our trucks went up considerably and then Mr. Boudrias had our buildings revalued and the insurance there also had to be raised. Some insurance policies had been cancelled previously and were finally renewed. Altogether this brought up the cost of our insurance. And then there are telephone bills and telegrams. No, I am sorry, I should rather mention here cartage, that is for trucks that we hire and which do not belong to him.

By Mr. Monet:

Q. So then, beside the fleet of trucks belonging to Mr. Boudrias, or rather to the firm of Les Jardiniers Modèles, you have expenses attributed to cartage for hired trucks?—A. Yes. And those expenses amounting to $18,110 in 1946 increased to $26,442 in 1947. Then there are also farm expenses, the matter of wages.

Q. Yes, we mentioned wages a moment ago.—A. From $4,854 in 1946, they rose to $10,974 in 1947.

By Mr. Lesage:

Q. Does that include the board for those men?—A. Yes, it does include the board. Then the farm was considerably developed in 1947. Telegrams and telephone bills must also be accounted for. I am sorry, I have given you figures for the farm expenses which are not exactly that. It was rather for telegrams and telephone calls which have gone up considerably. For the farm, the figures are $4,854 and they have increased to $10,974.

By Mr. Monet:

Q. Now you have just given us comparative figures showing a surplus of about $90,000.—A. Then, the other figures may have varied. There might also have been a slight variation in financial expenses which considerably increased the amount.

Q. What do you mean by "financial expenses"?—A. Well, there are financial expenses, it is . . .

By Mr. Lesage:

Q. Have we got that here?—A. Then we have to take into account financial expenses, bad debts . . .

Q. Were there any in 1947?—A. Yes, there were. Some people went bankrupt and we lost $3,800.

Q. Are bankruptcies occurring again?—A. Yes.

Q. So then you have given us the main reasons for that increase?—A. Yes.

By Mr. Monet:

Q. Then at the bottom of statement No. 4 you indicate a gross profit of 9 per cent—on sales?

By Mr. Lesage:

Q. In 1947?—A. Yes.

Q. No, this is a loss.

Mr. MONET: No, 9 per cent indicates the gross profit percentage on sales. —A. Yes.

Q. Now, with regard to profit or loss, before tax deductions, you indicate a loss for the year 1947?—A. Yes, sir.

Q. However, you state that the gross profit on your sales amounted to 9 per cent, and that apparently was the largest profit made by the firm of Les Jardiniers Modèles since 1944?—A. Yes.

By Mr. Lesage:

Q. Before leaving statement No. 4, Mr. Vezina, were there large inventories at December 31, 1946 and at December 31, 1947?—A. At December 31, 1946, the inventory amounted to $14,609, and at December 31, 1947, it stood at $78,202.

Q. How was the inventory of $78,000 valued?—A. At cost price on the market or at the market price if it was lower.

Q. But if the produce came from the farm?—A. If it came from the farm, we valued it at the market price, at the price he paid for it himself.

Q. Which he himself paid, at that moment, or which he had paid?—A. Yes, which he paid at that moment, on December 31.

Q. As a matter of fact, if the inventory had been valued on the basis of the selling price, you would have ended the year with a fairly large profit?—A. But that would have been an unreal profit.

Q. But this figure of $78,000 certainly represents a sizeable amount?—A. No, that represents the market price at that time.

Q. Yes, I understand, but I am seeking an explanation for this loss in 1947. —A. That is due to increased expenses.

Q. The system will have to be changed?—A. You see, profits on fruits and vegetables are so variable; this kind of business can result in a heavy loss one year and a large profit another year . . .

Q. Because this is the first time we encounter such a heavy loss.

Mr. MONET: Yes, the firm of Parent and Goyer whose representatives were heard last week showed very small profits, yet they showed a profit nevertheless.

Q. Have you anything to say about that, Mr. Boudrias?

Mr. BOUDRIAS: Yes, sir. Our distribution is very widespread, and all the produce we succeed in getting, especially very scarce produce, for instance, if we receive a carload of oranges, grapefruit or carrots, and we have some 400 customers to serve and make a point of distributing the produce to those customers, distribution costs us four, five, six and seven times what it could cost us . . . If we had not wanted to meet the public's needs, it would have been easy to show a profit of $100,000. We merely had to dismiss our staff and sell those carloads as they stood on the tracks, take a profit and not bother about anything; but one cannot merely think of to-day, especially in the matter of imports. Apart from that, I am setting up an organization to serve the gardeners. There is no such organization in Quebec, an organization patterned on that of our firm which aims at and is interested in distributing the produce of our gardeners throughout Canada. Distribution in the Province of Quebec is not yet perfect and we are seeking to expand it as much as possible. I have a group of gardeners who co-operate with me to the fullest extent. They stand by me all the time and if I happen to show a debit balance of $7, $8 or $10, those people do not leave me to my fate because we ship a lot of produce for them.

For instance, there are people coming to us saying: We have no market for between 15,000 and 20,000 crates of cucumbers, we cannot get rid of them; could you do something about it for us? We telephone or telegraph throughout Canada, to Quebec City, Toronto, Ottawa, Kingston, Cornwall, Ont.; even way down to Prince Edward Island. Costs are no object; our sole concern is to be in a position to deliver that produce. We are the only ones in the Province of Quebec building such an organization, doing that kind of business . . .

As you are no doubt aware, Mr. Lesage, people in the Province of Quebec are not used to receive goods shipped on consignment, it is just not being done, so we do not quote them a price, there is no sense in it, we lose money. I know of cars, I could show you, on which we suffered a loss of $600, $700 and even $1,000. I could show you whole carlots of tomatoes which were a total loss to me, many times . . .

By Mr. Beaudoin:

Q. In other words, you assume full responsibility for the shipment?—A. Yes, we assume full responsibility; perhaps we should not, but in substantiation of my evidence let me tell you a Montreal organization is receiving a grant of between $9,000 and $10,000 a year from the Provincial government.

By the Chairman:

Q. From the Provincial Government?—A. Yes, from the Provincial Government.

By Mr. Lesage:

Q. From the Quebec Provincial Government?—A. Yes; they get between $9,000 and $10,000 a year and still they show a deficit year after year; they are competitors trying to make things difficult for us, whereas in the case of gardeners I serve, the distribution, all over Canada, was organized by myself alone without seeking any contribution from anybody.

By Mr. Beaudoin:

Q. How is the organization called?—A. The *Coopérative des jardiniers-maraîchers du Québec.*

Q. The *Coopérative des jardiniers-maraîchers du Québec?*—A. Yes.

Q. That organization is a competitor of yours?—A. Yes, they are competitors of mine, and I have to fight my battles along the same lines, with the difference that nobody helps me.

Q. You receive no grants from the Provincial Government?—A. Oh, no.

Q. Did you ever seek a grant from the Provincial Government—a subsidy? A. No, and I will not seek any; all I want is that everybody should be on the same footing.

By Mr. Lesage:

Q. Mr. Boudrias, in 1947, if I understood you well, you have given much of your time to the establishment of a regular market for farm produce, particularly for those of your own and your neighbours' farms?—A. Yes, sir.

Q. Your operating costs have thereby been increased?—A. Yes, we are at the organization stage, it is not done in the Province of Quebec; we want to follow the lead of Ontario.

Q. So?—A. So, all is well with the people of Ontario, we have no quarrel with them, but we shall not let them get the best of us. The difference is that we are compelled to do it with our own money.

Q. In 1947, you claim the yield was low; nevertheless, your sales increased by $900,000?—A. You are right, but we work like devils.

Q. You state that production fell off by about 65 per cent, yet you show an increase of $900,000 in your sales; is it because you have extended your markets?—A. We have extended our markets, we were more aggressive.

By Mr. Monet:

Q. You own a fleet of some forty trucks?—A. Yes, sir.

Q. Mr. Boudrias, in the list of your operating costs you have shown a considerable amount for trucks hired to deliver your produce. You deliver almost everywhere in the province?—A. Yes, sir. Four and five hundred miles away from Montreal; even as far as Toronto and we have tried to enter the New York, Boston and other border cities' markets on the other side.

Q. Let us go back to your statement no. 2.

Mr. Lesage, are there any other questions you want to ask on statement No. 4?

Mr. LESAGE: No, sir.

By Mr. Monet:

Q. Let us go back to statement No. 2.

(Text):

Mr. MONET: I am going to state this in English because it is a change which has to be made in exhibit 115. I should like the members of the committee to make these changes which are very important.

Mr. THATCHER: What page?

Mr. MONET: Statement No. 2, it is the first page of exhibit 115. On March 11 and March 18, oranges, California, first column, you have a selling price of $6.50 and $6.60. If you refer to statement No. 3 for the same dates, March 11 and March 18, the most recent purchase price you have there is $4.49 for March 11 and $4.55 for March 18. Now, it should read $5.71 for March 11 and $5.71 for March 18.

Mr. FLEMING: On which sheet?

Mr. MONET: On statement No. 3, $5.71 and $5.71 instead of $4.49 and $4.55.

There is another correction on page 2; February 12. There is no change in the selling price of $6; but there is a change on statement 3 for the same date, February 12, in the purchase price. Instead of $4.00 it should read $5.50.

Mr. FLEMING: The same as for February 19?

Mr. MONET: The same as February 19, yes. There was a mistake in the figures.

(Translation):

By Mr. Monet:

Q. Mr. Boudrias, I now want to ask you a few questions on the price of oranges. If you follow the comparative statement prepared by the secretariat, it will be easier for you; I gave you a copy a minute ago. As of November 27, Mr. Boudrias, you give as selling price $7. That is right, is it not?—A. Yes, sir.

Q. And as purchase price $4.12, for latest purchases; the spread being $2.88 per crate, or a percentage of 41·1 with reference to the selling price. Witnesses from Toronto and another firm have already come forward to state a selling price below the said price for a similar date. Kindly explain this to the members of committee and say why your firm sold oranges for such a price at the date specified?—A. This is due to sizes which come in small quantities in a carload lot of oranges that are in great demand. The margin seems very high, but if you consider the whole shipment, you find yourself with an entirely different profit.

By Mr. Lesage:

As to the answer you have just given, other witnesses answered the same way. Can you give a breakdown of this shipment?

Mr. Monet: We had it this morning, a complete breakdown of a shipment.

By Mr. Monet:

Q. What, Mr. Boudrias, do you consider a reasonable profit on a crate of oranges to enable you to make a decent living?—A. On a crate of oranges, supposing from $3,700 to $3,900 are invested in a shipment of oranges, the margin on the whole, and the whole year through, has to be 75 cents to $1 a crate.

Q. According to the witnesses heard, when the time comes for you to determine the margins you must have to make a reasonable profit, I understand that you consider the purchase of the whole carload, and not the purchase on a crate basis?—A. No, sir.

By Mr. Lesage:

Q. And 75 cents per crate yields you how much on a percentage basis?—A. There are 561 crates to a car; at 80 cents, this makes $450.

Q. On $3,700?—A. Yes, sir.

Q. Did you say what it was?—A. On $3,900, 13·5 per cent.

By Mr. Monet:

Q. This morning you have here, Mr. Boudrias, a complete breakdown for a shipment of oranges you already bought?—A. The said carlot was purchased on March 9.

Q. Let us therefore take the carlot purchased on March 9. Naturally, when you buy a shipment of oranges, you cannot buy the whole 288-car?—A. No, but once in a while.

Q. Usually, I think, for every shipment of oranges, you must accept various sizes?—A. Yes, sir.

Q. How many crates were there in the car you mention and about which you are giving details?—A. 561 crates.

Q. Please state the number of crates in the above shipment, together with the sizes of the oranges in the crates, and the price at the time?—A. Sixteen crates of size 176 at $7.75.

By Mr. Lesage:

Q. Is that the purchase or the selling price?—A. The purchase price.

Q. $7.75?—A. There were 40 200-crates at $7.75; 80 220-crates at $7.50; 150 252-crates at $7.00; 175 288-crates at $6.25; 100 344-crates at $5.50, and that is all.

By Mr. Monet:

Q. There you have 561 crates?—A. Yes, sir.

Q. You have all sizes of oranges in this car, all different sizes?—A. Yes, sir.

Q. And for which you paid?—A. $3,727.75.

Q. Now, will you kindly explain to the members of the committee what you do in order to sell these oranges, to ascertain the cost, with a view to adding a margin based on the figures you have just given?—A. When we got this car load of oranges, if you are thinking of these, when we sold them, we noted that we lost 50, 60 and 75 cents per crate on certain sizes.

By Mr. Lesage:

Q. Can you break down these figures?—A. I have no breakdown with me. The same thing happens every time we buy a car load of oranges. Once in a while, there is consumer resistance against a particular size of oranges. At certain periods, they want no large-size oranges at all, and they only go for small-size ones. At other times, it is just the opposite. You definitely cannot make a 10 to 15 per cent profit, it is impossible, because you must fall in line with the sale to the public.

By Mr. Monet:

Q. Is it possible that on $7.75 oranges you just could not make a normal profit, as you said a minute ago?—A. Yes, sir. And the proof is there, you have but to look into that shipment of March 9.

Q. Consequently, when in fact you cannot take your normal profit, you even sell at a loss but you make up the difference by raising the price on another grade?—A. Yes, sir, we are compelled to do that.

Q. Can you state figures related to the figure you have mentioned, that is $7.75, the cost price?—A. I figure that this particular car of oranges brought us $6.60; that was the selling price of the oranges in that carload. Instead of bringing good returns, that car cost us plenty.

By Mr. Lesage:

Q. You did not buy that shipment of oranges at the end of March. The 288, as you say, cost you $6.25 per crate. On March 11, the latest purchase price was $4.49.

Mr. Monet: There is a mistake there, it should be $5.71.

Mr. Lesage: Oh! yes. I made the correction in statement 3 but not on the other. That is correct.

By Mr. Monet:

Q. And that is the usual practice? Have you any comment on that? You have just said that in the car of March 9, grade 288 cost $6.25 whereas in the statement just revised you give a price of $5.71 with reference to your latest purchase. Was it the same car?—A. It could not have been the same car. Wait, yes it is the same car. The 344 size indicated here cost $5.50.

Q. The reason is that you have shown 135 crates of 288 at $6.25 and, according to the figures corrected this morning, you have shown $5.71 on March 11.—A. Other cars have come in too. You also have other cars the cost of which is lower.

Q. I am asking you whether it is the same carlot or not. You show on March 11 a cost of $5.71 as a more recent purchase price, and you have just given, in describing the content of a car, a cost of $6.25 for the 288 on March 19?—A. It is possible that it happened this way, that two cars arrived the same day. It might be that.

Q. There is no doubt that the car lot you described a moment ago is the one you bought on March 9?—A. Yes, sir. You have the document.

Q. And you explain it that way, by the answer you have just given, how or why, on the particular date of November 27, you would have made a profit of 41·1 per cent on a crate of oranges sold at $7?—A. That applies to a very small quantity, but it is our aggregate profit for that day.

Q. At that time, Mr. Boudrias, could you not have sold at a lower price than the one you sold at, and still make a reasonable profit?—A. Yes, sir, we could have done so, but considering all the grades and all the cars that came in I think our profit was only reasonable.

Q. How do you account for the fact, Mr. Boudrias, that other firms during the same period were able to sell at a price lower than yours?—A. It is possible that our competitors kept oranges in store for three weeks or a month, or in December, at a time when they could be kept in good condition. Futhermore, other firms might have secured a lower quotation.

Q. Is it possible also that a car may contain a greater variety of oranges, so that the price would be less?—A. Yes, sir, you have it there, Mr. Monet, because the shipping bill of a car—

Q. I am asking you that question in order to try to account for the profit that seems considerable for that period.

Mr. Lesage: Before dropping that point, I am perusing the comparative statement and I notice the firm of Boyer and Company; I see that sometimes, on November 27 for instance, Les Jardiniers Modèles sold their oranges at $7, whereas Parent & Gauthier sold theirs at $6. However on several other dates, Les Jardiniers Modèles sold at lower prices.

Q. There is no fixed price on the Montreal markets?—A. There is a little competition.

(Mr. Pinard takes the Chair.)

Q. There is no market price for you people?—A. No, there is no price, none is established. We try to serve our customers as best we can.

Q. As far as oranges are concerned, it is your cost plus a margin, and not the market price, that determines your selling price? Is that right?—A. Yes, sir.

Q. The laws of supply and demand apply only for a period of time, for the immediate price, and you base it on your cost?—A. As far as these things are concerned, oranges and all the goods, they are on a quota basis.

By the Acting Chairman:

Q. You set your prices according to that policy and having in mind the market fluctuations?—A. Yes, sir. There will be a period, for instance, where you will have from seven to ten cars of oranges coming in at the same time. I have been in the position where I had to sell below cost. Certain grades, for instance, do not sell at all and, the following week, the trend has changed and customers buy all those grades.

Q. Then your purchases, when that happened, were for the wrong kind? When the small ones were in demand, you had the big ones? How do you account for that? Is it a coincidence?—A. Yes, sir. That is a coincidence, and we spend our time on the telephone educating the people. We tell them "why not take these", but they answer us "no, we want the small ones".

Q. That is in keeping with the whims of the consumers?—A. That is human nature.

By Mr. Lesage:

Q. That depends on the period of the year?—A. Yes, sir, and on the time; that depends; sometimes there is more money available. When they take the small ones, that means there is less money.

Q. At that time, the people bought the small ones and paid their taxes. You set the price according to the carload lot you received?—A. Well.

Q. You adjust the prices of oranges, the 288 size oranges, for instance, in relation to the total price a carload might have cost?—A. We take into account the size, our cost price and the demand. We cannot do otherwise.

Q. That is what causes the price of oranges to vary, as in the case of the 288, or the 344 or the 252?—A. Yes, sir.

Q. That accounts for the difference in the prices?—A. Yes, sir.

By Mr. Monet:

Q. Now, Mr. Boudrias, I should like to ask you, with reference to the delivery of apples, to explain to the members of the committee how it happens that the price of B.C. apples is $3.21 on December 31 and that from December 31 onwards there is no purchase price recorded before April 1? Am I to understand that no purchases took place during that period?—A. From December onwards, in December, January and February, there were virtually no purchases whatever.

Q. There must have been none, for there is no mention of price?—A. That is correct.

Q. Can you tell the members of the committee how it came about that from January 8 to April 1, the price of apples sold by your firm increased from $3.38 to $4.12 while the purchase price did not vary?—A. If we receive those apples in December or January and if we sell them two or three months later, we have to keep them in sound condition. You have to pay storage charges, there are also costs to get them out of the cellar which amount to 5 cents per box, and when the apples are left several months in storage, if you leave them thirty-one days and one day longer going into the following month, that counts for two months, and you want to take out your apples in sound condition—

By the Acting Chairman:

Q. The risk of loss and storage costs increase at the same time?—A. Yes, sir.

By Mr. Lesage:

Q. That accounts for the rise in the price of apples the cost price of which did not increase?—A. Yes, sir.

Mr. MONET: The cost price did not increase, but the price to you increased? —A. The price increased by reason of the added costs.

Q. That is the price which you paid to the person who sold them to you, the risks of loss and all that you explained and spoke of, those are the reasons why the price seems to have been increased?—A. Yes, sir, that is it.

By Mr. Monet:

Q. Now, will you turn to page 2, Ontario No. 1 celery. As you stated a moment ago, Mr. Boudrias, you showed in your statement a gross profit of 9 per cent on sales, and that is the profit established for the year 1947. Can you explain how it happens that for the month of October, with the exception of October 30, the profit on celery reached a figure varying from 36·7 to 39·7 per cent? Why must you take such a large profit?—A. Celery is an extremely perishable commodity. I cannot say it is a commodity we buy from day to day, but we do buy it four or five days before distribution. Once or twice a year we place our celery in storage, but we generally leave in on our floors and it is a perishable product. But in that particular case, the price rose quite rapidly. Had we wanted to take advantage of the situation, we could easily have jumped that profit of 31 per cent to 40 and even to 45 per cent at that time. The margin was $3 a crate, the market price for everybody. Had we wanted to take advantage of the market we could have sold it for $5.

Q. On that date?—A. Yes, sir. The demand was so great that we had distributors the year round. If we had wanted to increase the price of that product by 50 cents, we could have done so, but we would not have had the advantage of availing ourselves of our quota.

By the Acting Chairman:

Q. How do you account for the loss incurred on celery in January, 1948? On January 29 you bought celery at $12.50 and sold it for $11.64—A. The price had risen so high that we did not have the nerve to ask that price. I remember that occasion.

Q. You could have got that price?—A. We could have charged $13, $14.

Q. You preferred taking a loss in order to retain the esteem of your customers?—A. Yes, sir, we must keep our customers in mind. We are not in business merely for one day.

Q. You were not obliged to do so?—A. When you buy a crate of celery and turn around and sell it for $12, I figure that is going a little too far.

By Mr. Monet:

Q. Did you have celery in the warehouse at that time?—A. No, sir.

Q. How do you account for the $6 increase in the price of your purchases from January 15 to January 29, 1948. On January 15, when you made your most recent purchases, the price was $6.50 while on the 29th, you had to pay $12.50, if I understand correctly. How do you account for such a considerable increase?—A. It was getting late in the season and we had to rely on the celery in the cold storage plants in Ontario. There is practically no celery in storage in Montreal. The celery consumed in December, January and February was canned celery and 85 per cent of it had been stored in Ontario.

Q. You had to buy it there?—A. We had to buy it from those people, they were the bosses on that score. We bought a carload two or three times.

Q. You did not have any celery left at that time and you had to buy it?—A. By December 1st we did not have any celery left in Quebec. Not a gardener in Montreal had a head of celery available by December 1st.

By the Acting Chairman:

Q. Everybody was buying it in Ontario?—A. Yes, sir.

By Mr. Monet:

Q. Would you turn to page 3 now, as regards imported cabbage? Mr. Boudrias, on February 26, there is an increase of 4·3 in the selling price and of 5·8 on March 4, while, for the same period— —A. From?

Q. On February 26, the fourth item from the top, 4·3, there is an increase of 5·8 from February 26 to March 4, while in the same period there is a decrease varying from 3·7 to 3·3 in the purchases. Would you, then, explain to the members of the committee how it is that, while the purchase price decreased, the selling price increased?—A. It is somewhat understandable for cabbages; it is our weakness, we handle a great quantity.

By Mr. Lesage:

Q. That is where you make your money?—A. We buy some from fall until spring. What could have happened there, is that the local market may have been low at that time. Our gardeners were offering them in great quantities and we purchased them. It may be that the cabbages we bought during that period were sold a few days later. There was no demand, there was but a small demand and we bought them.

By Mr. Monet:

Q. Several witnesses told us, Mr. Boudrias, that the basis of prices in the fruit and vegetable trade, as in many other lines of business, is the general law of supply and demand. You have here a situation which I would like you to explain, which is somewhat different from what we were told, since, from February 26 to March 4, the purchasing price fell off, does that mean that the supply exceeded the demand at that time? In other words, were there more cabbages on the market?

Mr. BOUDRIAS: From February 26—

By Mr. Monet:

Q. To March 4—the purchase price?—A. I think it was 3·7 cents.

Q. The purchase price, on February 26 was 3·7 cents was it not and on March 4, a week later, it was 3·3 cents; how do you account for that?—A. If I understand correctly we are talking about American cabbages, aren't we?

Q. Yes, imported cabbages?—A. Imported cabbages.

Q. Therefore, as the purchase price decreases, the selling price increases; I would like you to explain that to me a little, because this seems contrary to what we have been told to date.—A. Well, one thing happens, as I told you a while ago, we buy a lot of cabbages and while we were dealing with Texas, I suppose that the market which was at 3·7 cents here could have been at 4·3 cents in Texas; that could have happened. You know that if we buy a carload and if it arrives in about ten days, we have to figure out our cost ourselves. Therefore, those cabbages which are in Texas and which arrive in about ten days may affect our cost; there is such a sudden change.

Q. That is to say that the price mentioned in statement No. 3 and the purchase price may reflect on certain goods bought several days previously?—A. That is correct; there could have been produce bought at 4·6 cents and 4·8 cents which were in that carload; when you have ten carloads on the way, you know, you have to take care of each and every one of them and, in the store, that—

The ACTING CHAIRMAN: In other words, these are not the same cabbages.

Mr. LESAGE: Even so, if the cabbages have been bought early in March for sale at the end of the month, this does not provide the desired explanation.

Mr. MONET: You see, you have here a somewhat anomalous situation, it does not tie in very well with what has been said heretofore. When the hon. members of this committee analyse these returns, they will see the figures and they will want to know what they are all about.

By Mr. Lesage:

Q. You take a gross profit of 4·3 cents?—A. On the other hand, take cabbages of last month. Those cabbages cost me $2.75 and have been sold at $2 and $2.25—

Q. Yes, at the end of April?—A. Yes, at the end of April, but we were losing 75, 80, even 90 cents.

By the Acting Chairman:

Q. Is the sale of cabbages subject to more variations than the sale of, say, oranges?—A. Yes.

Q. You show profits of 43·1 for March while in February you have made profits of 2·4?—A. Yes.

By Mr. Lesage:

Q. There is even a loss of 2·2.—A. Yes.

By the Acting Chairman:

Q. And you have incurred a loss of 3·9 in April?—A. Yes.

Q. That seems to me quite extraordinary. Why is there so much difference? —A. Well, you see, we were permitted to import cabbages in mid-winter. At the time we had been without cabbages for a while, as you know, and we were permitted to import. There being no restrictions, we could get imports, but as we were short of produce we may perhaps have bought four or five times more than was needed, so that there may have been a glut for a while.

Q. Is that the reason for the loss shown in April?—A. Yes.

By Mr. Lesage:

Q. Do you consider that a gross profit of 43 per cent on cabbages is normal? —A. Well, in the fruit and vegetable business, you cannot establish rigid rules and say: we will take 15 or 20 per cent, because you never know how things will work out. You cannot say as in other businesses: we will take a profit of 20, 30 or 35 per cent, because of the enormous waste which cannot be foreseen.

Q. The main thing is your gross profit over the whole year?—A. Yes, exactly. You see, as there was no cabbage at all in January, we were permitted to import. So far so good. That was a supply of cheap food for everybody. Now, some will be harvested in a week and the embargo is imposed again. Nothing could be better, this works out 100 per cent in our favour.

Q. You want to be protected as producers?—A. The set-up is perfect. If you do as you have done as far as cabbage is concerned, you will get tips.

By Mr. Monet:

Q. Now, if we inquire into carrots, I presume you will give the same explanation for October?

Mr. LESAGE: There is nothing on carrots, it is the same.

By Mr. Monet:

Q. That is the only period where you show a percentage which might perhaps be slightly above normal. On this point, will your explanation be the same as the one you gave about cabbages?—A. Carrots are in the same situation.

Q. Then, I have no other question to ask of this witness.

Mr. LESAGE: Onions, there is nothing on onions.

Mr. MONET: There is nothing on onions. Their mark-up is the smallest of all.

By Mr. Lesage:

Q. What is that, "other income", in the financial statement?

Mr. VEZINA: Part of the warehouses are rented to others. And, besides that, there is an important gain, it is the principal amount, there is—

By the Acting Chairman:

Q. The patronage dividends on the losses of the insurance companies, I suppose?—A. No, there is an amount of $9,000 of warehouse rentals out of that $10,000.

(Text):

Mr. MONET: I have no more questions for this witness.

Mr. MCGREGOR: I would like to ask two or three questions. This item here, other income; has that been explained?

Mr. LESAGE: No, it has not.

Mr. MONET: Pardon me, I didn't get that.

Mr. MCGREGOR: Other income, on the financial statement.

The CHAIRMAN: That is rentals from warehouses.

Mr. MCGREGOR: Rentals from warehouses?

Mr. LESAGE: Yes, $9,000 is warehouse rentals.

(Translation):

By Mr. Lesage:

Q. What was the capital setup in 1944 and in 1947?

Mr. VEZINA: In 1947?

By Mr. Lesage:

Q. Start with 1944, Mr. Vézina.—A. It is because I have not got it here. I only have the statements on operations. I have not the balance-sheet; then, simply from memory, I could tell you it has remained around $50,000.

By Mr. Monet:

Q. There has been no increase?—A. No.

(Text):

Mr. MCGREGOR: These warehouses are rented?

Mr. LESAGE: They rent space in the warehouses.

Mr. MCGREGOR: And this other income is from the space in their warehouses which they rent?

Mr. LESAGE: In their own warehouses, and it amounts to $9,000 of that $10,000.

Mr. MCGREGOR: What was their capital setup in 1944 and 1947?

Mr. LESAGE: Around $60,000.

Mr. MCGREGOR: In 1944?

Mr. LESAGE: It is about the same, it has not increased at all.

Mr. MCGREGOR: There has been no increase?

Mr. LESAGE: No.

Mr. MONET: There has been no increase.

Mr. MCGREGOR: The breakdown of that $221,000 has that been shown so that one can read it?

Mr. MONET: Yes, that has been shown.

Mr. MCGREGOR: That has been broken down and it is all itemized?

Mr. MONET: Yes, and the $128,000 also—salaries, has been explained; and also the $150,000 increase in the cost of operating has been explained.

Mr. MCGREGOR: And they have been put down in detail so that we can read them?

Mr. MONET: Yes.

Mr. MAYHEW: Have you the number of people on salary?

(Translation):

Mr. MONET: What is the total number of your employees?

Mr. BOUDRIAS: The number varies.

By Mr. Monet:

Q. What is the average maximum number of employees that you have, and the minimum number, at different periods of the year?—A. That may vary, with all the branches and the periods of time, from 90 to 125.

(Text):

Mr. MONET: He says that the total number of employees both for the farm and the wholesale store, and the employees work either in the one or the other, and some of the people work both on the farm and in the store, they run all the way from 125 to 90.

Mr. MCGREGOR: From 90 to 125?

Mr. MONET: Yes.

Mr. MAYHEW: So that is all salary, or is there other expense?

Mr. MONET: That is all salary.

Mr. MAYHEW: All salary?

Mr. MONET: Yes.

Mr. LESAGE: And he says, some are fed.

(Translation):

Mr. MONET: Are they all on salary?

Mr. BOUDRIAS: Yes, they are all on salary.

By Mr. Monet:

Q. And, for their travelling expenses, that goes into the operating costs?—A. Yes, travelling expenses go into the operating expenses; when we meet a customer or anything . . .

(Text):

Mr. MONET: He says that their salaries always include the gardeners, and when they are out on the road selling and have other expenses those other expenses are put under operating costs.

Mr. MAYHEW: Is there any division between sections of the business?

By Mr. Monet:

(Translation):

Q. Can you tell us, according to your accounting system and the way you operate, if you are in a position to establish if your farm brings in profits or if your store does, or vice versa, and in what ratio?—A. Not so far because our system has been organized to have a complete accounting system for the different places, only recently. Then, I cannot break that down.

(Text):

Mr. MONET: He said that not until they were organizing; they have been organizing things since the beginning, and they have not been able up to now to make a complete division as between the farm and the store.

Mr. MAYHEW: And this $150,000, does that include the capital employed, invested in the farm as well as the warehouse and business?

(Translation):

Mr. MONET: Mr. Mayhew wants to know if the amount of $50,000 that you mentioned a while ago . . . You understood the question?

Mr. BOUDRIAS: Yes, sir.

(Text):

Mr. MONET: He said, yes.

Mr. McGregor: Do they own the farm, the warehouse and everything else?

Mr. Monet: Yes. It started, as the witness described earlier in his evidence, he started this business with his wife and everything has been built up as they have gone along.

Mr. McGregor: Now, in the four years they had a loss of $8,798, and they had a loss of $31,141; that is after taking out their rentals in this here that they got from the warehouse. In other words, on the operation of their business alone they had a loss of $31,142 on sales of $8,750,000.

(Translation):

Mr. Monet: Mr. McGregor has added up the figures of your sales, and he says that, on the total of your sales amounting to $8,700,000 in short, according to statement No. 4, you had a loss of about $30,000.

Mr. Lesage: I do not see that, Mr. Chairman.

(Text):

Mr. Lesage: I cannot see that.

Mr. Monet: I understand that is on the operation of the farms and everything else.

Mr. McGregor: There are two losses. Your losses were $4,270; and then you take credit for the amount you received as rent—$26,000—which leaves you a total loss of $21,000 on the business.

Mr. Lesage: And that is about $13,000 loss; but in two years they made a profit.

Mr. McGregor: That is a total loss of $4,670; then rentals from warehouses amounted to $26,000, which is in the business.

Mr. Mayhew: Apparently we do not know what rental he was charging himself for this warehouse space and what part that forms of this rent received. It is all included in the operations of the business and that is the total loss to date.

(Translation):

By Mr. Monet:

Q. Please give them the explanation, Mr. Vezina. Have you anything to say about that? It is time for you to do so.

Mr. Vezina: The only explanation I can find for that is that for three or four years all his efforts were directed towards the improvement of the business. Therefore his operating expenses are very high. If I look at last year, delivery costs alone would amount to—

By the Acting Chairman:

Q. Do you consider Mr. McGregor's figures as being correct?—A. Yes, I believe they are about right.

Q. With regard to the conclusion he has come to, would you say he is right? In your own opinion do you believe there was a loss amounting to $31,000?

Mr. Lesage: Not $31,000 but $4,000. Well if one takes storage into account, but one cannot do that.

By the Acting Chairman:

Q. Then apart from storage there would have been a loss of $4,000?

Mr. Vezina: Yes.

Mr. Lesage: Yes, but I believe we must consider that on the basis of his increased capital value.

Mr. BOUDRIAS: Now in that business of ours, in that kind of business lots of people have lost hundreds of thousands of dollars, but we try to get along alone.

By Mr. Beaudoin:

Q. Without any grant from the government?—A. Yes, without any government grant. We treat our people and our farmers as well as we can, we strive to pay them as much money as we can for their products.

By Mr. Monet:

Q. In other words you try to establish another kind of market?—A. Yes, we are trying to establish a market that would not cost anything to the Provincial Government and to the Dominion Government either.

Q. You try to do so by contenting yourselves with reasonable profits, by standing losses whenever they occur. You hope to be in a position that way to build up a trade which eventually will become profitable?—A. Yes, and a trade by which many people will benefit. Perhaps 100 to 150 gardeners will derive benefit from it. I could go to them any time, and to-day or to-morrow if I need funds, I only have to turn to the farmers around about, I ask you to give me but one hour and within that time limit, they will have given me a credit note for $100,000. Now then, I suppose if I had not treated them right, that would be impossible. It would take me just one hour for that. The reason is I distribute their products and I can find markets for them to sell their goods. In other words, we are not asking the government for money. Here in Ontario there are other organizations which cost you an awful lot of money. You have been asked for all kinds of grants and you are being asked for grants all the time.

By Mr. Beaudoin:

Q. The Dominion Government did not give any grants to organizations in the Province of Ontario. The provincial government did.

Mr. BOUDRIAS: It would be quite all right as far as cooperatives are concerned. I would not blame them but . . .

Mr. BEAUDOIN: It is not the Dominion Government. It is the provincial government.

Mr. BOUDRIAS: Yes, it is the provincial government. I am sorry.

Mr. LESAGE: Agricultural grants do not come under the jurisdiction of the central government.

Mr. MARTIN: You should ask Mr. Duplessis!

Mr. MONET: I have no other question.

Mr. BOUDRIAS: The way cabbages were dealt with . . . as soon as you decide to act the same way about other products, that will be completely satisfactory. We all want the consumer to be fairly treated while for ourselves we want also a certain measure of protection. We would like to see everybody treated with justice. We will be quite satisfied as long as we get a certain measure of protection.

The ACTING CHAIRMAN: That will be all. I wish to congratulate you on behalf of the members of the Committee on the energy and industry you have displayed in building up your business. I note, as the other members of the committee have noted, that you have only taken reasonable profits in that undertaking and I wish you the fullest success.

Mr. BOUDRIAS: I thank you very much, gentlemen.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE ON PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 63

WEDNESDAY, MAY 26, 1948

WITNESSES:

Mr. Thomas R. Gregory, Vice-President, Atlantic Commission Company, Inc., Boston, Mass., U.S.A.

Mr. Henry P. Wehman, Treasurer, Atlantic Commission Company, Inc., Montclair, New Jersey, U.S.A.

Mr. George W. Bird, Purchasing Agent, The Great Atlantic & Pacific Tea Company, Ltd., Toronto, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

ORDER OF REFERENCE

WEDNESDAY, 26th May, 1948.

Ordered,—That the name of Mr. Zaplitny be substituted for that of Mr. Irvine on the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MINUTES OF PROCEEDINGS

WEDNESDAY, May 26, 1948.

The Special Committee on Prices met at 4.00 p.m.

Members present: Messrs. Beaudry, Beaudoin, Fleming, Kuhl, Lesage, McGregor, Mayhew, Pinard, Thatcher, Winters, Zaplitny.

On motion of Mr. Lesage, Mr. Mayhew took the Chair in the absence of the Chairman and Vice-Chairman.

Mr. Thomas R. Gregory, Vice-President, Atlantic Commission Company Inc., Boston, Mass., U.S.A., was called, sworn and examined. He filed,

Exhibit No. 117—Statements on fruit and vegetable operations prepared in answer to questionnaire. (*Printed in this day's Minutes of Evidence*).

In the course of Mr. Gregory's examination, Mr. Henry P. Wehman, Treasurer, Atlantic Commission Company Inc., Montclair, New Jersey, U.S.A., was also called, sworn and examined.

Witnesses discharged.

Mr. George W. Bird, Purchasing Agent, The Great Atlantic & Pacific Tea Co. Ltd., Toronto, was called, sworn and examined. He filed,

Exhibit No. 118—Statements on fruit and vegetable operations submitted by The Great Atlantic & Pacific Tea Company, Limited. (*Printed in this day's Minutes of Evidence*).

Exhibit No. 119—Explanatory letter dated May 21, 1948, from T. Haldane Wickett, The Great Atlantic & Pacific Tea Co. Ltd., to Fabio Monet, K.C., Counsel. (*Printed in this day's Minutes of Evidence*).

Exhibit No. 120—Statement showing examples of varying gross profits over a two-week period in similar localities. (*Printed in this day's Minutes of Evidence*).

At 6.20 p.m. witness discharged and the Committee adjourned until Thursday, May 27, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

13801—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
May 26, 1948.

The Special Committee on Prices met this day at 4.00 p.m. The Acting Chairman, Mr. R. Mayhew, presided.

The ACTING CHAIRMAN: All right, Mr. Monet.

Mr. MONET: Mr. Chairman, I wish to say to the members of the committee that the witness that I am calling will give evidence as to retail prices, and as I stated in my opening address in this investigation one witness only will be called to give evidence as to retail price spreads on fruits and vegetables for the Toronto and Montreal markets. The witness summoned is the Great Atlantic and Pacific Tea Company Limited. While discussing with the representative of that company retail price spreads on fruits and vegetables in Toronto and Montreal it was mentioned to me that there was the Atlantic Commission Company Incorporated through which the Great Atlantic and Pacific Tea Company purchased or obtained a very large amount, if not all, of their purchases in fruits and vegetables. In order for the committee to have a complete picture of this operation I also have summoned the Canadian agent of the Atlantic Commission Company Incorporated, and he is the first witness I wish to examine now. The witness who is the representative of this company is Mr. Gregory.

Thomas Roland Gregory, Vice-President, Atlantic Commission Company, called and sworn.

By Mr. Monet:

Q. Mr. Gregory, would you please give us your full name?—A. Thomas Roland Gregory.

Q. And your private address?—A. 151 Northern Ave., Boston, Massachusetts.

Q. What is your position with the Atlantic Commission Company?—A. I am vice-president of the Atlantic Commission Company.

Q. And you are here this afternoon to represent that company?—A. Yes.

Q. Would you tell the members of the committee if the Atlantic Commission Company Incorporated is a Canadian or an American company?—A. It is an American incorporation.

Q. And I understand that company is licensed to do business in Canada?—A. That is right.

Q. Now, would you please tell the members of the committee if the statement you have submitted to counsel for the members of the committee, and on which you will be questioned this afternoon, relates only to the Canadian operations of the company?—A. That is right.

Q. I am now showing you a questionnaire that has been sent to your company, and to which answers have been given which will now be filed as Exhibit 117.

EXHIBIT No. 117: Answers to questionnaire by Atlantic Commission Company Incorporated.

STATEMENT 1

General Information

Preliminary Information—Fruit and Vegetable Inquiry

1. Name of Company: Atlantic Commission Company, Inc.

2. Address of head office: 420 Lexington Avenue, New York 17, N.Y.

3. Date commenced business: February 9, 1925.

4. Names and addresses of parent subsidiary and affiliated companies: Great Atlantic & Pacific Tea Company, 420 Lexington Avenue, New York 17, N.Y.

5. Names and addresses of officers and directors or partners: David T. Bofinger, President, 420 Lexington Ave., New York 17; Harvey A. Baum, Vice-President, 37 Wall St., New York 5, N.Y.; Ralph W. Burger, Secretary, 420 Lexington Ave., New York 17, N.Y.; Henry P. Wehman, Treasurer, 37 Wall St., New York 5, N.Y.

6. Location of branches, warehouses and other places of business (including those of subsidiary companies engaged in the fruit and vegetable trade): Atlantic Commission Company, Inc., 135 Laughton Street, Toronto, Ont; Atlantic Commission Company, Inc., 3715 Workman Street, Montreal, Que.

7. Sales during last complete fiscal year:

(*a*) Great Atlantic & Pacific Tea Co. Ltd.	$2,979,074.73	91·0%
(*b*) Other affiliated companies	—	—
(*c*) Other wholesalers	294,866.81	9·0
(*d*) Other retailers	—	—
(*e*) Total Sales	3,273,941.54	100·0%

ATLANTIC COMMISSION CO. INC.
(135 Laughton Avenue, Toronto, Ontario)
AVERAGE SELLING PRICE

Date	Oranges Calif. 288	Apples B.C. 125-138 delicious "C"	Celery Ont. No. 1	Celery Ont. No. 2	Potatoes P.E.I. Canada No. 1	Tomatoes Ont. hot-house	Cabbage local green	Cabbage imported green	Carrots local No. 1 washed	Carrots imported U.S. No. 1 washed	Onions Ont. No. 1 yellow
	per crate	per box	per crate	per crate	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.
	$ cts.	$ cts.	$ cts.	$ cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.
1947											
October 2	N.A.	N.A.	.90	N.A.	N.A.	N.A.	N.A.	N.A.	2.6	N.A.	2.6
October 9	N.A.	N.A.	.85	N.A.	2.3	N.A.	3.9	N.A.	2.5	N.A.	2.8
October 16	N.A.	N.A.	.90	N.A.	N.A.	N.A.	N.A.	N.A.	2.5	N.A.	N.A.
October 23	N.A.	N.A.	1.05	N.A.	N.A.	N.A.	3.4	N.A.	N.A.	N.A.	N.A.
October 30	N.A.	N.A.	1.02	N.A.	N.A.	18.0	3.4	N.A.	2.6	N.A.	2.8
November 6	N.A.	N.A.	1.02	N.A.	2.5	N.A.	N.A.	N.A.	3.1	N.A.	2.6
November 13	N.A.	N.A.	1.02	N.A.	2.8	N.A.	2.3	N.A.	2.7	N.A.	2.3
November 20	N.A.	N.A.	1.30	N.A.	N.A.	N.A.	4.3	N.A.	3.6	N.A.	N.A.
November 27	N.A.	N.A.	1.65	N.A.	3.0	N.A.	4.1	N.A.	3.6	N.A.	N.A.
December 4	N.A.	N.A.	1.65	N.A.	N.A.	N.A.	4.1	N.A.	3.6	N.A.	N.A.
December 11	5.00	N.A.	1.65	N.A.	3.1	N.A.	N.A.	N.A.	4.6	N.A.	N.A.
December 18	N.A.	N.A.	1.90	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4.6
December 24	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
December 31	N.A.	N.A.	2.05	N.A.	N.A.	N.A.	8.1	N.A.	N.A.	N.A.	4.6
1948											
January 8	N.A.	N.A.	2.55	N.A.	N.A.	N.A.	11.1	N.A.	5.1	N.A.	5.1
January 15	6.50	N.A.	2.80	N.A.	N.A.	N.A.	N.A.	N.A.	5.1	N.A.	N.A.
January 22	5.85	N.A.	2.80	N.A.	N.A.	N.A.	N.A.	N.A.	5.1	N.A.	5.2
January 29	N.A.	N.A.	3.05	N.A.	N.A.	N.A.	N.A.	N.A.	5.8	N.A.	6.6
February 5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.3	5.9	N.A.	6.8
February 12	5.85	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.5	7.1	N.A.	7.5
February 19	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	7.6	N.A.	N.A.
February 26	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.2	N.A.	N.A.	N.A.
March 4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.3	7.0	N.A.	6.7
March 11	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.7	N.A.	N.A.	7.8
March 18	N.A.	N.A.	N.A.	N.A.	3.3	N.A.	N.A.	N.A.	N.A.	N.A.	8.6
March 25	N.A.	N.A.	N.A.	N.A.	3.2	N.A.	N.A.	5.0	N.A.	N.A.	8.6
April 1	N.A.	N.A.	N.A.	N.A.	3.2	N.A.	N.A.	5.7	N.A.	N.A.	9.1
April 8	5.10	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	6.0	N.A.	N.A.	10.6
April 15	N.A.	N.A.	N.A.	N.A.	3.5	N.A.	N.A.	7.2	N.A.	8.8	N.A.
April 22	N.A.	N.A.	N.A.	N.A.	3.5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

(Per dozen processed).

ATLANTIC COMMISSION CO. LTD.

(135 Laughton Avenue, Toronto, Ontario)

LAID-DOWN COST OF MOST RECENT PURCHASES—IN CENTS PER POUND

Date	Oranges Calif. 288	Apples B.C. 125-138 Delicious "C"	Celery Ont. No. 1	Celery Ont. No. 2	Potatoes P.E.I. Canada No. 1	Tomatoes Ont. hot-house	Cabbage local green	Cabbage imported green	Carrots local No. 1 washed	Carrots imported No. 1 washed	Onions Ont. No. 1 yellow
	per crate	per box	per crate	per crate	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.
	$ cts.	$ cts.	$ cts.		cts.		cts.	cts.	cts.	cts.	cts.
1947											
October 2	...	...	.85	...	2.1	...	2.5	...	2.5	...	2.5
October 9	...	...	.85	...	2.2	...	3.8	...	2.5	...	2.7
October 16	...	...	.90	...	2.2	17.5	2.7	...	2.4	...	2.7
October 23	...	...	1.00	...	2.3	17.5	3.3	...	2.5	...	2.7
October 30	5.15	...	1.00	...	2.2	17.5	3.3	...	2.5	...	2.7
November 6	...	...	1.00	...	2.4	20.0	2.2	...	3.0	...	2.5
November 13	4.20	...	1.00	...	2.7	...	2.2	...	2.6	...	2.2
November 20	4.40	...	1.30	...	2.8	...	4.2	...	3.5	...	4.5
November 27	4.40	...	1.60	...	3.0	...	4.0	...	3.5	...	4.0
December 4	...	2.95	1.60	...	...	...	4.0	...	3.5	...	...
December 11	4.85	...	1.60	...	3.0	...	4.0	...	4.5	...	...
December 18	4.16	...	1.85	...	3.1	...	5.5	...	4.5	...	4.5
December 24	...	...	...	...	3.1	...	6.0	...	4.5	...	...
December 31	...	...	2.00	...	...	...	8.0	...	4.5	...	4.5
1948											
January 8	4.10	...	2.50	...	3.3	...	11.1	...	5.0	...	5.0
January 15	6.50	...	2.75	...	3.4	...	...	...	5.0	...	5.5
January 22	5.75	...	2.75	...	3.2	...	12.5	...	5.0	...	5.0
January 29	...	...	3.00	...	3.1	...	10.8	...	5.7	...	6.5
February 5	...	...	...	...	3.1	...	...	4.8	5.9	...	6.7
February 12	5.75	...	...	...	3.1	...	...	3.7	7.0	...	7.0
February 19	...	...	...	...	3.2	...	...	3.4	7.5	...	...
February 26	...	...	...	...	3.2	...	...	2.9	8.0	...	...
March 4	...	...	...	...	3.2	...	...	3.3	7.0	...	6.5
March 11	...	...	...	...	3.2	...	...	3.3	...	...	7.7
March 18	...	...	...	...	3.2	...	...	5.5	...	7.7	8.5
March 25	...	...	...	...	3.2	...	...	4.5	...	7.7	8.5
April 1	...	...	...	...	3.2	...	...	5.5	...	8.5	9.0
April 8	4.25	...	...	...	3.2	...	...	6.0	...	...	10.5
April 15	4.29	...	...	...	3.4	...	...	7.2	...	8.5	...
April 22	...	...	...	...	3.3	...	...	N.A.	...	8.5	...

ATLANTIC COMMISSION COMPANY, INC.

FISCAL YEAR END—FEBRUARY 28TH

	1939	1940	1941	1942	1943	1944	1945	1946	1947
	$	$	$	$	$	$	$	$	$
Sales	778,670.29	1,105,823.70	1,742,487.50	1,997,711.19	1,941,575.02	1,849,889.10	2,594,898.09	2,646,262.29	3,273,941.54
Cost of sales	748,683.50	1,047,554.55	1,667,565.12	1,933,523.56	1,870,069.61	1,790,272.74	2,514,497.64	2,576,376.16	3,167,864.31
Gross profit	29,986.69	58,269.15	74,922.38	64,187.63	71,505.41	59,616.36	80,400.45	69,886.13	106,077.23
Commissions earned	...	...	...	...	...	...	...	...	...
Miscellaneous income	...	...	...	...	...	...	...	...	...
Gross revenue	29,986.79	58,269.15	74,922.38	64,187.63	71,505.41	59,616.36	80,300.45	69,886.13	106,077.23
*Executive or partners' salaries	1,363.87	2,255.18	3,348.40	6,136.91	6,394.70	8,148.66	11,120.00	11,232.63	14,452.11
**Other salaries and wages (include commission to salesmen)	10,498.35	13,216.10	16,314.09	18,865.83	19,455.14	20,766.18	22,531.42	25,950.29	32,109.87
Other operating expenses	7,742.75	8,368.66	10,833.13	6,213.70	6,285.00	7,893.11	10,709.95	13,150.53	20,580.24
Total expenses	19,604.97	23,839.94	30,495.62	31,216.44	32,134.84	36,807.95	44,361.47	50,333.45	67,142.22
Operating profit before taxes on income	10,381.82	34,429.21	44,426.76	32,971.19	39,370.57	22,808.41	36,039.08	19,552.68	38,935.01
Investment income	...	...	...	...	...	...	...	...	...
Interest paid	...	...	...	...	...	...	...	...	...
Profit before taxes on income	10,381.82	34,429.21	44,426.76	32,971.19	39,370.57	22,808.41	36,039.08	19,552.68	38,935.01
Provision for taxes on income	1,710.83	23,967.99	31,663.45	23,363.41	33,710.56	16,237.48	27,766.25	7,501.45	15,394.68
Net profit	8,670.99	10,461.22	12,763.31	9,607.78	5,660.01	6,570.93	8,272.83	12,051.23	23,540.33
Per cent gross profit to sales	3·85%	5·26%	4·30%	3·21%	3·68%	3·22%	3·10%	2·64%	3·24%

* Includes executive salaries and headquarters N.Y.C. office expense distributed on a per car basis.
** New England divisional salaries.

STATEMENT 5—QUARTERLY SALES AND PROFITS

ATLANTIC COMMISSION COMPANY, INC.

Fiscal Year		Sales	Gross profit	Per cent gross profit to sales	Commissions and misc. income	Operating expenses	Operating profit*
		$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
1946—March April May	1st quarter	721,458.31	18,946.35	2·62	....	11,189.04	7,757.31
June July August	2nd quarter	634,415.23	17,162.58	2·71	....	11,377.65	5,784.93
September October November	3rd quarter	563,018.17	12,524.76	2·23	....	12,460.96	63.80
December January February	4th quarter	595,057.47	17,758.13	2·98	....	12,789.12	4,969.01
United States funds		2,513,949.18	66,391.82	2·64	....	47,816.77	18,575.05
Canadian funds		2,646,262.29	69,886.13	2·64	....	50,333.45	19,552.68
1947—March April May	1st quarter	734,757.58	20,130.44	2·74	....	12,328.03	7,802.41
June July August	2nd quarter	720,288.58	22,960.64	3·19	....	16,110.47	6,850.17
September October November	3rd quarter	749,435.11	24,713.63	3·30	....	16,086.72	8,626.91
December January February	4th quarter	684,772.15	25,808.45	3·77	....	14,727.79	11,080.66
United States funds		2,889,253.42	93,613.16	3·24	....	59,253.01	34,360.15
Canadian funds		3,273,941.54	106,077.23	3·24	....	67,142.22	38,935.01

* Before provision for taxes on income.

By Mr. Monet:

Q. And I take it that you take this as representing the statement given by the company?—A. Absolutely.

Q. While this statement is being distributed would you tell the members of the committee what relationship there is between the Atlantic Commission Company Incorporated and the Great Atlantic and Pacific Tea Company Limited?—A. The Atlantic Commission Company is a subsidiary of the Great Atlantic and Pacific Tea Company, and we are a buying agent for the Great Atlantic and Pacific Tea Company on all of their fresh fruits and vegetables for use not only in Canada but in the United States as well. I do not know whether there is anything else I can add to that. If there is I will be glad to answer any questions that you have.

Q. You say you operate as agent for the Great Atlantic and Pacific Tea Company?—A. We are a subsidiary of the A. & P. Tea Company.

Q. I take it you purchase fruits and vegetables and then resell them to the Atlantic and Pacific Tea Company, or do you act purely on a commission basis? —A. Well, no, we have field offices all over the country, and we have our own organization which buys from these different growers and producers, and we bring that merchandise into the different markets throughout the country, and it is in turn sold to the A. & P. Tea Company at the going market. We also sell a small percentage of our merchandise to other fellows in the wholesale business.

Q. So when you use the word "agent" you do not mean by that that you act on a commission basis?—A. We handle some merchandise on a commission basis for different growers—not in Canada because in Canada we only have a wholesaler's licence here.

Q. So that there will not be any misunderstanding we will speak only of your operations in Canada.—A. In Canada; everything brought into Canada we own. We have a dealer's licence under which, in the event we do not sell that merchandise to the A. & P. Tea Company, we can sell that merchandise to any other one here.

Q. What I mean by a commission basis is that you do not sell or buy goods for the A. & P. Tea Company on a commission basis?—A. No, not at all, here.

By Mr. Lesage:

Q. You are a profit making organization? You are seeking a profit? You are not a non-profit subsidiary?—A. We take a profit or loss, whichever it may be.

Q. You sell at the market price?—A. Yes.

Q. That is your aim?—A. Yes.

Q. Both in the United States and in Canada?—A. As well as here.

By Mr. Monet:

Q. I understand that the Atlantic Commission Company has separate offices from the Great Atlantic & Pacific Tea Company?—A. Yes.

Q. And separate officers?—A. Yes.

Q. And am I also to take it that as to the policy on decisions as to price between the two companies there is no connection between the two companies as far as marketing is concerned?—A. That is correct; we leave that entirely up to our managers who are running the different offices and who are more familiar with the markets on these terminals in deciding the price at which we will bill that merchandise to the tea company.

Q. That would be for your operations, but as between your operations and the Great Atlantic and Pacific Tea Company must I understand there is no understanding as to the marketing of the produce sold either by you or by them?—A. That is right.

Q. So your operations are entirely independent? Would that be correct? —A. Absolutely.

By Mr. Lesage:

Q. You are handling only fruits and vegetables?—A. That is all.

By Mr. Monet:

Q. Now, would you tell the members of the committee what percentage of your total business would be sold to the Atlantic and Pacific Tea Company? —A. Ninety-one per cent of our business in Canada is with the A. & P. Tea Company.

Q. That appears on statement No. 1 of Exhibit No. 117, and the other 9 per cent is sold to other wholesalers?—A. Other wholesalers.

Q. Would you tell the members of the committee where you get your supplies. Where do you purchase the different fruits and vegetables that are handled by your company and sold either to the Great Atlantic and Pacific Tea Company or any other wholesaler?—A. I will tell you, it has always been our policy here as well as any other place in which we operate, to support 100 per cent the local growers for the merchandise which they grow, to the best of our ability. We at one time brought in quite a lot of merchandise from the United States, but even during that period we still supported everything which was locally grown and we secured it from the people whom we thought were growing and packing the best merchandise for our outlets through our stores.

Q. Is a large proportion of your business in imported goods?—A. Prior to this it was, at different seasons. At different seasons probably, like any other wholesaler, we had to bring this merchandise in to take care of the A. & P. Tea Company's requirements. At the present time, as you probably know, practically all the business which we are doing, except citrus, is done here with the local grower.

Q. Now, Mr. Gregory, I want to take you to your statement No. 4 of Exhibit 117. I understand your fiscal year ends on February 28; is that correct? —A. That is right.

Q. Now, would you tell the members of the committee if sales and profits shown for the year 1947 are actually those for the 12 months ended on February 28, 1948— —A. That is right; that is from March 1 to February 28, which is—

Q. Which is listed— —A. As a year for our company's operations.

Q. As listed in the last column for 1947?—A. Yes.

Q. And the same applies for all other years?—A. All other years are comparative.

Q. And the figures we have for the year 1947 are from the 1st of March, 1947, to February 28, 1948?—A. That is right.

Q. Would you tell the members of the committee what is the total amount of your sales for the last fiscal year as it appears?—A. For last year we sold $3,273,941.54.

Q. And the gross profit for the year 1947 was 3·24, gross profit to sales?—A. That is right.

Q. I would like you to explain to the members of the committee the reason for the difference on other operating expenses as between 1946 and 1947 from $13,150 to $20,580? What would be the cause of that difference?—A. Well, I think practically all of it, in my opinion, would be salaries of our organization.

Q. You have salaries under the previous heading; the previous heading is for salaries, other salaries and wages.—A. Other operating expenses—what is that, $20,580—

Q. As against $13,150; if you cannot explain that and someone else can he can be sworn.—A. In my opinion I think that is due to the fact that we handled considerably more turnips, we shipped more turnips out of Canadian territory this year than we did in previous years, and it has cost us considerably more money in handling that additional volume. I think during that period we shipped some 600 carloads of turnips out of Canada to our American offices, which was considerably greater than in previous years.

By Mr. Lesage:

Q. How would that be charged to the Canadian branch if it was sent to the United States?—A. It is the cost of handling that operation.

Q. It should be charged to the United States company, to the company doing business in the United States and not to the branch doing business in Canada.—A. We in turn give our Canadian office a profit. I think some of the profit you see there we gave them for handling or buying these turnips. In other words, there is a profit as well as an expense there.

Q. It is included in the amount of sales?—A. This is expense.

Q. The volume of turnips you have mentioned is included in the amount of sales you gave us?—A. No, that is entirely separate. Our treasurer has given me a note—

Q. Where is the profit if it is not there?—A. The profit is in this $38,000 profit.

Q. No, no, that is the result of the subtraction. It cannot be there.—A. Well, it has to be there. Mr. Wehman has given me a note here. He is the treasurer of our company and is probably a little more familiar with this.

Mr. Monet: Then we will have him sworn.

Henry P. Wehman, Treasurer, Atlantic Commission Company, called and sworn.

Mr. Monet: What is your name?

Mr. Wehman: Henry P. Wehman.

Mr. Monet: Your address?

Mr. Wehman: Montclair, New Jersey.

Mr. Monet: What number?

Mr. Wehman: 22 Yale Terrace.

Mr. Monet: I would ask you to speak as loudly as you can for the members of the committee. Can you answer the question?

Mr. Lesage: If Mr. Gregory was not right about the turnips, you can answer Mr. Monet's first question.

Mr. Wehman: Well, this $20,000 expenses includes provincial taxes which, in previous years, were not assessed. You recall that the income taxes—

Mr. Lesage: That is one of the things we know.

Mr. Wehman: The income tax was assessed by the dominion in 1946. There is about $3,000 odd in that $20,000 that is provincial taxes we did not have for the previous year. So you have a difference there of about $3,000 odd which is additional expense in conducting the volume of business that was done.

Mr. Lesage: That is the cost to you of the provincial autonomy of Mr. Duplessis.

Mr. Fleming: Now, now. I should like to ask a couple of questions to clarify statement No. 4. Am I to understand this statement reflects only the Canadian operations?

Mr. Gregory: That is right.

Mr. FLEMING: On what basis do you break down the operations of the company as between Canadian and American operations in order to be able to completely segregate your Canadian figures as you have done here?

Mr. GREGORY: I should like Mr. Wehman to answer that.

Mr. WEHMAN: Approximately half the tonnage we brought into Canada from the United States and the other half came from the provinces. The expenses of obtaining that merchandise, the cost of obtaining it is assessed against all operations whether Canadian or American on a volume basis. Because the Canadian operation only took half of its supply from the United States, it is only assessed half of the cost.

Mr. FLEMING: You are speaking in terms of volume measured in dollars?

Mr. WEHMAN: In costs.

Mr. FLEMING: Measured in dollars?

Mr. WEHMAN: It would work out approximately the same.

Mr. FLEMING: Would you just clarify that. You say, "approximately". You are speaking about volume but what kind of volume? Are you referring to physical volume or dollar volume?

Mr. WEHMAN: For the purposes of the distribution of field expenses, as we call them, that is the expense of obtaining supplies, we use tonnage volume. In other words, if the Canadian offices obtain 2,000 cars and the total operation obtains 100,000 cars, the Canadian offices absorb the expenses in proportion to their tonnage, not dollar volume. If we were to assess it on a dollar volume basis it would result in an assessment against Canada which would be excessive, in my opinion.

Mr. FLEMING: How long has this formula been in effect?

Mr. WEHMAN: At least 15 years.

Mr. FLEMING: Has it been approved by our Department of National Revenue here for tax purposes?

Mr. WEHMAN: Yes, it has.

Mr. WINTERS: I wonder if the witness would go further with that statement in which he said if it were assessed on a dollar volume basis it would be excessive against Canada?

Mr. WEHMAN: If you consider the exchange of Canadian dollars against American dollars, you would increase the charge by 10 or 12 per cent. I am speaking not of the current exchange rate, but of last year's.

Mr. FLEMING: This column headed 1947 represents the twelve-month period ending February 28, 1948?

Mr. WEHMAN: Yes.

Mr. MONET: Then, what you have just said applies to all the other years?

Mr. WEHMAN: Yes.

Mr. MONET: That has always been the policy of the company to list it that way?

Mr. WEHMAN: That is right.

Mr. MONET: Now, would you make some comment on the operating profit before taxes on income as between the year 1946 which would end on February 28, 1947, of $19,552 and the fiscal year of 1947 of $38,935. Would you explain the substantial increase in your operating profit?

Mr. GREGORY: Well, I told you I think it has been primarily due to the fact our business has been substantially greater during that period than it has been in previous years. You may note that our gross profit rate is still very close to previous years but that our volume has jumped from $2,646,000 to $3,373,000. We have been making a return of 20·64 against 3·24.

Mr. MONET: When you say volume, you mean your sales on a dollar volume basis?

Mr. GREGORY: That is right.

Mr. MONET: Would that be the only thing to account for that increase, that the dollar volume was more substantial than in 1946?

Mr. GREGORY: I think that is about the story, as I see it.

Mr. PINARD: If you look at 1941 you will see you have an operating profit of $44,000 and the volume is very much lower.

Mr. GREGORY: I do not know what entered into that. As I told you before it has been the policy of our company to bill this merchandise to our company at the going market. If the market was favourable during that period we were able to foresee something in which we could make a good profit and we took that profit.

Mr. PINARD: In other words, it is not only the volume you sell?

Mr. GREGORY: It is pretty much whatever your markets are, the way our company operates.

Mr. FLEMING: You say, "the going market". You mean the prevailing wholesale market?

Mr. GREGORY: That is right.

Mr. FLEMING: How do you arrive at that? Are you simply taking cognizance of the wholesale prices paid to other organizations? How is there a free play of ordinary market forces as between the Atlantic Commission Company and the Great Atlantic and Pacific Tea Company?

Mr. GREGORY: We have a man here who goes down to the market every morning. We are only supplying the Tea Company with about 50 per cent of their requirements. The other 50 per cent is bought from people in a similar business here. We will ascertain what the markets are every day. From our knowledge of the quality of merchandise we have and what we know we would have to pay for similar merchandise, that is the price at which we bill the Tea Company.

The ACTING CHAIRMAN: I should like to have order, please. I think it is unfair to the witness if there are other conversations going on in the room. It is important that the press and the other members of the committee get the story. I hope I do not have to ask for order again.

Mr. FLEMING: When did you commence your operations in Canada? You began in the United States in 1925?

Mr. GREGORY: We started here when the Tea Company opened. I think that was about 1927 or 1928.

Mr. MONET: I see, Mr. Gregory, for the year 1946, the operating costs are quite low if you compare them with any of the other fiscal years except for the first one, 1939. Would you give an explanation of this low figure in 1946?

Mr. GREGORY: Well, as I say our profits are very, very hard to explain. It is pretty much the mistakes we may make in this business. If our man makes a few mistakes he can quite easily lose a few thousand dollars. If he is going on some wrong markets, he does not make any profit. If he is in on the right ones, he makes a profit. It is not only true here but it is true every place we operate. We may have an office which makes a very nice profit this year and next year a very poor one. It is somewhat due to growing conditions, market conditions, as to what profits we may make in our operations.

Mr. WINTERS: Where is the accounting done for your Canadian operations?

Mr. GREGORY: We have an office in Toronto and we have one in Montreal. We have a divisional office. The final check-up is in Boston.

Mr. WINTERS: Your invoices would not go through to Boston?

Mr. GREGORY: No.

Mr. WINTERS: What do you do, just send in monthly balances?

Mr. GREGORY: We get a statement from our offices here each week as to the cars they handle and the profits they made on each car. That merchandise is invoiced to the Tea Company from these particular offices and the final auditing of these transactions is done in Boston.

Mr. WINTERS: Then, do you comment as to whether their operating margin is satisfactory or whether the price should be up?

Mr. GREGORY: No, we leave that entirely to the men who are running our offices here. We give them some supervision; that is my job, to see that they do not over-bill the Tea Company or do not under-bill them too much, either. We supervise the accounting as well as the buying and selling of that merchandise. To a great extent, however, we leave it pretty much to the men we have running these offices here in Canada.

Mr. WINTERS: Is there close co-operation between the Montreal and Toronto branches? Does one buy for the other?

Mr. GREGORY: We have Mr. Shear here whom I have in charge of both offices. He oversees the two offices. We have to buy this merchandise pretty much at what they will sell it to us for. If they won't sell it to us in Toronto at a certain price, there is nothing much we can do but buy it. If they will not sell it any cheaper in Montreal, we have to buy. There may be quite a differential in those two markets every day. We have no control.

Mr. FLEMING: I was interested in hearing you say a minute ago that the A & P buys about half of its purchases from other sources than yours. Does that apply to fruits as well as vegetables?

Mr. GREGORY: That is all fruits and vegetables.

Mr. FLEMING: In aggregate volume?

Mr. GREGORY: Yes.

Mr. MONET: When you refer to 50 per cent, you mean in so far as fruits and vegetables are concerned you supplied them with about 50 per cent?

Mr. GREGORY: We supply them with about 50 per cent of the fruits and vegetables from the Atlantic Commission Company, 50 per cent of everything they sell. The other 50 per cent is bought locally from fellows in similar business.

Mr. FLEMING: Your prices compare with those?

Mr. GREGORY: Yes, we have to follow along with those prices we have to pay.

Mr. MONET: Referring to statement 5, I have just one question to ask. Will you please tell the members of the committee what is the significance of the conversion you made at the bottom of the page, the conversion from U.S. funds to Canadian funds? Could you give an explanation of that?

Mr. GREGORY: That is just the difference in the exchange rate between Canadian funds and U.S. funds.

Mr. WINTERS: Do you not deal through the official banks at the official rate of exchange?

Mr. GREGORY: I should like Mr. Wehman to answer that.

Mr. WEHMAN: Any funds transferred between Canada and the United States are exchanged through the banks at the official rate.

Mr. WINTERS: The Foreign Exchange Control Board is behind that operation?

Mr. WEHMAN: Yes, for taxation purposes our income statement and balance sheet is adjusted on the basis of the free rate. Of course, as a foreign corporation here, any business done in Canada is converted to an American dollar basis at Boston. Then, for tax purposes, we convert that to Canadian funds on the basis of the free rate.

Mr. FLEMING: Is that for Canadian tax purposes or U.S. tax purposes?

Mr. WEHMAN: Canadian tax purposes.

Mr. FLEMING: I do not quite follow that. Would you mind saying that again because we are accustomed to thinking, for the last year and a half, that the Canadian dollar has been maintained at parity with the United States dollar?

Mr. WEHMAN: At the close of a period, the exchanges we make are at the official rate. Those costs of exchange or discounts are reflected in Canadian dollars at those rates, but any assets at the end of the period are converted at free rates, which is the most conservative rate. Then, it is converted back for Canadian purposes at the same rate we discounted them, back to Canadian dollars. So that in effect you have adjudged your income and expenses on the balance sheet on the basis of the actual transfers made during the period at the rate that you pay plus any adjustments necessary to those assets at the close of the period, on the most conservative discount basis that is reasonable. In other words, the free rate is the only basis that you could convert an asset such as this.

Mr. THATCHER: It is purely a matter of bookkeeping?

Mr. WEHMAN: Yes. Our sales in Canada are originally on a Canadian dollar basis. We convert them back for American tax purposes on the American dollar basis, and then we reconvert them back to the Canadian dollar basis for Canadian tax purposes.

Mr. THATCHER: In that conversion and reconversion for the Canadian tax purposes, do you arrive at the same figure?

Mr. WEHMAN: Yes. When you get to expenses some of it is on the American dollar basis and we use the American rate because it is the right basis.

Mr. THATCHER: This has been approved by the income tax branch of the Department of National Revenue?

Mr. WEHMAN: Yes. As a matter of fact, by using the free rate we are increasing the figure to a greater extent than we would by the official rate.

Mr. WINTERS: Who has the advantage in that?

Mr. WEHMAN: We lose by using the free rate because we are converting American dollars at a higher discount basis than if we used the official rate.

Mr. WINTERS: You convert your Canadian figures to American figures for United States taxation?

Mr. WEHMAN: Yes, we have to do that.

Mr. MONET: Now, Mr. Gregory, I want to refer you to the statements 2 and 3, and to the points of comparison that have been prepared by the secretary. I wish to point out, Mr. Chairman, that in almost every case that is listed here the margin is less than 10 per cent, and in view of the consistently low margin, I do not think I have any specific questions to ask as to prices. However, I should like to ask the witness why it is possible for him to do business on such a low margin when evidence has been submitted here so far by other wholesalers indicating higher margins than those submitted by him?

Mr. GREGORY: Well, it has been the policy of our company for a long long time to keep these margins as low as we possibly could in going with good business. That has been drummed into our organization over a long period, and during this particular period when we could have taken a very long profit on a lot of merchandise, we felt that it was unwise to do so. We much preferred, even though we were very very short on many of these items, to go out and pass that on to the consumer at a reasonable price, and on to the Tea Company at a reasonable price.

Mr. MONET: Would that be the main reason, Mr. Gregory, that at all times you are assured you have a buyer who buys most of the produce that is handled by you?

Mr. GREGORY: That is right. We never figure that we should take advantage of any situation of this nature, and we figured that while there were long profits there that we could take and that were legitimate and we would be within our rights to take them, we felt it was still better to pass these profits on to the consumer. That has been the policy of our company for many years.

The ACTING CHAIRMAN: Have you been criticized by your opposition for that policy?

Mr. GREGORY: No, I could not say we have. I think our main competition has followed right along pretty much with us.

Mr. WINTERS: When you say it was better to pass these profits on, from whose point of view would that be?

Mr. GREGORY: I did not get that?

Mr. WINTERS: When you say it is better to charge only a reasonable mark-up, who were you thinking of?

Mr. GREGORY: The consumer.

Mr. WINTERS: Just the consumer?

Mr. GREGORY: Yes.

Mr. WINTERS: Do you not think it would be better for you in the long-run to follow that policy?

Mr. GREGORY: That is the policy we followed for many years.

Mr. WINTERS: You say you were only thinking of the consumer. Do you think it was also better for you too?

Mr. GREGORY: Absolutely.

Mr. WINTERS: And by benefiting the consumer you benefit yourselves?

Mr. GREGORY: Yes. After all, we have plenty of competition and we have to be competitive, and we are all still fighting to get a little business if we can get it.

Mr. FLEMING: When you say business is competitive, are you thinking in terms of competition in general or the people with whom you are competing for the Atlantic & Pacific Tea Company business?

Mr. GREGORY: We are thinking of the consumers generally.

Mr. FLEMING: Excuse me. You said you had competitors. Now, I am asking you about these competitors. Are you thinking about the people in the same kind of business in general, or the particular firms who are competing with you for the Atlantic & Pacific Tea Company business?

Mr. GREGORY: Oh, no. We do not consider that we have anybody competing with us for the Atlantic & Pacific Tea Company business because we are a subsidiary of the Atlantic & Pacific Tea Company, and as long as we can supply them with their merchandise and secure it for them, we do not worry about the other fellows taking that business away from us.

Mr. FLEMING: I am trying to understand what you mean by the competitive business.

Mr. GREGORY: I am talking about the retail end of the Tea Company business.

Mr. FLEMING: I want to know what you meant when you were asked about the attitude of your competitors. I guess your association is a little different from the people in the wholesale produce business because you are doing 91 per cent of your business in an assured market which controls your company.

Mr. GREGORY: That is right.

Mr. FLEMING: Whereas all the other people are doing business on a basis where they are scrambling for business wherever they can get it.

Mr. GREGORY: Maybe this will answer it. I do not think we ever in this business, when it was competitive, were able to make 17 per cent on oranges. That never happened in the business except occasionally when there was a shortage or something happened. Now, if I could bring oranges in now I could have the wholesalers or retailers tearing down the doors to get them at the 17 per cent market. We think that is too much.

Mr. THATCHER: In answer to Mr. Fleming, did you say you just sell to the Atlantic & Pacific Tea Company?

Mr. GREGORY: 91 per cent.

Mr. THATCHER: That would mean that if you make less profit now the Atlantic & Pacific Tea Company are going to make more?

Mr. GREGORY: No, you have a ceiling. The Tea Company can only take a 25 per cent mark-up over what we bill them.

Mr. THATCHER: On everything?

Mr. GREGORY: On oranges.

Mr. THATCHER: But on vegetables and things of that kind, the fact that you made only a fairly moderate profit last year the less you would make the more the Atlantic & Pacific Tea Company would make?

Mr. GREGORY: Not necessarily, because the Tea Company also has been for years in the merchandising of that merchandise and they only put a fair mark-up, based on what the merchandise costs. If we put it to them lower they in turn are only going to make a smaller mark-up.

Mr. THATCHER: You said that on oranges there was a ceiling, and naturally if you take a small profit the Atlantic & Pacific Tea Company will take a greater profit?

Mr. GREGORY: The Atlantic & Pacific profit on oranges is 25 per cent set by your government here, and they can only take 25 per cent over what we bill them. If we decide to take 7 per cent on these oranges instead of 17 per cent, then the consumers are going to get these oranges at 10 per cent less.

Mr. THATCHER: Now, the statement you made a few moments ago, if we could take it literally, your company would certainly be different from some companies that have come up here, and I think you should be complimented. The only thing I am wondering about is the fact that you are a subsidiary of another company and you are only selling to them, so maybe you are not being as altruistic as it would appear on the surface?

Mr. GREGORY: I do not know any other way to put it. Many times in our buying for the Tea Company in the old days we would buy merchandise if we thought it could be sold, and when that merchandise would come in, our men who were experienced produce men would decide what was a fair price to bill the Tea Company for that merchandise. That is the price we bill them for whether it is a profit or a loss. From the price which we bill them and the price we buy the merchandise at the terminal, the Tea Company sits down and decides what is a fair retail price on that merchandise. That is the basis on which our companies work together.

The ACTING CHAIRMAN: Are you really more than a purchasing agent for the Atlantic & Pacific Tea Company?

Mr. GREGORY: No, that is all we are. We work close to the sales department and make recommendations. We say to them, "Here, we can buy a lot of potatoes. How about running a potato sale? We will give you a price next week on 25 or 50 cars of potatoes. Why do we not do this or that?" All our activities are only suggestions to the Atlantic & Pacific Tea Company.

Mr. THATCHER: Mr. Monet, there is nothing abnormal about these figures. Is there some special reason for calling this witness?

Mr. MONET: I stated that the main reason was exactly what you referred to a minute ago. The next witness is a representative of the Atlantic & Pacific Tea Company, and I did not want any misunderstanding. Is it not a fact, Mr. Gregory, that the main reason for your low mark-up is that at all times your company is assured of a market for at least 90 or 91 per cent of all its operations?

Mr. GREGORY: That is right.

Mr. MONET: And that by taking a small mark-up you are always sure that you will, even at that, do a very large and substantial business?

Mr. GREGORY: Yes.

Mr. FLEMING: And it follows from that that you are not taking the risk that a normal wholesale produce merchant does?

Mr. GREGORY: Well, we think this: we take some risk but we have an outlet. We have an assured outlet for that merchandise when it comes in.

Mr. FLEMING: Then, you can, I think, answer my question. By reason of that fact, in your business operations you do not take the risks that are normally taken by wholesale produce merchants?

Mr. GREGORY: I think we have some advantage. I think any person that can put 90 per cent of their purchases through a regular place has an advantage.

Mr. BEAUDOIN: What do you do with the other 10 per cent?

Mr. GREGORY: It is sold too.

Mr. FLEMING: You have the same mark-up on that 9 per cent of merchandise?

Mr. GREGORY: If it is not satisfactory we may take a loss on it. That business might be very unprofitable because it is generally merchandise which arrives with something wrong with it.

Mr. FLEMING: Would it be fair to say that generally the 9 per cent that you sell to persons other than the A & P is merchandise rejected by the A & P?

Mr. GREGORY: No sir, I would not say that with respect to more than 1 or 2 per cent of it. We often times may go out to buy what we consider we can sell and we may be wrong in that we went out and bought more merchandise than the tea company could use. If that is the case we dispose of it to any wholesaler.

Mr. FLEMING: That is the outlet that you referred to, only where you have too much of a particular commodity?

Mr. GREGORY: We have fellows who ask us to go out and buy something for them. We bring it in and we sell it to them at a fair mark-up.

Mr. PINARD: Just general service?

Mr. GREGORY: Yes.

Mr. BEAUDOIN: On those goods that are not damaged you may take a larger mark-up?

Mr. GREGORY: Some may be low, some may be better, of that 9 per cent. Some may be unsatisfactory and some of it may be just as good as any other.

Mr. BEAUDOIN: With respect to the satisfactory merchandise, what mark-up do you take; is it higher than what you give the A & P?

Mr. GREGORY: Well, no. That would be on the merchandise the wholesaler would ask us to buy for him. He would say, go out and buy me some berries, we will say, and he assures that he will take that when it comes in. We take all the average broker or wholesaler's mark-up, which may be $30 to $40 on a car.

The ACTING CHAIRMAN: But the A & P Company would not be in the same market buying, they would not be buying against you in the market at all?

Mr. GREGORY: No.

The ACTING CHAIRMAN: They confine their purchases to your company?

Mr. GREGORY: We buy everything the tea company uses here as well as in the States, whether it is in cars from distant points or whether it is on the local market, we buy for the tea company.

Mr. THATCHER: Can you express any opinion as to future prospects for vegetables and fruit; are we likely to have a large scale output during the production season with prices going up again later on; or, are we likely to get into a position from now on where prices will be coming down?

Mr. GREGORY: Well, in my opinion, I think the growers here in Canada are going to get more money for the merchandise this year than they have ever realized in years.

Mr. THATCHER: You mean the prices are going up; is that what you mean?

Mr. GREGORY: They are not going up higher than they are now, but when the season comes along and there is lettuce, celery, spinach—whatever it may be—tomatoes—when they come into season here there is going to be a terrific demand for the merchandise.

Mr. THATCHER: Yes.

Mr. GREGORY: Because we have gone along for a long period without it and there is going to be a terrific demand and the grower is going to realize more money for his merchandise than in previous seasons.

Mr. THATCHER: Then the prices are likely to go higher because of the greater demand?

Mr. GREGORY: They are going to be higher than they have been in previous years, in my opinion.

Mr. PINARD: But lower than they are now?

Mr. GREGORY: They will be lower than they are now because you don't have any now.

Mr. THATCHER: I suppose they would go up again in the fall, would they?

Mr. GREGORY: Unquestionably they will go up in the fall. After all, scarcity of merchandise will make prices go up.

Mr. THATCHER: Unless, of course, you have controls.

Mr. LESAGE: We will attend to that.

Mr. FLEMING: But I think it is fair. Mr. Gregory might comment on that last addendum by Mr. Thatcher to his previous question because we had a question on yesterday on another question. I think Mr. Gregory appreciates the point of the question, and he has just said prices might go up; and Mr. Thatcher adds, if you do not think controls would be desirable.

Mr. GREGORY: Well now, that is very, very true. If there are controls put on here then you can control it.

Mr. FLEMING: What has that got to do with supply?

Mr. GREGORY: If you control them.

Mr. FLEMING: Yes, if you put ceilings on your prices.

Mr. LESAGE: And on distribution also.

Mr. GREGORY: I tell you just how I feel about this up here. I think in a way, I think the Canadian farmers up here for many years—I have been coming up here over 15 years—I think they have gotten very, very little money for a lot of their merchandise. It really was pitiful the price that many, many farmers go up here for their merchandise.

Mr. PINARD: And they are still getting it.

Mr. GREGORY: I think the farmers in Canada are entitled to some control. Back in the United States they would not want me to say this; but I think the Canadian farmers up here are entitled to some sort of control to get a little more money for their merchandise than in the past. Now, I believe this; you take their turnips, parsnips, onions, cabbage and so on, it may be that if they were assured such control as you have on today are going to continue they will store this merchandise, they will keep it longer, they will supply the consumer longer, and they will get a better price for it. I would like—

Mr. FLEMING: There is a confusion here. We are talking about ceilings. I think you are interpreting controls as applied to our import controls. We were talking about ceilings.

Mr. GREGORY: I would say controls being what would enable the farmer to get more for the stuff he grows, to get a fair price, a fair profit for the grower. I am sure that if there is anything put on it will be put on at a fair profit, and probably a lot better profit than he has ever got before.

Mr. THATCHER: As Mr. Robinson of the fruit growers pointed out, they wanted some sort of controls that they could be assured a market.

Mr. KUHL: That would not reduce the price to the consumer. I think it is only fair to point that out.

Mr. WINTERS: Mr. Thatcher wants us to limit the price paid to the farmer for his produce.

The ACTING CHAIRMAN: I do not think we can say that. Just a minute now. After all, the witness is here to give evidence and facts. He is not here to give his opinion on controls in Canada or the United States. We are here to get the facts about prices. We appreciate very much what he has to say, but I do not think we can let this thing go on as a prolonged debate, because that is not what we are here for.

Mr. WINTERS: The Committee is being used as a sounding board for propaganda.

The ACTING CHAIRMAN: I cannot allow it to be used for that.

Mr. KUHL: If you allow one you should allow all.

The ACTING CHAIRMAN: I do not know anyone who is going to make a statement like that until he has made it.

Mr. KUHL: But the witness doesn't have to answer, you do not have to let him answer.

The ACTING CHAIRMAN: That is why I am interposing now.

Mr. FLEMING: In fairness to the witness I think you or Mr. Monet, if you wish, should ask him how he interprets the word "control", because when he said what he did I think he was not talking about a ceiling price he was talking about our import control system. Would you ask him that? His answer is on the record now, talking in terms of controls. I think he was talking about something we do not understand as controls.

The ACTING CHAIRMAN: Just a minute. I do not think anyone should try to get from the witness an answer that suits his particular trend of thinking.

Some Hon. MEMBERS: Hear, hear.

The ACTING CHAIRMAN: He is here to give us facts, and that is what we are interested in. I think we may be going too far.

Mr. THATCHER: Mr. Chairman, you should not stop discussion because the witness does not give the evidence you want to hear from him.

The ACTING CHAIRMAN: I am not trying to stop discussion.

Mr. GORDON HENDERSON: Mr. Chairman, if I may, as counsel for the people appearing before you now, I would like to suggest that opinion evidence such as was started but not concluded be struck off in the record in its entirety so that there will be no false impression created from the opinion evidence given.

Mr. THATCHER: I do not think you have any right to suggest that. That has not been done here.

Mr. LESAGE: This gentleman is acting as counsel, and he has a right to say what he has said.

Mr. HENDERSON: I should have pointed out that I represent the Atlantic Commission Company. My purpose in making the suggestion I did was so that the record would not be confusing. If I am correct as to the terms of your reference they do not include an inquiry relating to the opinions of witnesses but rather purely to fact finding. That being so, I would suggest that the opinion evidence given should be struck off in its entirety.

Mr. ZAPLITNY: Mr. Chairman, on a point of order, may I pass this comment. The witness has been giving opinions right from the first question on. If we are going to strike out all opinion evidence, what will be left in the record?

Mr. HENDERSON: I mean only from the point where we ran into the talk relating to this particular subject matter.

Mr. THATCHER: If you leave one part of it in you will have to leave it all in, or you will have to strike it all out.

The ACTING CHAIRMAN: I think we will have to leave that for the chairman (Mr. Martin) to say whether it should be struck out or not. Personally, I think it should be; but that has to be left to counsel to say whether it should be or not.

Mr. McGREGOR: I would just like to say one word. As I understand it, the purpose of this committee is to find out the why of the present high cost of fruits and vegetables.

The ACTING CHAIRMAN: Correct.

Mr. McGREGOR: That is what it is for.

The ACTING CHAIRMAN: Yes.

Mr. McGREGOR: There may be some reasons for it and we should try to find out what those reasons are.

The ACTING CHAIRMAN: Correct.

Mr. McGREGOR: I am going to ask the witness a question following along the lines of the statement made here a few moments ago, that the vegetable growers in this country have not been able to get a fair deal.

Mr. GREGORY: I want to say—don't get me wrong, if you don't mind—

Mr. McGREGOR: Let me finish that, if you don't mind.

Mr. GREGORY: All right.

Mr. McGREGOR: For the reason that for years vegetables have been coming in from the United States, but some of the vegetables which came in from the United States—we will take tomatoes for an example—or let us say cabbage—four years ago the farmers grew in fact—

Mr. BEAUDOIN: Mr. Chairman, on a point of order; is the honourable member putting a question or making a statement?

Mr. McGREGOR: A little bit of both. You have done it. Everybody else has done it, and I am doing it.

Mr. BEAUDOIN: I do not think that is a fair statement for you to make. If I raise the point or order I think it is up to the chair to say whether the point of order is well taken or not.

Mr. McGregor: You can raise what you like. Just take, for instance, cabbage—

The Acting Chairman: Just a minute, please.

Mr. McGregor: Let's say cabbage was grown by the farmer and put away by the ton as it used to be years ago and kept right through until spring. That sort of thing has been falling off from time to time until finally the grower, the Canadian grower, only grows what cabbage he is sure he is going to dispose of and we will say before Christmas or around that time; the same thing with celery and everything else. That change has come about for the simple reason that the fresh stuff comes in from the United States. Now that this import ban has been put on these men can't go out and bring it in. Isn't that the reason for the high prices at the present time?

Mr. Lesage: On a point of order, Mr. Chairman. I object to your question and it is my right to object to the question. The witness is not a Canadian citizen.

Mr. McGregor: What has that got to do with it?

Mr. Lesage: He is not a Canadian citizen and I suggest is not conversant with the whole of the economy of Canada and I do not believe, and I submit it respectfully, that he is a witness who is in a position to answer such a question with the full knowledge of the facts.

The Acting Chairman: I would ask the witness to confine his answers to questions that are definite questions, not to opinions.

Mr. Lesage: Mr. McGregor is asking for an opinion.

The Acting Chairman: Yes, I know. I am asking the witness to confine his answers to statements of fact and not to express opinions.

Mr. Thatcher: On a point of order, Mr. Chairman; are you saying that this committee cannot ask for opinions? Aren't these experts we are getting here largely to find out why prices are higher? Surely, it would not be fair if we cannot ask these witnesses their opinions.

The Acting Chairman: Mr. Thatcher, I must say again that we have a prepared statement in front of us about which we are supposed to ask our questions and with regard to which this witness is here to give explanatory facts. He has the answers down here in black and white. It was by arrangement that these men have come here with their statement, and they are able to explain anything that is in the statement, so that we will not read into it things that are really not in it. I think the witness has done that; I think the witness has served his purpose before this committee, but for him to comment on the economy of Canada is not—

Mr. Lesage: I think it is improper.

The Acting Chairman: I do not think it is proper, and I do not think that members should insist on asking those questions but I cannot prevent them from asking them because I do not know what they are until I hear them, and all I can do is say to the witness, "I want you to confine your answers to facts, not to opinions." I cannot prevent your asking questions.

Mr. Thatcher: Respectfully—

Mr. Lesage: It is a ruling and it is not debatable.

Mr. Fleming: May I make one observation in the hope of clarifying the situation? It is one thing for the witness to say, "I am not familiar with conditions and I am not therefore in a position to answer a question that involves an assertion of opinion", but I hope you are not making a ruling that no witness can be asked questions that involve the assertion of opinions. Naturally such questions should not be asked unless the witness is in a position to express an opinion. For instance, when Mr. Towers comes here tomorrow I fancy a lot of questions to be asked of Mr. Towers will involve the assertion of opinions on his part as a man in a very high position.

Mr. THATCHER: Of course, he will have the right answers, probably.

Mr. FLEMING: Objection has been taken by Mr. Lesage on the ground that this witness is not in a position to offer valid opinions on Canadian affairs.

Mr. LESAGE: That is the ground of my objection.

Mr. FLEMING: If the chairman will confine his ruling to that I think that is as far as he needs to go. I do not think we want a general ruling that no one can ever be asked a question which involves the arrestion of an opinion, if he is qualified to give it.

Mr. THATCHER: The committee might as well fold up.

Mr. FLEMING: You will remember we had a great deal of opinion evidence from the chairman of the Wartime Prices and Trade Board. A lot of that was opinion evidence and very valuable evidence.

Mr. LESAGE: As a matter of fact, my objection was on the ground that opinions should not be asked for from this witness but I did not mean that to apply to every witness.

The ACTING CHAIRMAN: I take it Mr. Towers is in an entirely different position to this man. This man comes here and gives us a schedule of figures relating to the operation of his individual business. Mr. Towers comes before this committee; he is the Governor of the Bank of Canada, and he must have opinions that would be very valuable to this committee in its final report, but I do not think that would apply in this case or in the case of many of the statements that have been made before this committee.

Mr. MCGREGOR: Your ruling is that we cannot ask the witness any questions unless they are based on these documents?

The ACTING CHAIRMAN: I say you can ask him any question you like, but I ask the witness to only give you an answer on those things he knows are facts. I think that is what he is here for.

Mr. MCGREGOR: Then I think he can probably answer my question.

Mr. LESAGE: No, it is a question of opinion, and I have objected to it, and it has been ruled it is out of order.

The ACTING CHAIRMAN: I think the witness' counsel will be able to advise him if he has any doubts himself as to whether or not he should answer it. If you have nothing further—

Mr. MCGREGOR: I should like to have an answer to my question.

Mr. LESAGE: It has been ruled out of order.

Mr. MCGREGOR: It has not been ruled out.

Mr. LESAGE: I do not know the meaning of the ruling of the chairman if it was not ruled out.

Mr. ZAPLITNY: To continue the point of order—

Mr. LESAGE: It is not a point of order.

Mr. ZAPLITNY: I am raising a point of order. I think we are arguing two different things here. Either the ruling is that the members of the committee have not the right to ask questions calling for expression of opinion or they have the right, either one or the other. I do not think it is possible to instruct witnesses how to answer. The witness has the privilege of refusing to answer. That is one of the privileges they all have, but I do not think this committee can say to the witness, "You may answer this and not answer that." Otherwise what is the use of asking questions at all?

The ACTING CHAIRMAN: I have given my ruling that the witness should answer questions that he knows are facts. This is a fact finding committee.

Mr. MCGREGOR: I will ask him one question and he can say whether or not he knows it is a fact. Is it a fact the reason for the high prices is because Canadian goods are not here in this country to be sold?

Mr. LESAGE: I object to the question because it is a question of opinion; it is not a question of fact.

Mr. MCGREGOR: It is not a question of opinion. It is a question of fact. This man is doing a million dollars worth of business. He knows whether the goods are in the country or not.

Mr. LESAGE: Why are prices high? That is exactly the question that we have to decide here in this committee.

Mr. MCGREGOR: It is not opinion at all. This man is buying a million dollars worth of goods. He knows whether or not he can buy them. It is not a question of opinion.

Mr. LESAGE: It is a question of opinion why prices are high.

Mr. MCGREGOR: It is a question of fact whether the goods are here for him to buy or not.

Mr. LESAGE: I will ask counsel to give us advice as to whether it is a question that calls for an opinion.

Mr. MCGREGOR: It has been asked of every other witness.

Mr. LESAGE: We will ask counsel's advice. It has been asked of other people who were deemed to have a lot of knowledge about the Canadian economy, Canadian affairs, Canadian policies and Canadian laws.

Mr. MCGREGOR: We certainly understand by some of the prices they know something about the Canadian economy. We know that.

The ACTING CHAIRMAN: You asked him if he did not think that the reason for the high prices here was because United States goods were banned. I say that is not a matter of fact as to what he thinks. Does he know that is the case? If he is prepared to make a categorical statement that is a fact, then he is at liberty to answer, but you asked him, "do you think it is so"?

Mr. LESAGE: Even so it cannot be a fact; it is a question of opinion.

Mr. PINARD: It would be drawing a conclusion from a fact.

Mr. LESAGE: It would be drawing a conclusion from a fact, and the drawing of a conclusion from a fact is an expression of an opinion. I would suggest again that we ask the advice of counsel, who has had a lot of experience in courts. He knows what is a question of opinion and a question of fact, and he would say no doubt in answer to my question that Mr. McGregor's question calls for an opinion.

Mr. FLEMING: May I make a suggestion, Mr. Chairman, that you as an impartial individual in this little dispute that has been going on in the committee ask Mr. Gregory if, by reason of his experience or knowledge of Canadian conditions, he is in a position to comment on the rise in prices in Canada? That will lay the ground.

Mr. LESAGE: If he says "yes" I want to cross-examine him on Canadian law and economy.

Mr. FLEMING: We will cross that bridge when we come to it. I think that will clear the air in the light of what you said, Mr. Chairman, a few minutes ago.

Mr. PINARD: The witness is here to testify. He might be an expert on these thinks. He might be. We do not know. He is not a resident of Canada; he comes here about twice a year, I am told, but even if he is an expert he is not here to testify as an expert. He is here to testify on a statement of figures that we have in our hands. That is all that he is here to do, and just because it has been done by other witnesses does not mean he can do it.

Mr. FLEMING: Let him say if he is in a position to answer a question of that kind. He can do that in a moment.

Mr. LESAGE: It will be asking for his own opinion about his knowledge.

Mr. FLEMING: That is all right; it will clear the thing up in a minute.

Mr. LESAGE: It will not.

The ACTING CHAIRMAN: I do not think anything that is of an opinionative nature would clarify any situation here today. I think the committee has been used—probably it is because of the chairman you have this thing has gone as far as it has. I want to stop it now, and I think we should go on.

Mr. WINTERS: I do not think it is attributable to the chairman that there has been a greater tendency to insert propaganda into this committee at every turn. It is a deplorable situation, but it has been a growing situation. My own personal opinion, not based on law, is that the question is not so bad. I think the witness should be given a chance in the first place to say whether he wants to answer it, and in the second place if he does answer it we can judge the answer in the light of what we know about the witness.

Mr. McGREGOR: I do not think it is fair in the first place for this company to be brought before this committee. There is really a glaring difference between the way they operate and the way any of the rest of the firms which have been here operate their businesses, and if we cannot ask that question then I do not think it is a fair thing to bring them before the committee.

Mr. WINTERS: Proceed.

Mr. BEAUDOIN: What do you want to question the witness on, Mr. Monet?

Mr. MONET: I have no more questions. I stated in the beginning that the reason why the witness was called was because his company is the purchasing agent for the A. & P. They sell 91 per cent of their merchandise to the A. & P. My information was the A. & P. buy 50 per cent of their fruits and vegetables from this company. I did not want to leave anything unturned, and that is why I wanted to place before the members of the committee their own and their main agent's operations. That was the only reason why they were brought here.

As to the discussion that is going on I do not want to give any opinion. I do not wish to give any opinion although it is clear that members of the committee are here to draw the conclusions and not any witness. I think that will be the work of the members of the committee when we are all through with the investigation, to draw their conclusions, to make a report. It will be their responsibility. I think any question can be asked of the witness on a matter of fact. It is a fact finding committee, but I do not think any witness can draw conclusions from the facts he puts on record. That is my view.

Mr. FLEMING: I do not subscribe to that as baldly put as that. It is a question of whether you have got an expert witness who is in a position to assist the committee with conclusions based on sound experience. That is the whole question here, and I think we can clear it up in a moment if we might ask Mr. Gregory how familiar he is with conditions in Canada.

Mr. GREGORY: I think I am pretty well familiar with what is going on here. I may say this, that when you talk about prices, demand and supply determine prices. That is what is determining them. I should like one other thing thoroughly understood. Someone brought out that I had said that the farmer here is not treated right. I do not want that—

Mr. MONET: That is what you said.

Mr. GREGORY: No.

Mr. MONET: That is what you said. That is on record; that is in the evidence.

Mr. GREGORY: I did not say that at all. I said this, and I want it understood just this way, that the farmers here in Canada for a long time got a very poor price for a lot of merchandise which they grew.

Mr. BEAUDOIN: And the same in the United States?

Mr. GREGORY: That does not say it is very unfair. They may have got all that their market may afford, but I say their prices were very low. I do not want anybody to misunderstand me, that they were poorly treated or unfairly treated. They may have been treated as well as it was possible under the market conditions.

Mr. BEAUDOIN: The same conditions applied in the United States, did they not?

Mr. GREGORY: It could.

Mr. BEAUDOIN: The farmers were not very well treated for a long time?

Mr. GREGORY: It could.

The ACTING CHAIRMAN: I think we had better not get into that with the witness before us now. They are purchasing agents; that is their function and they are here as purchasing agents. We will hear the other company which does the merchandising just as soon as we are finished with this witness. I would suggest to you that we let this witness go and call the next witness.

Mr. MONET: All right.

Mr. MCGREGOR: It is not fair to have the witness state whether or not the embargo raised the price of these goods?

Mr. LESAGE: Definitely not; it has been ruled out.

The ACTING CHAIRMAN: I do not think that is out of order. I think we will all admit it did. It has been answered before.

Mr. LESAGE: I, for one, am of the opinion it did not. There is no relationship of cause and effect. It is a question of opinion. Even you, Mr. Chairman, and I differ, which shows it is a matter of opinion. You say it was a cause and I say it was an occasion. There is a great deal of difference between a cause and an occasion.

Mr. FLEMING: I have another question or two I wanted to put to Mr. Gregory, if you do not mind, Mr. Chairman.

May I direct your attention to the statement which is the sheet on top marked, "comparison of selling prices." I noticed down at the bottom of the page, for instance, in the right hand column under the heading, "cabbage, imported, green" that on February 5 you showed a loss of 45·5; February 12 a loss of 5·7 per cent but by February 26, you have come to a profit of 9·4 per cent. Is it at all unusual, in your experience, to have such marked fluctuations from week to week as we see there?

Mr. GREGORY: No.

Mr. FLEMING: We spent some time with another witness yesterday over indications there had been marked fluctuations from week to week. You say, in your experience, that is not at all unusual?

Mr. GREGORY: Not unusual at all in any line of our business, to make a real profit or have a real loss. It depends entirely on the market conditions as to the profit we may get.

Mr. FLEMING: Then, looking at the statement which is marked statement No. 3, we see this substantial rise in the price of celery commencing between November 13 and November 20. On November 13 it was selling at $1 a crate and by January 29, which, I suppose, was the end of your supply, it was up to $3. Cabbage, local, green, was selling at 2·2 cents per pound on November 13 and it rose sharply from that point to sell as high as 12·5 cents per pound in January. Similarly, with carrots, local, selling on November 13 at 2·6 cents a pound and rising to as high as 8 cents per pound in February. Onions, Ontario No. 1, selling on November 13 at 2·2 cents per pound and rising steadily from that point to 10·5 cents per pound.

Mr. GREGORY: That is strictly a market condition. As I stated before, in any of this merchandise we handle we bill the Tea Company exactly what we have to pay for that other 50 per cent with which we do not supply them.

Mr. FLEMING: This Canadian grown produce would normally be competing at this time of the year with American produce imported, would it not?

Mr. GREGORY: I think that is right.

Mr. FLEMING: And that particular form of competition was removed following November 17?

Mr. GREGORY: Well, we bought whatever was available, whether it came from America or wherever it came from. Wherever it came from, we bought it if it was available and used it in our stores.

Mr. FLEMING: Very simply, there is no great secret about it, the available supply was reduced after November 17?

Mr. GREGORY: That may be true. It may be responsible for the market going up. Generally speaking, the market advances if there is a shortage.

Mr. FLEMING: Is that what has happened here since November 17?

Mr. GREGORY: I do not know. I could not tell you whether that is the story or not.

Mr. MCGREGOR: I should like to compare what this company sold goods at on a certain date, with what another company sold those goods at. Take carrots, for instance. On October 2, this company sold at 2·6 and the other sold at 5·5. On October 9 this company sold at 2·5 and the other company sold at 5·0.

Mr. WINTERS: What was the other company?

Mr. MCGREGOR: The Parent, Goyer Company of Montreal. On October 30, this company sold at 2·6 and the other company sold at 5·7. On November 6, this company sold at 3·1 and the other company sold at 4·0. On November 13, this company sold at 2·7 and the Montreal company at 5·3. On November 20, this company sold at 3·6 and the other company at 4·2. On November 27, this company sold at 3·6 while the other company got 7·6 cents. The same thing is true all the way down the line.

Mr. PINARD: Is that a question, Mr. McGregor?

Mr. MCGREGOR: No, I do not think it is a question. I do not think there is any question about it.

The ACTING CHAIRMAN: You have to take into consideration the difference in operations. This company has only one customer whereas the other company has to adjust its prices to meet competition.

Mr. MCGREGOR: In spite of the fact this company sold goods at those prices, it made a larger profit than some of the other companies show in their statements.

Mr. ZAPLITNY: Are those sets of figures at the wholesale level?

Mr. MCGREGOR: Yes.

George W. Bird, Purchasing Agent, Great Atlantic and Pacific Tea Company, Limited, Toronto, called and sworn:

By Mr. Monet:

Q. Would you give your full name, please?—A. George W. Bird.

Q. Your address?—A. Seven Grenadier Garden, Toronto.

Q. You are here representing the Great Atlantic and Pacific Tea Company, Limited, are you not?—A. That is right.

Q. In what capacity are you engaged by the Great Atlantic and Pacific Tea Company, Limited?—A. I am in charge of purchasing.

Q. Would you look, Mr. Bird, at the questionnaire which has been submitted to your company and answered by your company, also the supplementary information which has been given to counsel since your arrival in Ottawa as well as the explanatory letter to certain statements made on the questionnaire? Then, would you tell the members of the committee whether you accept this as being the information submitted by your company?—A. You are talking about the—

Q. The questionnaire, the supplementary information given yesterday in the letter signed by your company, and so on? You accept these as copies of those documents?—A. Yes.

Mr. MONET: I should like to file as Exhibit 118, a copy of the questionnaire submitted by the Great Atlantic and Pacific Tea Company, Limited.

EXHIBIT No. 118: Copy of questionnaire received from the Great Atlantic and Pacific Tea Company, Limited.

EXHIBIT 118

STATEMENT 1—General Information

HOUSE OF COMMONS

SPECIAL COMMITTEE ON PRICES

Preliminary Information—Fruit and Vegetable Inquiry

1. Name of Company: The Great Atlantic & Pacific Tea Company, Limited.
2. Address of Head Office: 135 Laughton Avenue, Toronto 9, Ontario.
3. Date Commenced Business: June 10, 1927.
4. Names and Addresses of Parent, Subsidiary Parent Company, and Affiliated Companies: The Great Atlantic & Pacific Tea Company, 420 Lexington Avenue, New York City, N.Y., U.S.A. Subsidiary of Parent Company—Atlantic Commission Company, Incorporated, 37 Wall Street, New York City, N.Y., U.S.A.
5. Names and Addresses of Officers and Directors or Partners: President, George L. Hartford, New York, N.Y., U.S.A.; Vice-Presidents: John A. Hartford, New York., N.Y., U.S.A.; J. J. Byrnes, Boston, Mass., U.S.A.; Treasurer and Secretary: R. W. Burger, New York City, N.Y., U.S.A.; Director: L. W. Beebe, Toronto, Ontario, Canada. (Note)—All Officers are Directors.
6. Location of Branches, Warehouses and Other Places of Business (Including those of subsidiary companies engaged in the fruit and vegetable trade):—

   Warehouse and Offices—135 Laughton Ave., Toronto 9, Ont.

   Warehouse—3715 Workman St., Montreal, Que.

   Branch of Subsidiary of Parent Company—Atlantic Commission Company, 135 Laughton Avenue, Toronto, Ont.; Atlantic Commission Company, 3715 Workman St., Montreal, Que.

   Branch Stores—Toronto Unit (see attached list); Montreal Unit (see attached list).

TORONTO UNIT

Branch Stores:

Barrie
Belleville
Bowmanville

TORONTO UNIT

Branch Stores

Bracebridge
Brampton
Burlington
Chatham
Cobourg
Dundas
Dunnville
Fort Erie
Goderich
Guelph
Hamilton, 564 Concession St.; 196 Ottawa St.
Hamilton, 11 York St.
Huntsville
Kingston
Kirkland Lake
Kitchener
Leamington
Lindsay
Listowel
London, 332 Dundas St.; 125 King St.
London, 742 Richmond St.
Napanee
New Liskeard
New Toronto
Niagara Falls
North Bay
Orangeville
Oshawa
Owen Sound
Parry Sound
Paris
Peterboro
Port Hope
Rouyn
St. Catharines
St. Thomas
Sarnia
Sault Ste. Marie
Simcoe
Stratford
Strathroy
Sudbury
Tillsonburg
Timmins
Toronto, 2295 Bloor
2948 Bloor.
2119 Danforth.
1161 Dundas W.
2906 Dundas W.
1519 Dupont.

Toronto Unit

Branch Stores

Toronto, 418 Eglinton W.
1603 Eglinton W.
1278 Gerrard St.
1042 Queen St. E.
1460 Queen St. W.
2216 Queen St. W.
1094 St. Clair Ave. W.
779 Yonge St.
2049 Yonge St.
2574 Yonge St.
3142 Yonge St.
Trenton
Waterloo
Welland
Weston
Whitby
Windsor, 1580 Ottawa St.
819 Ouellette St.
Woodstock

Montreal Unit

Branch Stores

Arnprior
Cornwall
Cowansville
Deep River
Drummondville
Farnham
Granby
Hawkesbury
Hull
Lachine
Lachute
Lennoxville
Longueuil
Magog
Montreal, 6234 Monk Blvd.
5677 Monkland.
2448 Notre Dame St.
3558 Park Ave.
5405 Queen Mary Rd.
4690 St. Catherine.
3730 St. Denis St.
5155 Sherbrooke St.
5722 Sherbrooke St.
Ottawa, 385 Bank St.
754 Bank St.

Ottawa, 231 Elgin St.
352 Richmond Rd.
225 Rideau St.
1111 Wellington St.
Outremont
Pembroke
Perth
Quebec City, 223 St. John St.
561 St. John St.
Renfrew
Richmond
Rock Island
Ste. Anne de Bellevue
St. Johns
St. Lambert
Shawinigan Falls, 128 Fifth St.
143 St. Marc St.
Sherbrooke
Thetford Mines
Three Rivers
Verdun
Ville St. Pierre

THE GREAT ATLANTIC & PACIFIC TEA CO. LIMITED
(Toronto Stores)

Date	Oranges Calif. 288			Apples B.C. 125—138 Delicious "C"			Celery Ont. No. 1			Potatoes P.E.I. Canada No. 1		
	Retail Selling price	Cost	Gross margin	Retail Selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin
	per doz.	per doz.	per doz.	per lb.	per lb.	per lb.	per bunch	per bunch	per bunch	per lb.	per lb.	per lb.
1947												
October 3	....	....	N.A.				.09½	.075	21.1	.033	.023	30.3
October 10	....	....	N.A.				.09½	.071	25.3	.031	.024	22.6
October 17	....	....	N.A.				.09½	.075	21.1	.031	.024	22.6
October 24	....	....	N.A.				.11½	.088	23.4	.031	.024	22.6
October 31	.27½	.229	16.7				.11½	.088	23.4	.031	.023	25.8
November 7	....	....	N.A.				.11½	.085	26.1	.031	.026	16.1
November 14	.29	.198	31.7				.11½	.088	23.4	.032	.029	7.3
November 21	.33	.229	30.6				.12½	.108	13.6	.032	.029	7.3
November 28	.33	.25	24.2				.19½	.138	27.4	.040	.032	20.0
December 5	.33	.229	30.6				.19	.138	27.4	....	....	N.A.
December 12	.29	.308	28.3		Not Available.		.19	.138	27.4	.035	.032	8.6
December 19	....	....	N.A.				.19	.158	16.8	.035	.031	11.4
December 2–26	.29	.218	24.8				.19	.179	5.8	.035	.033	5.7
1948												
January 2	.29	.240	17.2				.25	.171	31.6	....	....	N.A.
January 9	.33	.219	33.6				.29	.213	26.5	....	....	N.A.
January 16	.33	.229	30.6				.31	.233	24.8	.038	.038	
January 23	....	....	N.A.				.33	.233	29.4	.038	.033	13.2
January 30	....	....	N.A.				.35	.254	27.4	.038	.033	13.2
February 6	....	....	N.A.							.038	.033	13.2
February 13	.31	.244	21.3							.038	.033	13.2
February 20	....	....	N.A.							.038	.032	15.8
February 27	....	....	N.A.							.038	.034	10.5
March 5												N.A.
March 12										.038	.034	10.5
March 19	....	....	N.A.							.038	.033	13.2
March 26	.27	.299	15.2							.038	.033	13.2
April 2	.30	.231	23.0							.038	.033	13.2
April 9										.038	.033	13.2
April 16										.038	.035	7.9
April 23	....	....	N.A.							.040	.036	10.0
April 30	....	....	N.A.									N.A.

Date	Tomatoes Ont. Hot-house			Cabbage local green			Cabbage Imported green			Carrots Local No. 1 Washed		
	Retail selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin
	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.
1947												
October 3				.06	.041	31.7				.04⅓	.027	37.7
October 10				.06	.043	28.3				.04⅓	.027	37.7
October 17										.04⅓	.026	40.0
October 24	.29	.18	37.9	.06	.038	36.7				.04⅓	.027	37.7
October 31	.29	.18	37.9							.04⅓	.027	37.7
November 7	.29	.18	37.9							.04⅓	.032	26.1
November 14	.35	.23	34.3							.04⅔	.030	35.7
November 21				.07	.047	32.9	Not available			.04⅔	.038	18.6
November 28				.08	.045	43.7				.06⅓	.038	40.0
December 5				.08	.045	43.7				.06⅓	.043	32.9
December 12				.08	.055	31.3				.07½	.048	36.0
December 19				.09	.061	32.2				.06⅓	.048	24.2
December 26				.10	.072	28.0				.06⅓	.047	25.8
1948												
January 2		N.A.		.15	.088	41.3				.06⅓	.049	22.6
January 9		N.A.		.19	.121	36.3				.07½	.053	29.3
January 16		N.A.			N.A.					.07⅔	.053	30.9
January 23		N.A.		.15	.139	7.3				.07⅔	.058	24.3
January 30		N.A.		.15	.120	20.0				.08⅓	.064	23.2
February 6		N.A.					.07	.05	28.6	.09	.064	28.9
February 13		N.A.					.05	.04	20.0	.09⅔	.081	16.2
February 20		N.A.					.05	.034	32.0	.09⅔	.086	11.0
February 27		N.A.					.04½	.033	26.7	.11½	.088	26.0
March 5		N.A.					.05	.034	32.0	.10	.073	27.0
March 12		N.A.					.05	.039	22.0			
March 19		N.A.					.06	.051	15.0			
March 26		N.A.					.07	.052	25.7			
April 2		N.A.					.08	.051	36.2			
April 9		N.A.		Not available			.09	.061	32.2	Not available		
April 16		N.A.					.09	.077	14.4			
April 23		N.A.					.09	.082	10.0			
April 30		N.A.					.09	.073	18.9			

THE GREAT ATLANTIC & PACIFIC TEA CO. LIMITED—TORONTO STORES

Date	Carrots Imported U.S. No. 1 washed			Onions Ont. No. 1 Yellow		
	Retail selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin
	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.
1947						
October 3				.03¾	.0292	22.1
October 10				.04⅓	.0292	32.6
October 17				.04⅓	.0292	32.6
October 24				.04⅓	.0292	32.6
October 31				.04⅓	.0292	37.4
November 7				.032	.0271	15.3
November 14				.032	.024	25·0
November 21				.04⅔	.0479	2.6 L.
November 28				.06⅓	.0479	24.4
December 5				.06⅓	....	....
December 12				.06⅓	.048	24.2
December 19				.06⅓	.048	24.2
December 26				.06⅓	.0479	24.4
1948		Not available				
January 2				.06⅓	.049	22.6
January 9				.07½	.057	24.0
January 16				.07½	.054	28.0
January 23				.07½	.054	28.0
January 30				.08⅓	.073	12.4
February 6				.09	.077	14.4
February 13				.09⅔	.080	17.2
February 20				.09⅔	....	....
February 27				.09⅔	.072	25.5
March 5				.09⅔	.073	24.5
March 12				.09⅔	.082	15.2
March 19	.09½	.085	10.5	.09⅔	.092	4.8
March 26	.10	.085	15.0	.11	.086	21.8
April 2	.10	.096	4.0	.11	.097	11.8
April 9	.10	....	....	.13½	.1074	20.4
April 16	.09½	.092	3.16	.14½	.1207	16.7
April 23	.10	.092	8.00	0	....	....

L—Loss.

As to accuracy of these three schedules see explanatory letter.

THE GREAT ATLANTIC & PACIFIC TEA CO. LIMITED

Montreal Stores

Date	Oranges Calif. 288			Apples Delicious "C"			Celery Ont. No. 1			Potatoes Canada No. 1		
	Retail selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin
	per doz.	per doz.	per doz.	per lb.	per lb.	per lb.	per bunch	per bunch	per bunch	per lb.	per lb.	per lb.
1947												
October 3	.29	.204	24.4				.14½	.121	16.5	....	N.A.	
October 10	.27	.233	13.7				.14½	.121	16.5	....	N.A.	
October 17	....	N.A.					.19	.121	36.1	.0313	.023	26.5
October 24	....	N.A.					.19	.121	36.1	....	N.A.	
October 31	....	N.A.					.14½	.121	16.5	....	N.A.	
November 7	....	N.A.					.14½	.121	16.5	....	N.A.	
November 14	....	N.A.					.14½	.121	16.5	....	N.A.	
November 21	.29	.277	4.5				.19	.162	14.7	....	N.A.	
November 28	.39	.302	22.6				.23	.187	18.7	....	N.A.	
December 5	.39	.271	30.5				.23	.187	18.7	....	N.A.	
December 12	....	N.A.					.23	.187	18.7	.0286	.028	2.6
December 19	.31	.229	26.1		Not		.23	.187	18.7	....	N.A.	
December 26	.31	.198	36.1		Available		.23	.187	18.7	....	N.A.	
1948												
January 2	....	N.A.					.23	.187	18.7	....	N.A.	
January 9	....	N.A.					.29	.25	13.5	.0399	.033	17.3
January 16	....	N.A.					.39	.292	25.1	....	N.A.	
January 23	....	N.A.						N.A.	....	....	N.A.	
January 30	....	N.A.						N.A.	....	....	N.A.	
February 6	....	N.A.						N.A.	....	.0399	.029	27.3
February 13	....	N.A.						N.A.	....	....	N.A.	
February 20	....	N.A.						N.A.	....	....	N.A.	
February 27	....	N.A.						N.A.	....	....	N.A.	
March 5	.29	.219	24.5					N.A.	....	....	N.A.	
March 12	....	N.A.						N.A.	....	....	N.A.	
March 19	....	N.A.						N.A.	....	....	N.A.	
March 26								N.A.	....	....	N.A.	
April 2								N.A.	....	....	N.A.	
April 9								N.A.	....	....	N.A.	
April 16								N.A.	....	.0399	.034	14.8
April 23	.25	.225	8.6					N.A.	....	....	N.A.	
April 30	.29	.225	22.4								N.A.	

STATEMENT 3—MONTREAL—*Continued*

THE GREAT ATLANTIC & PACIFIC TEA CO. LIMITED—MONTREAL STORES

Date	Tomatoes Ont. Hot-House			Cabbage Local Green			Cabbage Imported Green			Carrots Local No. 1 Washed		
	Retail selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin
	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.
1947												
October 3				.03½	.025	28.6	...	N.A.	...	...	N.A.	...
October 10				...	...	...	...	N.A.	...	.025	.023	8.0
October 17				...	...	...	...	N.A.	...	.03⅓	.024	28.0
October 24				...	...	...	...	N.A.	...	.03⅓	.023	31.0
October 31				...	...	...	...	N.A.	...	.03⅓	.023	31.0
November 7				...	...	...	...	N.A.	...	.03⅓	.023	31.0
November 14				...	...	...	...	N.A.	...	.04	.027	32.5
November 21				.06	.041	31.6	...	N.A.	...	.05	.045	10.0
November 28				.09½	.070	26.3	...	N.A.	...	.08	.05	37.5
December 5				.09½	.070	26.3	...	N.A.	...	.06½	.045	30.7
December 12				.09½	.070	26.3	...	N.A.	...	.06½	.047	27.7
December 19				.09½	.070	26.3	...	N.A.	...	.06½	.047	27.7
December 26				.12	.093	22.5	...	N.A.	...	.06½	.047	27.7
1948												
January 2	Not available			.12	.105	12.5	...	N.A.	...	.06½	.048	26.2
January 9				.14½	.125	13.8	...	N.A.	...	.06½	.05	23.1
January 16				.17	.177	3.9 L	...	N.A.	...	.07⅔	.049	36.1
January 23				.19	.159	16.3	...	N.A.	...	.07⅔	.048	37.4
January 30				.19	.167	12.1	...	N.A.	...	.07⅔	.05	34.8
February 6				...	N.A.	...	.06	.047	21.7	07⅔	.05	34.8
February 13				...	N.A.	...	.06	.044	26.7	.09⅔	.067	30.7
February 20				...	N.A.	...	.04½	.039	13.3	.10½	.079	24.8
February 27				...	N.A.	...	.04½	.037	17.8	.10½	.112	6.3 L
March 5				...	N.A.	...	.04½	.035	22.2	.11½	.089	22.6
March 12				...	N.A.	...	.06	.046	23.3	.10	.076	24.0
March 19				...	N.A.	...	.07	.048	31.4	...	N.A.	...
March 26					N.A.	...	.07	.053	24.3	...	N.A.	...
April 2				...	N.A.	...	.07	.064	8.6	...	N.A.	...
April 9				...	N.A.	...	...	N.A.	...	...	N.A.	...
April 16				...	N.A.	...	.08	.08	...	...	N.A.	...
April 23				...	N.A.	...	.08	.092	13.0 L	...	N.A.	...
April 30				...	N.A.	...	.08	.084	4.8 L	...	N.A.	...

L—Loss.

THE GREAT ATLANTIC & PACIFIC TEA CO LIMITED—MONTREAL STORES

Date	Carrots Imported U.S. No. Washed			Onions Ont. No. 1 Yellow		
	Retail selling price	Cost	Gross margin	Retail selling price	Cost	Gross margin
	per lb.	per lb.	per lb.	per lb.	per lb.	per lb.
1947						
October 3				.039	.033	15.4
October 10				.039	.033	15.4
October 17				.039	.035	10.3
October 24				.039		
October 31				.039		
November 7				.039		
November 14				.039		
November 21				.07	.033	52.9
November 28				.08½	.060	29.4
December 5				.07½		
December 12				.08½	.053	37.6
December 19				.07½	.061	18.7
December 26				.07½	.054	28.0
1948						
January 2				.08½	.067	21.2
January 9				.08½	.067	21.2
January 16				.08½	.066	22.4
January 23				.08½	.076	10.6
January 30				.09½	.080	15.8
February 6				.09½	.076	20.0
February 13				.09⅔	.091	8.5
February 20				.11½	.098	14.8
February 27				.11½		
March 5				.11½	.096	16.5
March 12				.11½	.087	24.3
March 19	.10	.078	22.0	.11½	.076	33.9
March 26	.10	.088	12.0	.11½	.093	19.1
April 2	.09½	.099	4.0 L	.11½	.094	18.3
April 9	.09½			.11½	.109	5.2
April 16	.10	.090	10.0	.14½	.122	15.9
April 23	.10	.092	8.0	.14½		
April 30	.10			.12½		

L—Loss.

As to accuracy of these three schedules see explanatory letter.

STATEMENT 4—ANNUAL SALES AND PROFITS

THE GREAT ATLANTIC & PACIFIC TEA COMPANY LIMITED

ANNUAL SALES AND GROSS PROFIT

FRUITS AND VEGETABLES

Fiscal Year ended Feb. 28/48	Toronto Stores			Montreal Stores			Total		
	Sales	Gross profit	Per cent G.P. to sales	Sales	Gross profit	Per cent G.P. to sales	Sales	Gross profit	Per cent G.P. to sales
1939	856,511	134,444	15·70	503,654	85,133	16·90	1,360,195	219,577	16·14
1940	1,573,972	233,247	14·82	752,530	120,523	16·02	2,326,502	353,770	15·21
1941	1,739,316	229,764	13·21	757,191	104,795	13·84	2,496,507	334,559	13·40
1942	2,500,620	263,570	10·54	1,251,930	149,280	11·92	3,752,550	412,850	11·00
1943	2,549,320	301,150	11·81	1,401,000	189,530	13·53	3,950,320	490,680	12·42
1944	2,551,600	307,790	12·06	1,383,460	199,020	14·39	3,935,060	506,810	12·88
1945	2,760,650	360,110	13·04	1,561,180	229,470	14·76	4,321,830	589,580	13·64
1946	3,955,870	579,420	14·65	2,010,080	292,310	14·54	5,965,950	871,730	14·61
1947	5,111,660	742,130	14·52	2,453,540	361,910	14·75	7,565,200	1,104,040	14·59
1948	....	....	....	....	....	....	8,646,060	1,229,118	15·03

THE GREAT ATLANTIC AND PACIFIC TEA COMPANY LIMITED

Monthly Sales and Gross Profit

Fruits and Vegetables

Date	Toronto Stores			Montreal Stores			Total		
	Sales	Profit	Per cent G.P. to Sales	Sales	Gross Profit	Per cent G.P. to Sales	Sales	Gross Profit	Per cent G.P. to Sales
1946									
January	298,459	43,898	14·7	147,229	21,937	14·9	445,688	65,835	14·8
February	330,317	49,401	15·0	146,137	19,475	13·3	476,454	68,876	14·5
March	551,903	82,891	15·0	216,981	32,310	14·9	768,884	115,201	15·0
April	424,975	63,431	14·9	184,123	24,787	13·5	609,098	88,218	14·5
May	409,552	59,049	14·4	196,046	26,546	13·5	605,598	85,595	14·1
June	551,520	79,191	14·4	234,115	35,442	15·1	785,635	114,633	14·6
July	401,032	62,501	15·6	200,689	35,839	17·9	601,721	98,340	16·3
August	322,129	41,506	12·9	185,227	25,770	13·9	507,356	67,276	13·3
September	447,242	68,188	15·2	242,488	35,995	14·8	689,730	104,183	15·1
October	338,250	48,001	14·2	170,736	24,487	14·3	508,986	72,488	14·2
November	331,277	39,694	12·0	167,560	21,136	12·6	498,837	60,830	12·2
December	567,951	88,458	15·6	248,526	40,628	16·3	816,477	129,086	15·8
1947									
January	290,443	42,106	14·5	161,565	23,767	14·7	452,008	65,873	14·6
February	475,372	67,101	14·1	245,470	35,188	14·3	720,842	102,289	14·2
March	516,437	77,113	14·9	275,565	45,117	16·3	792,002	122,230	15·4
April	446,329	75,925	17·0	196,207	31,646	16·1	642,536	107,571	16·7
May	515,239	61,752	12·0	210,285	30,843	14·7	725,524	92,595	12·8
June	646,060	105,843	16·4	280,611	45,327	16·2	926,671	151,170	16·3
July	480,443	81,973	17·1	233,523	35,173	15·1	713,966	117,146	16·4
August	414,861	60,601	14·6	223,705	35,282	15·8	638,566	95,883	15·0
September	541,526	87,805	16·2	277,114	45,098	16·3	818,640	132,903	16·2
October	408,686	56,463	13·8	203,574	25,242	12·4	612,260	81,705	13·3
November	441,812	70,500	16·0	214,992	34,621	16·1	656,804	105,121	16·0
December	....	....	....	....	....	....	895,163	127,808	14·3
1948									
January	....	....	....	....	....	....	571,985	82,624	14·4
February	....	....	....	....	....	....	651,952	82,392	12·6
March	....	....	....	....	....	....	691,763	100,992	14·6
April	....	....	....	....	....	....	695,858	85,303	12·2

By Mr. Monet:

Q. Where is the head office of the company, Mr. Bird?—A. 135 Laughton Avenue, Toronto.

Mr. MONET: Mr. Chairman, I do not want to neglect anything in connection with this firm, but I should have liked to finish this investigation tonight, if it is possible, because Mr. Towers is to come here tomorrow.

By Mr. Monet:

Q. Now, Mr. Bird, would you give the members of the committee the relationship of your company to The Great Atlantic and Pacific Tea Company of New York?—A. We are a wholly owned subsidiary.

Q. And would you tell the members of the committee how many stores you operate in Canada?—A. We operate 74 stores out of Toronto and 47 out of Montreal; that is, the Toronto and Montreal warehouses.

Q. I understand you have divided your operations—I mean, your stores are divided into two units, one of which you call the Toronto unit and the other one the Montreal unit?—A. That is right.

Q. The Toronto unit, I understand, has stores in Toronto and also in other cities and towns in the province of Ontario?—A. That is right.

Q. How many stores comprise the Toronto unit?—A. 74.

Q. Those are all listed on exhibit 118, pages 2 and 3?—A. Yes.

Mr. MONET: Mr. Chairman, I repeat that I am going to question the witness very quickly because I think we should finish this investigation this afternoon if possible.

The ACTING CHAIRMAN: I think the committee will let you proceed with your questions.

By Mr. Monet:

Q. I also notice that on exhibit 118 you have listed all the stores comprising the Montreal unit?—A. That is right.

Q. There are 47 stores?—A. That is right.

Q. We already have, in evidence, that one of your main purchasing agents would be the Atlantic Commission Company, is that correct?—A. That is correct.

Q. We have been told you would purchase about 50 per cent of your fruits and vegetables from that Atlantic Commission Company?—A. That is relatively correct. It varies, of course, at different seasons of the year, but over a year's operation that would be approximately correct.

Q. Would you tell the members of the committee whether your company is entirely free to buy on the open market if it can get a better price than the price you can get from the Atlantic Commission?—A. Well, I think I can say this, that the Atlantic Commission Company would be willing to sell us at the proper market price. In other words, if we could buy merchandise at a lower price the Atlantic Commission Company would be prepared to meet that issue.

Q. But I mean you are entirely independent as to your purchase?—A. That is quite correct.

Q. If you want to get some of your fruits and vegetables from any other operator or wholesaler or jobber, the Atlantic & Pacific Company Limited is entirely free to do that?—A. Yes, we do that.

By Mr. Pinard:

Q. Did I understand you to say that you do not buy from anybody else, but the Atlantic commission would have to meet the price? Is that what you said?—A. No, I did not say that. As a matter of fact, on many spot purchases the Atlantic Commission Company, who are our purchasing agents, buys from other wholesalers. In other words, they buy the merchandise for us. In addition to that we buy a great deal of merchandise in the individual stores direct from the farmer, in the producing areas particularly.

By Mr. Monet:

Q. That was my question, Mr. Bird. Would you describe to the members of the committee your purchase field? Where do you purchase your produce? I am talking only of fruits and vegetables of course. I understand you buy about 50 per cent from the Atlantic Commission Company. Now, as to the other 50 per cent of your fresh fruits and vegetables, where do you get those goods?—A. I would say that a great deal of that is bought direct from the producer, and also in the far away northern points, from the wholesale dealers.

Q. Now, for the members of the committee, I want to refer to this exhibit 119. It is an explanatory letter. Members of the committee will see that statements 2 and 3 are substantially answered on page 2 of this exhibit. I understand, Mr. Bird, that many of your purchases in fruits and vegetables are made from the growers direct?—A. That is correct.

Q. And also from wholesalers and jobbers other than the Atlantic commission company?—A. That is correct.

Q. And also that many of your fruits and vegetable purchases are made by your local branch manager?—A. That is correct.

Mr. WINTERS: Is this going to be read into the record?

Mr. MONET: I wish that it would because it will save a lot of questions that I had planned to ask the witness. It is because of that reason that he sent me the letter, which I think would be very useful to the members of the committee.

The ACTING CHAIRMAN: Is it agreeable to the members of the committee that this exhibit be read into the record?

Mr. THATCHER: Yes. I think it should be read into the record at this point because there are some remarks on page 2 that look very important.

Mr. MONET: Do you wish that it be read now?

Mr. THATCHER: Take it as read into the record at this point.

Mr. WINTERS: I think it should be actually read, Mr. Chairman.

Mr. MONET: Would you read this letter then, Mr. Bird, that was addressed to me?

Mr. BEAUDOIN: Is he going to read what refers to statements 2 and 3?

Mr. MONET: The first page covers statements 1, 4, and 5. Answers are given to a few questions that were to be asked of this witness. You will notice that on exhibit 118 there are some figures that are not given, and an explanation was to be asked why they were not given, and this explanation is given here. I think it would be more complete if it were read into the record now. Mr. Bird, would you read the whole letter.

The ACTING CHAIRMAN: This is virtually a question and answer document.

Mr. MONET: Yes. This will answer the questions I had planned to ask the witness.

The WITNESS: The letter reads as follows:

EXHIBIT 119

May 21, 1948

Fabio Monet, Esq., K.C.,
Counsel, Special Committee on Prices,
Room 400, Elgin Building,

OTTAWA. *Re*—The Great Atlantic & Pacific Tea Company, Limited.

Dear Sir:—Clients have prepared an explanatory memorandum to supplement the questionnaire recently forwarded to you. It is as follows:—

STATEMENT NUMBER 1.

Store Addresses

Covers our Toronto unit, 74 stores, and Montreal unit, 47 stores. These comprise the stores for which the information is analyzed on statements numbers 4 and 5.

STATEMENT NUMBER 4.

It will be noticed that the figures broken down between the Toronto stores and the Montreal stores are not available for the entire fiscal year ending in 1948 due to an internal change of procedure, where figures were consolidated for all of Canada. Therefore, we have shown for that fiscal year, sales gross profit and percentage gross profit for all stores in the total column only.

STATEMENT NUMBER 5.

The same explanation holds for the availability of the figures broken down between Toronto stores and Montreal stores for the months of December, 1947 and January, February, March and April, 1948. An additional column has been inserted to the left of this statement indicating the number of weeks covered by the figures.

STATEMENTS NUMBERS 2 and 3.

We wish to point out that all figures on these two statements should be considered as an indication only, and are not necessarily accurate due to the peculiar ramifications of the fresh fruit and vegetable business. Purchases are made from many wholesalers, from the Atlantic Commission Company, and from farmers locally in practically all of our branch stores. These local purchases by the stores are handled on a cash basis at the store. To give you a true picture of the retails in effect on those commodities, the cost and the gross margin, would be practically an impossibility. Lists of retail prices are issued from our office to our stores weekly covering most lines which are available during the current week, but supplements to these are issued from time to time during the week and sometimes alterations in retails are made by telephone to our stores. As a general practice, our billing system to the stores covers the retails, which are announced by circular lists to the stores, but these are subject to alteration from day to day, depending on daily market conditions, etc. These telephone alterations, as a rule, are handled in our billings from the office to the stores, but as well as this our produce department head and manager in each store, as well as the store supervisors, have the right at any time to reduce prices of any fresh fruits and vegetables in keeping with the condition of the merchandise, the necessity of disposing of highly perishable items, competitive conditions and so on.

In many cases local cash purchases by the stores are sold at prices computed by the local manager in the various stores, in some cases by means of a specific percentage markup, and in some cases by advice from our office as well as advice from the manager's supervisor. Head office does not keep a permanent record of such changes.

Because of the above it is not possible for us to give you true and accurate costs, retail prices and gross profits on the items referred to in this questionnaire. The figures on statements numbers 2 and 3 cannot be vouched for as to accuracy.

It is quite possible for stores in the same town and even within a few blocks in the larger cities to sell the same kind of merchandise at different retails, thus producing gross profit rates from week to week which are extremely variable.

Yours very truly,

T. HALDANE WICKETT.

By Mr. MONET: Q. Now, would you, Mr. Bird, taking the last paragraph that you have just read, would you refer to exhibit 120—we will now deal with this last paragraph of exhibit 119—and explain to the members of the committee the first page on exhibit 120 where you give examples of varying gross profits over a two-week period in similar localities.

EXHIBIT 120

EXAMPLES OF VARYING GROSS PROFITS OVER A TWO-WEEK PERIOD IN SIMILAR LOCALITIES

	Two Weeks Ending April 24, 1948
5405 Queen Mary Road, Montreal	·0978
4690 St. Catherine Street, Montreal	·0672
Ottawa Street, Hamilton	·1549
York Street, Hamilton	·1353
1278 Gerrard Street, Toronto	·1054
1042 Queen Street, Toronto	·1312
332 Dundas Street, London	·1347
742 Richmond Street, London	·1218
5677 Monkland Avenue, Montreal	·1211
3558 Park Avenue, Montreal	·0708

OVER-ALL GROSS PROFIT

Toronto Unit						Montreal Unit					
Date	All shipments gross profits	Net credits	Gross profit after credit	Warehouse express and cartage	Net gross profit	Date	All shipments gross profits	Net credits	Gross profit after credits	Warehouse express and cartage	Net gross profit
1947						1947					
October 4...	.2355	.0367	.1988	.0435	.1553	October 4....	.2208	.0569	.1639	.0350	.1289
October 11...	.2225	.0432	.1793	.0436	.1357	October 11....	.2269	.0737	.1532	.0318	.1214
October 18...	.2186	.0378	.1808	.0430	.1378	October 18....	.2013	.0502	.1511	.0409	.1102
October 25...	.2279	.0518	.1761	.0406	.1355	October 25....	.1840	.0265	.1575	.0353	.1222
November 1...	.2364	.0418	.1946	.0508	.1438	November 1....	.2087	.0395	.1692	.0292	.1400
November 8...	.2474	.0379	.2095	.0491	.1604	November 8....	.2304	.0047L.	.2351	.0368	.1988
November 15...	.2512	.0404	.2108	.0426	.1682	November 15....	.2246	.0358	.1888	.0258	.1630
November 22...	.2448	.0129	.2319	.0381	.1938	November 22....	.1989	.0317	.1672	.0309	.1363
November 29...	.2442	.0618	.1824	.0337	.1487	November 29....	.2177	.0326	.1851	.0293	.1558
December 6...	.1846	.0266	.1580	.0306	.1274	December 6....	.2268	.0282	.1986	.0208	.1778
December 13...	.2044	.0130	.1914	.0338	.1576	December 13....	.2097	.0742	.1355	.0310	.1045
December 20...	.2191	.0223	.1968	.0294	.1674	December 20....	.2196	.0433	.1764	.0309	.1455
December 27...	.2250	.0771	.1479	.0414	.1065	December 27....	.2166	.0240	.1926	.0288	.1638

TORONTO AND MONTREAL UNITS COMBINED

1948						1948					
January 3....	.1970	.0412	.1558	.0415	.1143	March 6........	.2221	.0332	.1889	.0370	.1519
January 10....	.2233	.0497	.1736	.0390	.1346	March 13........	.2197	.0135	.2062	.0377	.1685
January 17....	.2129	.0392	.1737	.0382	.1355	March 20........	.2125	.0339	.1786	.0384	.1402
January 24....	.2005	.0118	.1887	.0353	.1534	March 27........	.2384	.0333	.2051	.0382	.1669
January 31....	.2257	.0376	.1881	.0366	.1515	April 3........	.2028	.0346	.1682	.0385	.1297
February 7....	.2192	.0501	.1691	.0393	.1298	April 10........	.2079	.0421	.1658	.0364	.1294
February 14....	.2148	.0373	.1775	.0378	.1397	April 17........	.1974	.0359	.1615	.0385	.1230
February 21....	.2191	.0238	.1953	.0409	.1544	April 24........	.1829	.0437	.1392	.0362	.1030
February 28....	.2157	.0420	.1737	.0439	.1298	May 1........	.1928	.0375	.1553	.0349	.1204

L—Loss.

The WITNESS: In this particular exhibit we have tried to show in Montreal, Hamilton, London, and Toronto, two stores operating in the same type of market and how the gross profits between these two stores can vary when having the same original retail prices. In other words, the merchandise would be billed out on the same basis, but the net result after the operation is finished shows, for instance that one store in Montreal has a finished gross of ·0978 and that another store has ·0672.

Q. Would you explain to the members of the committee how a situation like this is possible? That is, of course, for the same period, the two weeks ending April 24, 1948.—A. It could be caused by several things, Mr. Monet. In the first place there is the physical setup. In other words, the manager in one store might be more competent than a manager in another store, or one store might happen to get a lot of perishable merchandise and take a heavier shrinkage than the other store. Both of those managers order their own merchandise. A manager might make a mistake and order too much, and before the end of the week he has to take a substantial reduction in order to get this merchandise out rather than throw it away.

Q. You say that both managers order their own merchandise. Would you explain to the members of the committee the procedure followed by your company as to your retail stores from the minute the goods enter your warehouse to the point where they are sold to the consumer? Would you explain to the members of the committee that procedure?—A. The manager has the list of the merchandise that is available and the price at which it can be sold according to our judgment at that particular time. The manager in turn orders what he thinks is a normal requirement at the price we have given him, and in turn we ship him the following morning the merchandise that he has ordered.

Q. And you have also stated that the managers can also buy merchandise from the growers or other wholesale dealers?—A. That is true, particularly in the producing areas.

Q. And they do?—A. Yes.

Q. And you say according to the supply and the orders they give. This would explain the difference in the same locality as to the gross profit?—A. That could be one of the factors.

Q. Would there be any other factors?—A. I think I listed all the factors that effect this gross profit. I do not think any one particular factor could be responsible for any one of these particular figures.

Q. If you look at the last item on this list, Mr. Bird, you will see that there seems to be a large difference between the store on Monkland Avenue and the store on Park Avenue?—A. There is a difference of 5 per cent.

Q. Does that appear to you as being more than usual?—A. That is possibly a little abnormal and there must be some particular reason for it, such as ordering too heavily on a perishable item. That would be a reason for that.

Q. And a situation like the one you have described on the first page of this exhibit 120, is normal in the operation of all the stores in the list?—A. That is right, but the proportion does vary.

Q. And as a part of this particular fruit and vegetable statement—you would not say that there was any difference I don't suppose?—A. I doubt if you would.

Q. Some is peculiar to this trade?—A. That is it.

Q. Now, I will bring you to your statement No. 4, of exhibit 118. You have listed there to the left of the page the Toronto stores, then in the centre, the Montreal stores, and to the right the total. Now, would you please tell us when you refer to the Toronto stores if you refer to the stores in the city of Toronto only or to the whole unit?—A. That is the complete unit.

Q. And the same thing applies to the Montreal stores?—A. That is correct.

Q. Then you have the total for both?—A. That is right.

Q. I wish to point out to you, Mr. Bird, and I would like to get an explanation; the gross profit to sales in the Toronto stores is less than in the Montreal stores in 1946—the gross profit to sales from 1939 to 1946—then, for the 1946-47 period there is quite a stabilization. Would you comment on that and give us the reason for that particular situation?—A. I can see that is true from the figures but I don't have the answer as to why it is true. It is possible that in dealing with a commodity like fresh fruits and vegetables which fluctuate from 1·5 to 2 per cent, that is not abnormal in a large operation like ours—

Mr. PINARD: Would it be because most of the vegetables are sent from Ontario to Montreal?

The WITNESS: No, I would not say that. I do not think that is the reason. I cannot give you a reason. I do not know.

By Mr. Monet:

Q. It seems to be quite consistent and there must be a reason for it, because in 1946-47, you will notice it kind of levelled out.—A. I would say from the company's standpoint the desire would have been to have a gross profit on both units relatively the same. I do not think there is any reason from the standpoint of merchandising as to why the gross profit would be lower in Toronto than it would be in Montreal.

Mr. FLEMING: Is this a reflection on the price in any case? Did you get a little lower price for your produce in Toronto over this period of 9 years because competition is keener in Toronto?

The WITNESS: I do not think I can say that to you, Mr. Fleming. I think competition is equally as keen in Montreal. I honestly don't think that is the reason. I do not think we have any reason to explain why the profits are a little different in Toronto than they are in Montreal, other than as I said, it would be an attempt to try to work out relatively equal business. The fact that one year happened to be a little lower than the other is just one of those things that take place and you can't do anything about them.

Mr. MONET: Now, if you look at the total gross profit, it dropped from 16·4 in 1939, to 11 in 1942; since 1942, it has increased each year over the previous year with the exception of a very small decline in 1947. Could you give the committee a reason for the reduction in gross profit in the earlier years and the increase in the more recent years?

The WITNESS: I am sorry I cannot give you any reason for the reduction in the earlier years. The only reason I can see is that there might possibly have been an increase in the past few years due to the slight change in the accounting procedure where a few dried fruit items which were formerly handled in the grocery department were switched over to the fresh fruits and vegetables.

Mr. FLEMING: Do these figures include other commodities than fresh fruits and vegetables?

The WITNESS: This is all fruits and vegetables, including dried fruits.

Mr. FLEMING: Dried fruits are in here?

The WITNESS: Yes.

By Mr. Monet:

Q. That would be since 1946?—A. I think that is for 1946-47.

Q. Before that it is fresh fruits and vegetables?—A. That is right.

Q. And that would account to a certain extent for this increase in fruits and vegetables, this switch-over of dried fruits?—A. I would think that would be the reason. I am trying to give an answer, and I think that is the reason. That is my opinion. I think that is it.

Q. You know that as a fact?—A. Yes.

Q. Now, we did have an answer in a letter you have read to a few of the questions which I had to ask, one of them was as to why you did not give the same information for Toronto and Montreal stores for the year 1948. You have already answered that in a letter which has been read into the evidence.—A. That is a consolidation of the system.

Q. Now I will refer you to statement 5, to the extreme right-hand column on the statement. I might tell the members of the committee that in the letter that has been read, exhibit 119, an explanation was given as to why the figures for the Toronto and Montreal stores are not given in detail for January, February, March and April. I wish to point out to you, Mr. Bird, that the gross profits during the past five months have been consistently less than in the same month of the preceding year, and in April of 1948, are only 12·2 per cent as compared with the figure of 16·7 per cent for the previous year. Would you be able to account for that?—A. The only way I can possibly account for it is that there seems to have been a decline in volume. I would imagine that that is the reason.

Q. Would you say also that there would be an increase of the number of retail stores and more competition than before?—A. That is possible.

Q. Is it possible that on account of competition this would show a smaller gross profit to sales?—A. Yes. I think my first answer would be the correct one. I think that is the reason for the decline.

Q. Decline in volume; you gave that as the main reason?—A. I would say that, yes.

Q. Would you have any other comment to make on these particular figures? —A. No, other than that the January, February, March and April period is a time when availability of supplies was no doubt the cause of a substantial reduction of volume. That is the only reason of which I know.

Q. You would say that this decrease is due mostly to a decrease in volume? —A. I would say so.

Q. Before we deal with statements 2 and 3, this is a comparison in the prices prepared to explain to members of the committee exhibit 120, which I think should prove to be most useful, and I have a few questions to ask you on this statement. This is supplementary to information that you gave yesterday with regard to the over-all gross profit. Now, Mr. Bird, does the amount of ·2355 which appears to the left of this document—take as an example October 4, 1947—all shipments during that week and that date the stores in the Toronto unit had an initial markup of ·2355?—A. That is based on the price which the stores are sent from the head office the first part of the week.

Q. That is the initial markup?—A. Yes, the bill-up price, in other words.

Q. By initial markup what do you mean?—A. Well, take the finished goods item at the warehouse the Atlantic Commission Company, for instance, is a buyer for us, they figure out their charges and send us the retail price which has been set for the particular shipment of fruit or vegetables on a particular date. That is the over-all gross profit.

Q. Would it be a fair statement then to put it this way, that this would be the amount which the store would realize if it was not necessary to make any price reduction and there was no spoilage, and no warehouse or cartage expense? —A. That is correct.

Mr. WINTERS: That is the markup.

The WITNESS: That is the markup, on your wholesale price.

Mr. WINTERS: And 2355 is ·2355 per cent?

The WITNESS: Yes.

Mr. FLEMING: All the figures here are the gross markup, are they all on a percentage basis?

The WITNESS: That is right, they are all percentages.

By Mr. Monet:

Q. Next, Mr. Bird, is classified under price. We understand from that that this amount always from October 4, ·0367—this amount represents the amount of the initial gross profit which would not be allowed because of price reduction and spoilage?—A. That is correct.

Q. That is the policy of your company I understand?—A. That is right. This is merchandise they have been forced to reduce the price on, or which has been thrown away because it is unsuitable.

Q. How do you account for that amount; I mean, first, what is the policy of the company; is there an understanding between the local manager and the head office, or how does it work; how do you arrive at that amount?—A. The stores have a form on which they take credits, the reductions for that particular week in which we show the operations here; in other words, if they throw away $2 of spinach they take a credit for $2, and we in turn allow that against their shipping gross profit.

Q. And they account to head office for that?—A. That is right.

Q. Is that a daily account or a weekly account?—A. Weekly.

Q. Now, the next column is the gross profit actually realized but before deducting any expense for handling the merchandise; is that correct?—A. That is right.

Q. What is included in the next column, warehouse expenses and cartage; that is for warehouse expense?—A. That is right, the refrigerators, handling the merchandise, selecting, wrapping—which we do.

Q. That is for the local stores?—A. That is correct.

Q. And then the final column which is headed "Gross profit", I understand that represents the amount available to you for store wages, salaries, rent, supplies, and so on?—A. That is the final gross profit which the company realizes on the fresh fruit and vegetable operation.

Q. So you have listed there in the first column the markup you feel should be set by the head office to the local stores to give you at the end a net gross profit of so much; is that correct?—A. That is right.

Q. How do you set your markup, the net gross profit; in other words, to arrive at a net gross profit such as is mentioned here, how would you proceed? How do you decide on the markup in the first place, that the things you ship to the stores should be so much instead of so much?—A. On fresh fruits and vegetables that is a rather difficult question to answer, but roughly speaking, the company feels 15 per cent on a finished basis is a reasonable markup on fresh fruits and vegetables. Accordingly based on the experience we have, and the Atlantic Commission Company has, in handling and distributing fresh fruits we try to set retails which will let us out, we will say, at the end of the period after net credits and warehouse expenses and cartage have been taken with roughly speaking 15 per cent gross profit.

Q. You start from what should be your final mark-up and you proceed to build up the original mark-up that is charged against the local store?—A. Yes.

Q. And exhibit 120 is the explanation of the evidence you have just given?—A. Yes.

Q. The evidence you have just given is the explanation of exhibit 120. Now, I have a few questions on the different kinds of produce. We have asked for a comparison of prices, like all the other questions asked from other witnesses. If it is the desire of the members of the committee to proceed I am ready to do so.

The ACTING CHAIRMAN: It is 6 o'clock—whatever the committee wishes in the matter.

Mr. MONET: I must say that there are really quite a few questions although except for one or two items it does not seem to be a very large mark-up.

Mr. FLEMING: What about the witnesses themselves? After all they have been here for a couple of days.

The WITNESS: I should like very much to get back. My assistant is leaving town for the weekend, and I have not had a chance to spend any time with him. If it is at all possible I would certainly be very happy to finish.

Mr. FLEMING: I think the committee will be agreeable to sit for five or ten minutes.

Mr. BEAUDOIN: Why not ask only those questions pertaining to the two items you have in mind?

Mr. MONET: There would be just a few questions on oranges and local cabbage.

The ACTING CHAIRMAN: Is the orange situation similar to what we have been having?

Mr. MONET: It is at the retail level and, of course, it cannot be compared with the wholesale, but there are one or two explanations I should like these gentlemen to give.

By Mr. Monet:

Q. Mr. Bird, referring to statement 2, you have listed on statement 2 the Toronto stores; you refer to the Toronto stores on statement 2, page 1?—A. Yes, sir.

Q. And on statement 3 you refer to the Montreal stores?—A. Yes, sir.

Q. I will now deal with the Toronto prices which are listed on statement 2. I notice on October 31 California oranges, 288's, which have been mentioned quite often before this committee, were selling at 27½ cents a dozen?—A. Yes.

Q. On October 31, and they jumped from 27½ cents to 33 cents on December 5—A. Yes, sir.

Q. Although from the figures you have supplied the price to you had not increased. Before you answer I wish to state for the information of the members of the committee that this comparison is different from that of the other witnesses because the A. & P. Tea Company have supplied this comparison on the same sheet, so that the secretariat did not prepare a comparison as they did for the other witnesses. It was already prepared by the company.

The ACTING CHAIRMAN: The form is different?

Mr. MONET: The form is different, but it is there in the same way. Would you answer that question?

The WITNESS: What is the question?

By Mr. Monet:

Q. Why oranges that were selling at 27½ cents on October 31 were selling at 33 cents on December 5 when the purchase price does not seem to have increased? —A. In the first place, if I may, I should like to qualify any answers I make on the individual commodities by referring to the original letter in which we stated it is very difficult with our accounting procedure to get figures which are actually accurate. Roughly, I can give you an answer as to why prices advanced. The market was very excited and advancing. In the second place, the prices referred to show one particular day's operation only. There is one size of orange only shown. We probably had four or five sizes at the same time. It is quite possible some of the other sizes did not advance in comparison with the 288's. The main reason for the advance was, of course, the embargo being placed and the market being very excited and advancing.

Q. Now, what would you consider to be a normal mark-up on 288 size oranges, for instance?—A. That is a pretty difficult question to answer. There are so many things that enter into the setting of a retail price on oranges. In other words, we have to have our retail price bear a relationship to the wholesale market and replacement cost. Thus, the particular figures for the days which are requested and which show 31 and 30·6 per cent gross, may have constituted a very small shipment to the stores. In other words, our over-all gross on oranges might have been considerably lower than that. I would venture to say that probably it was.

As to what is a fair mark-up on 288 oranges, I do not know that I would be prepared to answer that question. I really do not know. It all depends on the competitive situation and whether the market happened to be long or whether we were trying to run a sale on a desirable size. There are so many things which influence the question it is very difficult to answer it properly.

By Mr. Fleming:

Q. You sell at the market, like anybody else?—A. We have to be competitive. We naturally try to offer the consumer some attractive values occasionally, I hope.

Q. But the forces which determine your prices are not different from those which determine anybody else's?—A. No, that is right.

Q. You follow the market?—A. Yes.

By Mr. Pinard:

Q. Why do you say the embargo partly caused this advance in prices? You spoke of the excitement of the markets?—A. I said that because I believe the embargo went into effect on the 17th of November. On looking at the figures I notice there is a steady and fairly substantial increase in prices up to the 5th of December.

Q. I noticed that increase, but that does not give us the cause. Was it due only to the excitement and the embargo or was the supply shorter? Did you have less oranges?—A. I should like to qualify this. I hesitate to give any more opinions.

Q. It is not necessary to give an opinion as to whether there were enough oranges at that time?—A. From the statement, I cannot answer the question because I do not know on that particular date whether we had an over-supply of 288's. I would assume, from the general situation as I know it, that we would be short of supplies because we have been continually short of our normal requarements since the 17th of November.

Q. Oh, yes, since that time, but during that very period? The first increase was due mostly to excitement over the embargo, I suppose?—A. I think that is true because I notice the market settled down after that and became more normal.

Q. With the same requirements and supplies as you now have, prices have steadily decreased ever since, if I understand these figures?—A. With one exception that is true.

Q. The prices have steadily decreased and you have still the same supplies as you did, so that is why I say it must have been the excitement of the market and not the embargo itself?—A. I do not say the embargo was responsible for the increased prices, but I think the embargo was the cause of excitement on the market.

By Mr. Fleming:

Q. There was something approaching a panic condition for a time on the part of the consumers on the goods that were embargoed?—A. I would say the demands were increased due to the fact that shortages of supply were anticipated.

By Mr. Zaplitny:

Q. I should like to ask the witness how he would define "excited the market". What does that mean in ordinary language?—A. I would say that the demand for citrus fruits exceeded the supply and consequently, as is usual in a condition of that kind, the prices were increased.

By Mr. Pinard:

Q. On the same line of questioning, you say that demand exceeded the supply. Is it not on the contrary, that people thought the demand would exceed the supply?—A. I think the physical condition was that the demand did exceed the supply. What was responsible for the demand exceeding the supply I would not know, but I think the reason for the increase in prices at that particular time was the increased demand at the time.

By Mr. Winters:

Q. Mr. Chairman, what I would like to get at is that the price itself is not arrived at by a process of costs and overhead and so on, but rather by the effectiveness of the demand.—A. I believe that I stated that replacement was a factor in determining what the retail prices are on various commodities, but in this particular item, which is only one small portion of the fruits and vegetable business, in order to get a reasonable picture you would have to take the entire shipment of oranges, for instance, over a period of time, because on a declining market we would be forced to reduce prices and our gross profits would be considerably less.

Mr. BEAUDOIN: Mr. Monet, are you through with the witness?

By Mr. Monet:

Q. I am through with respect to oranges. Would you refer to local cabbage, Mr. Bird, and tell the committee why the price was raised from 7 to 8 cents on local cabbages on November 28 in spite of a slight reduction in cost. Would you have some explanation to give as to this?—A. Just what this .08 is as related to .045 and 43.7, I do not know. I do not know what the quantity is that is involved, but I do know that in this particular period of the year that the local cabbages are starting to get washed up and there is a very heavy trim and a lot of dead discoloured leaves. We buy it by boxes and the weight differs a great deal, and this may be the cause for this. Actually, when this merchandise arrived in the store, I assume from looking at this price that the actual weight the store received was probably considerably less than it was for the week previously, and consequently the return would be less on it.

Q. Then there is another large jump from December 26, 1947 to January 2, 1948, from 10 to 15 cents, and the increase in costs was not very much, just a little over a cent?—A. I think that is entirely due to the market. That is the only explanation I could give.

Q. That is the only explanation you can give?—A. Yes, I believe that would be a normal condition.

Q. And the same would apply to the imported cabbage where we notice a difference from 7 cents to 8 cents on April 2, when the cost was actually reduced by a fraction?—A. That is right.

Q. On imported cabbage on April 2?—A. That is correct.

Q. Then it rose from 7 cents to 8 cents and there was a very slight decrease though in the purchase cost.—A. I think that is also due to an advance in the market.

Q. That is not very much.

Mr. BEAUDOIN: I move we adjourn.

Mr. PINARD: Does that complete our inquiry into fruits and vegetables?

Mr. MONET: That is the last witness I have to call on the fruit and vegetable investigation.

Mr. PINARD: I think we should compliment counsel for the way he has conducted this inquiry and for having completed his schedule right on time.

Some Hon. MEMBERS: Hear, hear.

The committee adjourned to meet again tomorrow, May 27, 1948, at 11 a.m.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 64

THURSDAY, MAY 27, 1948

WITNESSES:

Mr. A. E. Millard, President and General Manager, Swift Canadian Company Limited, Toronto, Ont.

Mr. R. E. Swan, General Supervisor, Beef-veal-lamb Operations, Swift Canadian Company Limited, Toronto, Ont.

Mr. N. E. Landon, Provision Manager, Swift Canadian Company Limited, Toronto, Ont.

Mr. R. P. Lafleur, Head of Cold Storage Statistics, Dominion Bureau of Statistics, Ottawa.

Mr. Graham F. Towers, C.M.G., Governor, Bank of Canada, Ottawa.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

THURSDAY, May 27, 1948.

The Special Committee on Prices met at 11.00 a.m., Mr. Mayhew, presiding.

Members present: Messrs. Beaudoin, Fleming, Harkness, Kuhl, McGregor, Mayhew, Pinard, Thatcher, Winters, Zaplitny.

Mr. H. A. Dyde, K.C., and Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. A. E. Millard, President and General Manager, Mr. R. E. Swan, General Supervisor, Beef-veal-lamb operations, and Mr. N. E. Landon, Provision Manager, Swift Canadian Company Limited, Toronto, were recalled and further examined.

Witnesses discharged.

Mr. R. P. Lafleur, Head of Cold Storage Statistics, Dominion Bureau of Statistics, was recalled and further examined.

Witness discharged.

Mr. G. F. Towers, C.M.G., Governor, Bank of Canada, was called. He filed copies of the Bank of Canada Annual Report and of the Foreign Exchange Control Board Annual Report for the year 1947, made a general statement and was examined.

At 1.00 p.m. witness retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudoin, Fleming, Harkness, Kuhl, McGregor, Martin, Maybank, Pinard, Thatcher, Winters, Zaplitny.

Mr. H. A. Dyde, K.C., and Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. Towers was recalled and further examined.

At 6.00 p.m. witness retired and the Committee adjourned until Friday, May 28, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
May 27, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Acting Chairman, Mr. Mayhew, presided.

The ACTING CHAIRMAN: I see a quorum, gentlemen, so will the meeting please come to order.

Mr. DYDE: Mr. Chairman, Mr. Towers is prepared to come before the committee and will come on a telephone message. By arrangment with him, however, I should like to clear up two small items which have been left over with regard to meat. The first of these is the statement of Swift Canadian Company, Limited, for which the committee asked in order to bring the Swift Canadian Company's return into a comparable form with that of the other packing houses.

Then, immediately following Mr. Millard, I wanted to put before the committee the storage figures for meat at the first of May which are now available. Then, we can proceed with Mr. Towers immediately after that.

A. E. Millard, President and General Manager, Swift Canadian Company, Limited, Toronto, recalled:

By Mr. Dyde:

Q. Mr. Millard, you are already sworn. The committee asked you to bring certain supplementary schedules to give the information requested by the committee. I will go over these schedules, gentlemen, schedule by schedule. If you have any questions to ask on any of the schedules, I should be obliged if you would ask them as we go along, if possible.

The first schedule, Mr. Millard, is a detailed profit and loss statement by months from November to March for both the 1947 fiscal year and the 1948 fiscal year; that is correct, is it not?

This material will go into the record at this point, Mr. Chairman, as we have done on previous occasions. I am correct in that statement about the first schedule?—A. That is correct.

Supplementary Schedule No. 1

SWIFT CANADIAN CO. LIMITED

Profit or Loss before Bond Interest, Income Tax and Inventory Reserves

—	Beef	Pork	Veal	Lamb	Other meat products	Total meats	Meat by-products	Total meat and meat by-products	Profit or loss all depts. before taxes on income and inventory reserves	Net profit or loss from all operations
	$	$	$	$	$	$	$	$	$	$
1947 Fiscal Year										
November 1946	*64,001	58,295	*4,115	*9,734	226,781	207,226	72,952	280,178	650,234	389,234
December 1946	*120,608	35,107	*5,355	*17,119	78,103	*29,872	25,223	*4,649	153,652	93,102
January 1947	*223,305	91,954	*5,320	*23,887	129,836	*30,722	104,363	73,641	151,914	138,935
February 1947	*295,183	160,652	*13,042	*14,598	118,017	*44,154	82,946	38,792	280,340	182,221
March 1947	*110,165	121,804	*11,783	*18,235	66,466	48,087	32,235	80,322	165,832	107,791
Total (5 months)	*813,262	467,812	*39,615	*83,573	619,203	150,565	317,719	468,284	1,401,972	911,283
1948 Fiscal Year										
November 1947	285,310	349,472	70,850	49,025	148,822	903,479	87,806	991,285	1,560,622	983,191
December 1947	103,854	198,436	18,117	152	*11,916	308,643	27,781	336,424	730,768	455,727
January 1948	*95,578	162,502	21,083	*2,393	46,842	132,456	128,879	261,335	581,665	351,051
February 1948	*265,998	39,859	18,967	*11,787	26,357	*192,602	*70,197	*262,799	*127,599	*77,197
March 1948	*154,643	67,927	*214	5,119	40,102	*41,709	108,667	66,958	63,953	38,692
Total (5 months)	*127,055	818,196	128,803	40,116	250,207	1,110,267	282,936	1,393,203	2,809,409 ***	1,751,464 ***

*** The profit or loss figures are before provision for inventory reserve for the five months ending April 3, 1948, in the amount of $750,000.00 as recorded in the books of the Company, which in the opinion of the Company officials constitutes a proper provision.

* Means loss.

Supplementary Schedule No. 1-A

SWIFT CANADIAN CO. LIMITED

Sales to Trade

(1000 lbs. and 1000 $'s)

—	Beef		Pork		Veal		Lamb		Other meat products		Meat by-products		Total meat and meat by-products		Total all sales	
	1000 lbs.	1000 $'s	1000 lbs.	1000 $'s	1000 lbs.	1000 $'s	1000 lbs.	1000 $'s	1000 lbs.	1000 $'s	1000 lbs.	1000 $'s	1000 lbs.	1000 $'s	1000 lbs.	1000 $'s
1947 fiscal year																
November 1946.....	17,949	3,780	8,623	2,282	1,240	292	1,789	423	7,415	1,578	4,227	533	41,243	8,888	60,188	11,933
December 1946.....	12,741	2,697	6,384	1,704	749	155	1,043	239	4,725	1,039	3,402	513	29,044	6,347	44,001	8,956
January 1947.....	9,301	1,951	7,596	2,014	370	77	799	190	4,000	1,095	2,717	387	24,783	5,714	37,098	7,768
February 1947.....	10,510	2,315	8,351	2,379	389	79	1,271	302	5,432	1,367	3,778	567	29,731	7,009	44,942	9,959
March 1947.....	8,025	1,859	8,125	2,277	471	97	929	239	3,768	1,035	2,007	338	23,325	5,845	34,954	7,980
Total (5 months).	58,526	12,602	39,079	10,656	3,219	700	5,831	1,393	25,340	6,114	16,131	2,338	148,126	33,803	221,183	46,596
1948 fiscal year																
November 1947.....	15,635	3,454	13,557	4,286	1,126	264	1,293	340	5,349	1,738	3,889	855	40,849	10,937	65,218	15,792
December 1947.....	12,589	2,778	10,462	3,309	550	135	859	215	3,310	808	1,879	458	29,649	7,703	44,634	11,773
January 1948.....	11,030	2,748	7,247	2,549	619	169	828	225	4,185	1,240	4,723	1,105	28,632	8,036	41,968	10,835
February 1948.....	13,638	3,420	11,209	4,106	829	241	1,085	329	3,756	1,073	4,311	978	34,828	10,147	51,469	13,748
March 1948.....	8,846	2,306	10,024	3,698	715	186	717	199	2,627	785	2,624	441	25,453	7,615	38,144	10,260
Total (5 months).	61,738	14,706	52,499	17,948	3,739	995	4,782	1,308	19,227	5,644	17,426	3,837	159,411	44,438	241,433	62,408

Supplementary Schedule No. 2

SWIFT CANADIAN CO. LIMITED

PROFIT OR LOSS BEFORE BOND INTEREST, INCOME TAX AND INVENTORY RESERVES

Fiscal year ending	Beef	Pork	Veal	Lamb	Other meat product	Total meat	Meat by-products	Total meat and meat by-products
	$	$	$	$	$	$	$	$
1936	*356,701	92,886	*11,240	*33,989	445,781	136,737	413,080	549,817
1937	*470,267	368,882	*16,983	*72,075	427,882	237,439	232,786	470,225
1938	*537,176	*106,595	*53,279	*89,680	516,213	*270,517	135,898	*134,619
1939	*316,022	*361,102	*22,883	*65,755	570,905	*194,857	316,727	121,870
1940	*681,666	516,645	*28,020	*82,053	493,498	218,404	175,331	393,735
1941	*425,910	215,044	*20,986	*68,405	1,067,330	767,073	379,199	1,146,272
1942	*569,420	262,566	*76,590	*44,542	1,321,294	893,308	427,882	1,321,190
1943	*742,654	363,364	*57,187	*142,279	1,385,303	860,547	393,025	1,199,572
1944	*75,172	327,962	60,204	*37,904	707,359	982,449	561,900	1,544,349
1945	*94,588	218,415	115,706	43,192	930,241	1,212,966	472,912	1,685,878
1946	*1,235,549	28,336	*119,419	*73,697	1,248,842	*151,487	382,359	230,872
1947	*2,239,500	774,430	*172,726	*190,268	672,788	*1,155,276	795,766	*359,510
1948 (5 months)	*127,055	818,196	128,803	40,116	250,207	1,110,267	282,936	1,393,203
Total	*7,871,680	3,519,029	*274,600	*817,339	10,037,643	4,593,053	4,969,801	9,562,854

* Means loss.

SWIFT CANADIAN CO. LIMITED

CONDEMNATIONS

(Fiscal years 1939 to 1947 and 18 weeks 1948 fiscal year)

CATTLE

Fiscal year ending	Amount condemnation insurance deducted	Salvage value condemned and rejected carcasses and parts	Carcasses condemned		Value parts condemned	Net condemnation results
			Number head	Cost value		
	$	$	$	$	$	$
1939	50,039	2,184	1,945	56,932	38,542	* 43,251
1940	50,597	3,309	1,701	53,451	31,280	* 30,825
1941	64,617	5,671	1,870	68,756	36,938	* 35,406
1942	67,920	9,066	1,789	82,198	45,771	* 50,983
1943	87,229	8,988	1,743	100,434	47,955	* 52,172
1944	105,747	10,139	1,936	102,624	48,972	* 35,710
1945	131,389	20,865	2,540	139,325	69,526	* 56,597
1946	102,087	33,587	2,610	137,685	104,258	*106,269
1947	69,457	24,224	1,962	122,884	72,070	*101,273
1948	39,273	19,632	1,410	84,655	33,536	* 59,286
Total	768,355	137,665	19,506	948,944	528,848	*571,772

* Means loss.

SWIFT CANADIAN CO. LIMITED

(Fiscal Years 1939 to 1947 and 18 Weeks 1948 Fiscal Year)

HOGS

Fiscal year ending	Amount condemnation insurance deducted	Salvage value condemned and rejected carcasses and parts	Carcasses condemned		Value parts condemned	Net condemnation results
			Number head	Cost value		
	$	$		$	$	$
1939	47,579	10,020	1,083	17,799	48,143	*8,343
1940	75,451	17,921	1,512	23,543	80,333	*10,504
1941	113,229	27,278	1,895	32,193	109,417	*1,103
1942	149,611	63,539	2,099	48,277	168,195	*3,322
1943	194,055	92,436	2,810	73,879	223,955	*11,343
1944	238,615	117,164	4,590	113,440	275,855	*33,516
1945	156,627	86,886	3,853	87,014	176,861	*20,362
1946	105,738	61,197	2,320	56,939	121,051	*11,055
1947	98,585	52,350	2,242	61,577	96,612	*7,254
1948 (18 weeks)	73,563	40,271	1,274	40,001	70,823	3,010
Total	1,253,053	569,062	23,678	554,662	1,371,245	*103,792

* Means loss.

TANKAGE MARKET

LOOSE BASIS—UNGROUND

(Per unit of protein per ton)

Week ending	Meat scraps dry rendered	Tankage wet rendered
	$	$
September 15, 1947	0.85 (ceiling)	0.83 (ceiling)
September 20	1.25–1.50	1.25–1.50
September 27	1.50–1.60	1.50–1.60
October 4	1.50–1.75	1.50–1.75
October 11	1.60–1.85	1.60–1.85
October 18	1.60–1.85	1.60–1.85
October 25	1.80–2.00	1.80–2.00
November 1	1.80–2.00	1.80–2.00
November 8	2.00–2.25	1.80–2.00
November 15	1.75–2.00	1.65–1.75
November 22	1.50–1.65	1.35–1.50
November 29	1.50–1.65	1.35–1.50
December 6	1.50–1.60	1.35–1.45
December 13	1.50–1.60	1.35–1.45
December 20	1.50–1.60	1.35–1.45
December 27	1.50–1.60	1.35–1.45
January 3, 1948	1.55–1.65	1.35–1.45
January 10	1.55–1.65	1.35–1.45
January 17	1.55–1.65	1.35–1.45
January 24	1.55–1.65	1.35–1.45
January 31	1.55–1.65	1.35–1.45
February 7	1.50–1.60	1.30–1.40
February 14	1.50–1.60	1.30–1.40
February 21	1.50–1.60	1.30–1.40
February 28	1.50–1.60	1.30–1.40
March 6	1.45–1.50	1.20–1.30
March 13	1.30–1.40	1.10–1.20
March 20	1.15–1.20	1.00–1.10
March 27	1.15–1.20	1.00–1.10
April 3	1.10–1.15	1.00–1.10
April 10	1.10–1.20	1.00–1.10
April 17	1.10–1.20	1.00–1.10
April 24	1.15–1.20	1.05–1.10

STATEMENT "A"

SWIFT CANADIAN CO. LIMITED

RED BRAND BEEF—WINNIPEG

Week ending	Live prices Winnipeg livestock market review			Swift average cost all red brand beef carcasses Winnipeg	Swift average selling price all red brand beef carcasses Winnipeg
	Choice steers up to 1050	Choice heifers	Good steers up to 1050		
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
1947					
November 1	14.34	12.46	12.92	25.70	26.52
8	14.65	12.75	13.50	23.72	26.00
15	14.25	12.07	12.85	24.24	25.77
22	....	11.81	12.42	22.73	24.09
29	....	12.25	13.00	23.24	24.20
December 6	14.75	13.08	13.50	24.70	24.50
13	14.75	13.25	13.48	24.05	25.00
20	15.07	13.43	14.06	24.68	25.00
27	15.34	13.58	14.25	25.26	....
1948					
January 3	15.75	14.50	14.63	27.66	26.00
10	16.69	15.24	15.25	27.43	25.30
17	16.25	14.75	14.75	27.95	25.00
24	16.10	14.49	14.61	28.20	....
31	15.80	14.42	14.53	27.28	26.80
February 7	15.78	14.50	14.55	26.96	26.30
14	15.25	14.25	14.15	28.13	25.50
21	14.62	14.46	14.41	27.50	25.50
28	16.00	14.94	15.00	27.18	25.50
March 6	16.00	15.00	15.00	27.68	25.50
13	16.22	15.24	15.00	28.29	25.50
20	16.35	15.35	15.75	28.80	....
27	16.27	15.25	15.46	28.92	26.35
April 3	16.46	15.41	15.73	28.46	27.14
10	16.50	15.50	15.75	29.08	27.50
17	16.92	16.06	15.98	29.41	27.28
24	17.70	16.88	16.69	30.46	27.51

SWIFT CANADIAN CO. LIMITED

Commercial Beef—Winnipeg

Week ending	Average cost all commercial beef carcasses Winnipeg	Average selling price commercial beef carcasses Winnipeg
	$ cts.	$ cts.
1947		
November 1	18.65	21.75
8	19.57	21.62
15	19.67	21.63
22	17.76	19.57
29	17.96	19.80
December 6	19.71	19.59
13	19.52	19.68
20	20.00	20.01
27	20.78	21.12
1948		
January 3	23.48	21.38
10	23.12	23.93
17	24.31	24.08
24	24.30	23.45
31	23.15	22.51
February 7	24.23	22.84
14	24.34	23.16
21	24.20	23.32
28	24.62	22.88
March 6	24.98	23.71
13	25.59	24.16
20	25.88	24.90
27	25.57	26.06
April 3	25.57	25.53
10	26.16	25.69
17	26.70	26.20
24	27.30	27.02

SWIFT CANADIAN CO. LIMITED

Beef and Pork Inventory Quantities
(Pounds—000's omitted)

—	April 1		May 1	
	1947	1948	1947	1948
1. Frozen Beef				
(a) Stored for the Meat Board	44	457	67	120
(b) Stored on contract for customers	96	309	86	293
(c) Other	207	3,188	113	2,305
2. Other Beef	1,621	3,841	1,992	3,811
3. Total Beef	1,968	7,795	2,258	6,529
4. Freezer Pork				
(a) Meat Board	1,763	4,072	2,338	4,234
(b) Other	3,352	10,285	3,060	9,738
5. Other Pork				
(a) Meat Board	895	2,039	1,169	1,076
(b) Other	4,260	7,833	5,342	7,016
6. Total Pork	10,270	24,229	11,909	22,064
7. Lard (refined lard)	100	508	166	565

Q. I notice, and I call attention to the fact that February, 1948, shows a loss position throughout with the exception of pork, veal and other meat products and that you have got back to a profit position in March of 1948. I draw attention to that Mr. Millard simply to explain the schedule. I have no questions on it.

The ACTING CHAIRMAN: Has any member of the committee a question on schedule 1?

By Mr. Fleming:

Q. Has Mr. Millard any observations to make on the fact the company was restored to a profit position in March after being in a loss position in February?—A. I am not sure about the loss in February. I think we had an inventory decline on hides.

Q. It has not anything to do with the prices at which you are selling pork and beef?—A. On beef, our costs were higher than our selling prices and that is the reason for the loss.

By Mr. Dyde:

Q. Then, gentlemen, schedule 1a, the second page of Mr. Millard's material shows the details of sales to the trade of meat and by-products by months again, and in the same months as schedule 1. I call your attention, Mr. Millard to only one thing there. At the right hand side of the page you have, "total all sales," and I note one thing; in November, 1947, your total sales in pounds were 65,218 in thousands of pounds and, while that is high, it is not substantially higher than the corresponding month of the year before, 1946. It is a comparison between 65,218 and 60,188. That indicates at least to me that November is a heavy selling month ordinarily?—A. That is right. Of course, November, 1947, is right after our strike and I suppose everyone was hungry for the products and that boosted sales to some extent.

Q. In any event, even with that, your November, 1946 figure is also a high figure?—A. Yes.

Q. I have no other questions on that page, gentlemen.

The ACTING CHAIRMAN: Has anyone any questions on schedule 1a? If not, we will continue with schedule 2.

By Mr. Dyde:

Q. Schedule 2 is the profit and loss statement before bond interest, income taxes and inventory reserves for the fiscal years from 1946 to 1947 inclusive with a five-month period of 1948 added.

Now Mr. Millard, I note that in the right hand column, "total meat and meat by-products" you show a loss in only two years and one of those years is 1947. That loss seems to be, and you will correct me if I am wrong, largely attributable to beef?—A. That is right.

Q. Have you any remark to make with reference to the fact that beef constitutes such an extremely heavy loss in 1947?—A. Well, of course, in 1947 we were under ceilings. We took quite a squeeze. The live prices rose, of course, and we were under ceilings and that was our selling price.

Q. You got an adjustment upwards of the ceilings, did you not during the year 1947?—A. I think there were some.

Q. That did not compensate you, apparently, in beef?—A. That is right.

Q. Your pork profit, on the other hand, was fairly generous in 1947?—A. That is right.

Q. You were under ceilings in pork as well?—A. That is right.

Q. There is no other explanation you can give the committee with regard to the beef figure?—A. No, I think that is the answer. Mr. Swan, have you anything to say about that?

Mr. SWAN: No.

Mr. DYDE: I have no further questions, gentlemen.

The ACTING CHAIRMAN: Has anyone else any questions?

By Mr. Dyde:

Q. The next two schedules, although they are not marked as schedules, are figures for the company's condemnations. I am right, am I not, Mr. Millard, in saying that the first page is entirely devoted to cattle and the second of the two pages is entirely devoted to hogs?—A. That is right.

Q. Now, you show the net condemnation result in cattle as a loss. May I ask if your rates on condemnation insurance are the same as those of the other packing houses?—A. I am quite sure they are.

Q. Your officers know what your rates are?—A. Yes, 20 cents per hundred on steers, heifers and bulls, and 50 cents per hundred on cows.

Q. And on hogs?—A. A half of one per cent.

Q. I have no questions, gentlemen, with reference to the condemnation statement.

By Mr. Harkness:

Q. I do not quite understand this statement. You have the amount of condemnation insurance deducted, $50,000 and some odd. Does that mean the amount you collected?—A. Yes, at the time of payment for the cattle.

Q. I beg your pardon?—A. At the time we paid for the cattle.

Q. Then, you got a salvage value of $2,000 and some odd. You have your cost value of $5,000 and some odd, and the value of the parts condemned $38,000. Then, you have a total loss of $43,000. I do not see how they will balance.—A. Well, the condemnation insurance we deduct, plus the salvage value of the condemned and rejected carcasses and parts, forms a total, they are added together. In other words, we credit the insurance account with what we get out of the product condemned as some salvage. Then, the carcasses condemned and the various parts condemned are debits against that and the net condemnation result is the difference between the two.

Q. In other words, you add the cost value plus the value of the parts condemned and subtract from that the condemnation insurance and salvage?—A. That is right.

Q. Well, does that mean you have counted something twice? You have the cattle you took and then you have the value of the parts condemned?—A. No, there is no duplication.

By Mr. Dyde:

Q. Perhaps you might tell us what figures you add and what figures you subtract on that line?—A. The first two columns are the credits. The $56,932 is what we lost on carcasses condemned. The $38,542 is what we lost on parts condemned.

Q. So, we add the $56,932 to the $38,542 and take away the total of the first two columns?—A. That is right.

By Mr. Harkness:

Q. The point I was getting at is that I was thinking the cost of these cattle would be what you lost. I do not see why the value of the parts condemned is added.—A. The parts are separated from the carcass; the heart, liver, tongue, casings and head are not included in the carcass. The carcass is just the carcass as it hangs on the rail.

Q. In other words, the $56,000 is not the cost of the cattle but it is the cost of the carcass, including the labour cost and everything else of converting the animal into a carcass?—A. That is right.

By the Acting Chairman:

Q. In other words, the animal is not condemned when it comes into the pen, it is condemned when it is slaughtered and on the rail?—A. When the inspector inspects it, yes.

By Mr. Dyde:

Q. Now, I pass on to the sheets market "Tankage Market". I think some member of the committee asked for that particularly, and Mr. Millard has supplied it. I have no questions concerning it.

Perhaps I might make one thing clear, "W.E." stands for week-ending, I suppose?—A. Yes, that is right.

Q. When you talk about the tankage market, you are talking about the selling price?—A. That is what it is sold for, yes.

Q. So these quotations down the pages are quotations of what this material was sold for?—A. During those weeks.

Q. Yes.—A. Yes.

By Mr. Fleming:

Q. You reached your high in returns from this source in the week ending November 8. Your returns today are very substantially below the rate then prevailing. You have dropped about 40 per cent?—A. Yes.

Q. I guess more than 40 per cent.

Mr. Dyde: Yes, probably a little more.

The Witness: I understand the tankage market has advanced a little in the meantime.

By Mr. Fleming:

Q. You mean since April 24?—A. The last week or so, yes.

By Mr. Dyde:

Q. Then, the following page—in fact the following two pages are pages containing actual figures of the cost of the cattle, with a column headed, "Swift average cost all Red Brand beef carcasses"?—A. That is right.

Q. In the final column on the page, "Swift average selling price", is that right?—A. Yes.

Q. According to that table, I am referring to the one headed "Red Brand Beef", on April 24, your average cost was $30.46 and your average selling price $27.51?—A. That is right.

Q. Is there any explanation of the fact that you are selling, apparently, at a loss for much of the period?

Mr. Swan: Well, there is no explanation of the value, except that it would be the type of cattle, and live prices are high and we can't get our full costs out of them.

Mr. Dyde: Does the same remark apply to commercial beef just on the next page?

Mr. Swan: Not to such an extent.

Mr. DYDE: You are still selling commercial beef at a price below what it has cost you?

Mr. SWAN: Yes.

Mr. DYDE: And that is the lower grade of beef?

Mr. SWAN: Yes.

Mr. DYDE: So it is not the grade of beef perhaps that governs this, but the fact that you are having to sell at less than it is costing you?

Mr. SWAN: In the case of red brand beef the selling price that we quote here is two weeks behind the cost. The practice out there is, this beef is aged two weeks before it is delivered to the customer, sometimes three weeks; so the selling prices are taken in the weeks when the beef is actually delivered to the customer and they must be related to the costs to bring us back. In commercial beef that is not the practice.

Mr. DYDE: Just before you go on to commercial beef let me take one figure you mentioned that I understand; let us take the figure of your selling price of April 24, 1948, which is 27·51.

Mr. SWAN: That is right.

Mr. DYDE: We will relate that to the average cost in say April 10, of 29·08.

Mr. SWAN: That is right, not 100 per cent.

Mr. DYDE: I said "say" to indicate it should be some period back there that we should relate?

Mr. SWAN: That is right.

Mr. DYDE: Then when we look at the statement for commercial beef you say that does not apply, and does that mean that the figure of your selling price for April 24, of 27.02 should be referred to the cost of 27.30 in the same week?

Mr. SWAN: That is right.

By Mr. Fleming:

Q. I notice, Mr. Millard, the trend is practically the same on both red brand and the commercial. If you look at these two don't you find that on the red brand your selling price is a little above your cost price on the red brand up to the end of December and then beginning in January consistently from that point forward your average cost is higher than your average selling price? On the commercial the same is true with just two slight exceptions; your selling price is slightly above your average cost up to the end of December and then beginning in January your selling price falls behind your average cost consistently with the exception of two weeks January 10 and March 27; so the trend is the same in both cases and in the same period with scarcely any exceptions. In answer to a question by Mr. Dyde you gave us a reason that in the case of red brand your costs for this ran consistently above your selling price and you said you could not get your cost out of it. Would you elaborate on that and explain what you mean by that, please?—A. Well, when we go out to sell our beef we have to take the market and the market price for that beef is just not high enough to give us our cost back.

Q. Well, is it fair to say, to put it this way; here we find the law of supply and demand working in such a way that the processor is not getting his cost out of the product he is selling?—A. That is right.

By Mr. Thatcher:

Q. The price of beef from November 1 to April 3, according to your schedule has gone steadily up and is still going up. It has gone up about 25 per cent.

Have you any idea as a processor, is it likely to continue to go higher as appears to be indicated by this chart?—A. I think it will go higher until we get the grass cattle in July.

Q. And it might come down then?—A. I think so.

Q. Will it stay down in the winter and probably go back up?—A. I have an expert here who can answer that for you.

Mr. Swan: I think your values will gradually move upward until the 1st of July and the trend will be downward probably to December. That is the normal trend.

Mr. Thatcher: That would be a seasonal downward?

Mr. Swan: That is right.

Mr. Thatcher: But the long term trend would likely be upward?

Mr. Swan: I cannot answer that for you.

Mr. Fleming: One other question arising out of the evidence; the fact is that the way the law of supply and demand is working, in this case the consumer is getting the benefit of the fact that you are operating at the present time on beef at a loss?

Mr. Swan: That is right.

By Mr. Dyde:

Q. The last page of the schedule, Mr. Chairman, is a schedule which Mr. Millard prepared with reference to his inventories; and in that connection, Mr. Millard, I note that you have prepared comparative figures for April 1, 1948, as against 1947, and for May of 1948 as against 1947?—A. That is right.

Q. I see in the May 1, column that for frozen beef it has gone from 113,000 up to 2,305,000 as between 1947 and 1948; and you will also see that other beef has gone from 1,992,000 to 3,811,000. Have you any explanation for the marked increase May 1, 1948 over May 1, 1947?—A. Well, May 1, 1947, we just did not store the quantity of beef. We were on ceilings, as I said before, and we were were in a squeeze, costs were high and we could not afford to store it.

Q. It is purely a matter in your opinion of ceilings?—A. Yes. By the way, I am informed that that is beef under "C".

Q. Do I understand then, Mr. Millard, that you are selling actually more beef this year than you did last year because it is much more profitable for you to do so?—A. Well, we have a chance of getting our money out of it.

Q. Are you holding beef now in order that you may get a higher price for it?—A. No. We are putting this beef out as fast as it can move into the trade. Of that beef 2,305 is broken down carcass beef, and the movement up to the 7th is 1,168,000 pounds. The balance is boneless cuts and sausage material; but we could move that probably next month, that probably will move out into the trade very rapidly to take care of the deficiency period.

Q. But you have about twenty times more beef now than you did a year ago in that particular category and that would naturally hold the price of beef up, wouldn't it tend to?—A. No, because we put it in during a period of surplus.

Q. The period of high prices?—A. Yes, if you like. It was surplus beef.

Q. You were holding it until you could get a higher price, is that it?—A. No, we were holding it for distribution to our trade during the deficiency period and we have been moving it out, it dropped to 3,188,000 pounds.

Q. Excuse me, Mr. Millard, I do not like to interject; but if you are holding it for a deficiency period why did you continue to hold twenty times more than you held last year over the same period? You say you are holding it for a deficiency period.—A. Last year beef moved right into the trade. We did not store it.

Q. Well, then, why did you have to store it this year? I was just wondering why you held twenty times more beef this year to carry you over into a deficiency period than you found it necessary to hold last year?—A. Well, it is being absorbed into the trade.

Q. It could be absorbed and consequently put prices down a little if you put it on the market?—A. If anyone wants frozen beef tomorrow we will gladly sell it to them.

Q. You will?—A. Yes, but as long as there is fresh beef available they won't buy frozen. Now, in the next two weeks when the run of fresh shortens up this beef will likely move out. As a matter of fact, between the 1st and 15th of May we have moved a lot of that beef out.

Q. Could you say, Mr. Millard, what amount of supply would be represented by that 3,811,000 pounds of other beef in comparison to your normal sales? How long would that last on the market if it went on to the market today, what period would it supply?—A. That other beef, of course, is fresh and cured, beef in cure—that is barrelled pork (?). You see, out of the 3,811,000 there is 2,317,000 pounds of fresh beef and beef in barrels.

Mr. DYDE: How long would you say that would last?

Mr. SWAN: That 3,800,000 represents on our hands May 1, and that would last not more than three days in the next week. That is beef held at our plants and held for all our salesmen. It is current stock.

The ACTING CHAIRMAN: It would be spread over how many sales organizations?

Mr. SWAN: All our sales units, 25 sales units, plus or minus.

Mr. DYDE: I have no further questions.

By Mr. Thatcher:

Q. I have one other question, Mr. Chairman; I asked for this I think when Mr. Millard was here before. I would like if possible to relate the profits of last year to the invested capital of the company; that is, the surplus plus the capital that you have invested in it.—A. You I think, Mr. Thatcher, wanted to know what additional money had been put into the business since it was established, other than from the profits of the business itself.

Q. No. Apparently I did not make myself clear. That is not what I wanted. If I asked for that I am sorry. What I wanted was your total invested capital as of today including surplus account. I mean, I want to know what percentage you made on your money last year. I know the amount you made, a few cents a pound, or fractions of cents a pound. You can take it by just looking up your balance sheet.—A. I haven't got the balance sheet with me.

The ACTING CHAIRMAN: You wanted to know the capital employed?

Mr. THATCHER: Yes, the percentage of profit as compared to the total capital employed; that, of course, does not include bank loans or things of that kind, but your capital account and surplus account added together.

Mr. LANDON: You want that for our last fiscal year?

Mr. THATCHER: Yes, 1947.

Mr. LANDON: I do not think we have prepared that figure but perhaps we can arrive at it.

Mr. THATCHER: Have you the balance sheet?

Mr. LANDON: Yes. Are you asking about the capital employed in this, or what?

Mr. THATCHER: The capital invested plus your surplus invested—in other words, your capital account plus your surplus.

Mr. LANDON: Our capital account is $12,000,000; earned surplus is $6,581,-000; a total of $18,581,000, and that is up to the end of October, 1947.

Mr. THATCHER: Excuse me; that is $12,000,000, that is money which has actually been put into the company by the shareholders, is it?

Mr. LANDON: By the shareholders and by the earnings of the company over the years since its inception.

Mr. THATCHER: Would not the company have any surplus account?

Mr. LANDON: No, not entirely.

Mr. THATCHER: I do not know what your accounting procedure is but usually when you have a surplus earnings you put it into surplus.

Mr. LANDON: We authorized a stock dividend of $7,000,000 in 1940.

Mr. THATCHER: I see. Then your net profit—I just forget what it was.

Mr. LANDON: Net profit for 1947?

Mr. THATCHER: That is before taxes.

Mr. LANDON: And you want to eliminate that $750,000 of inventory reserve?

Mr. THATCHER: Yes.

Mr. LANDON: $1,180,000; that would be before taxes and before inventory reserve.

Mr. THATCHER: Then your real profits—that includes the inventory reserve figure?

Mr. LANDON: No.

Mr. THATCHER: It does not include that?

Mr. LANDON: No, that is before inventory reserves and before taxes.

Mr. THATCHER: So your actual profits last year then were $1,180,000?

Mr. LANDON: Yes.

Mr. THATCHER: Without your inventory reserves?

Mr. LANDON: Inventory reserve has been eliminated from that, Mr. Thatcher; that is before.

Mr. THATCHER: That is included in the $1,180,000?

Mr. LANDON: That is right.

Mr. THATCHER: Thank you, this is all I wanted.

Mr. FLEMING: That would mean that on your employed capital you made about 6 per cent before taxes, income taxes, excess profits taxes and so on?

Mr. LANDON: About that, yes.

Mr. THATCHER: That is more reasonable than the other packers.

Mr. DYDE: Now, I think Mr. Winters asked you a question when you were here before about the sales to the maritime provinces and local production percentage. Would you please tell us what that figure is?

The WITNESS: Mr. Winters wanted to know what percentage of our total sales in the maritimes was supplied by our local organization down there. The answer is 37 per cent.

Mr. WINTERS: In other words, you imported to the maritimes?

The WITNESS: That is right.

Mr. FLEMING: Do you mind my going back to the other question for a moment? What would be your income figure after taxes, what would be the balance left to the profit and loss account?

Mr. LANDON: $737,000.

Mr. FLEMING: And that works out to about 2·5 per cent return on your employed capital?

Mr. LANDON: Yes, The return on capital investment has not been a high percentage even in former years.

Mr. THATCHER: You broke even anyway.

Mr. LANDON: Slightly better than even.

Mr. FLEMING: I do not think anyone could object to your making 2·5 per cent.

Mr. LANDON: No.

The ACTING CHAIRMAN: I want to thank you, Mr. Millard, and your associates for coming here and giving us the evidence you have. It has been most helpful indeed.

The WITNESS: Thank you.

(Witnesses retired).

R. P. Lafleur, Head of Cold Storage Statistics, Dominion Bureau of Statistics, recalled:

The ACTING CHAIRMAN: Order, please. We want to get through as quickly as we can. Mr. Towers is on his way up and I know you want to give him as much time as possible.

By Mr. Dyde:

Mr. Lafleur, you have already been sworn. On page 2567, of the evidence you gave the committee some figures with regard to the storage figures on beef and at that time you were not able to give the May 1, figures. You have now I think been able to compile the figures for the 1st of May, 1948, and you are now able to produce those figures?—A. That is correct.

Mr. DYDE: This table which is now before the committee is the figures for May 1, 1947 and May 1, 1948, preliminary, April 1, 1948 revised. This document will go into the record at this point.

COLD STORAGE STOCKS AT MAY 1, 1948—CANADA

With Comparative Holdings for last year and last month

Commodity	May 1, 1947	May 1, 1948 preliminary	April 1, 1948 revised
	lb.	lb.	lb.
PORK			
Fresh (Not frozen)	6,637,074	4,376,996	6,247,554
Fresh (Frozen)	29,559,206	56,057,906	57,676,741
Hams: (a) 20/down	3,657,291	5,695,127	6,814,369
(b) 20/up	418,745	1,417,771	1,042,188
Backs: (a) Export Rib	1,259	172,827	110,724
(b) Boneless Skinless	1,759,299	1,309,399	1,715,209
(c) Heavy Rough Rib	28,829	59,087	64,390
(d) Loins	133,423	466,967	809,554
Bellies: (a) 16/down	3,121,334	4,448,313	4,661,959
(b) 16/up	48,450	707,255	599,322
Shoulders (a) Export	3,028	33,524	32,471
(b) Domestic	156,557	1,438,087	1,279,397
Boston Butts	1,573,337	1,909,002	2,031,087
Picnics	1,609,344	1,902,359	2,137,152
Tenderloins	35,685	211,262	256,485
Spare Ribs	87,330	153,056	181,035
Fancy Meats	1,824,228	3,155,588	3,406,456
Carcasses and Cuts:			
(a) Sows, L. Clear. Mids	205,234	382,811	582,312
(b) Hogs, Wilts, and Cumbs	9,544,105	25,757,544	24,883,144
Unclassified	5,351,728	6,837,927	7,069,487
CURED AND IN CURE	20,365,670	19,556,773	23,014,823
Hams: (a) 20/down	3,293,213	4,207,088	3,629,294
(b) 20/up	570,806	541,976	629,833
Backs: (a) Domestic	652,970	694,986	740,920
(b) Export	604,072	314,636	509,207
Bellies: 16/down	2,353,537	3,367,122	3,821,656
Shoulders	133,416	161,799	198,165
Butts	701,560	794,042	881,766
Picnics	675,913	971,035	818,499
Sides: (a) Dry Salt Meats	268,435	569,360	750,064
(b) Wilts. Cumbs. and F. Ends	8,319,141	5,380,881	7,805,633
Barrelled	1,043,970	1,483,267	1,876,050
Unclassified	1,748,637	1,070,581	1,353,736
Reported		79,991,675	
Estimated		2,890,000	
Total	56,561,959	82,881,675	86,939,118
BEEF			
Fresh: (a) Bone in	5,131,759	7,532,308	9,184,960
(b) Boneless	344,630	714,935	941,390
Frozen: (a) Bone in	2,174,641	6,498,178	10,042,169
(b) Boneless	5,838,499	7,557,145	10,366,904
Cured and In Cure	1,319,645	987,525	1,174,288
Fancy Meats	1,560,368	3,317,978	4,180,836
Reported		26,608,069	
Estimated		1,550,000	
Total	16,369,542	28,158,069	35,890,547
VEAL			
Fresh: (a) Bone in	1,035,913	830,871	1,042,661
(b) Boneless	40,751	101,702	61,692
Frozen: (a) Bone in	1,370,155	1,827,979	942,674
(b) Boneless	583,819	1,057,471	724,346
Fancy Meats	127,305	158,453	130,195
Reported		3,976,476	
Estimated		130,000	
Total	3,157,943	4,106,476	2,901,568
MUTTON AND LAMB			
(a) Fresh	103,977	212,673	345,431
(b) Frozen	1,979,436	3,807,825	5,609,687
Fancy Meats	104,292	260,774	206,934
Reported		4,281,272	
Estimated		390,000	
Total	2,187,705	4,671,272	6,162,052

STOCKS OF MEATS

As reported at the first of May, in each year 1930 to 1948 by cold storage warehouses, packing companies and wholesale butchers

(thousands omitted)

—	Pork	Beef	Veal	Mutton and lamb
	Fresh, frozen, cured	Fresh, frozen, cured	Fresh, and frozen	Fresh, and frozen
	lb.	lb.	lb.	lb.
1930	34,488	12,823	2,148	4,979
1931	24,959	7,542	1,321	2,049
1932	41,476	8,146	930	4,107
1933	39,009	7,632	899	1,060
1934	32,033	8,854	1,160	1,924
1935	37,708	13,966	1,656	3,323
1936	37,863	15,438	1,935	1,661
1937	57,946	13,907	2,105	3,252
1938	44,358	15,383	2,170	1,713
1939	36,477	12,822	2,520	1,914
1940	68,579	22,964	2,501	2,850
1941	67,602	14,988	3,054	1,987
1942	61,619	15,288	3,193	3,102
1943	54,942	17,673	2,523	1,535
1944	100,251	31,074	4,575	5,608
1945	64,283	21,684	4,432	1,956
1946	58,397	14,378	3,389	2,050
1947	56,562	16,370	3,158	2,188
1948[1]	82,882	28,158	4,016	4,671

[1] Subject to revision.

AGRICULTURAL DIVISION
DOMINION BUREAU OF STATISTICS

Mr. DYDE: I have no questions with regard to that, Mr. Chairman.

Mr. FLEMING: Just a moment, we should have an opportunity to digest this material. I wonder if Mr. Dyde would mind just running over it for us?

Mr. DYDE: Perhaps I might ask one or two questions with regard to it.

By Mr. Dyde:

Q. Mr. Lafleur, I notice and let us pay attention to the first column, May 1, 1948, and the commodity that you mention first is pork; and you divided that into fresh frozen pork and into pork which is cured and in cure; and the total pork is the figure about two-thirds of the way down the page which is 80,228,465. Do you find that figure? Apparently Mr. Lafleur has a little different document than the one which has been distributed to the committee, but perhaps we can use it nevertheless.

Q. Mr. Lafleur, would you from the document which you have in your hand which apparently is the document which has certain revised figures on it; could you give us the total pork in storage May 1, 1948.—A. 82,881,675 pounds.

Q. 82,881,675 pounds?—A. Yes.

Mr. FLEMING: I presume the revised figures in the report Mr. Lafleur has before him will be put in the record; as a matter of fact, I would suggest that it be put in the record in place of the one we have before us.

By Mr. Dyde:

Q. These are preliminary, and you have the final figures?—A. The revised figures will appear in the June 1 report.

Mr. FLEMING: May I suggest that instead of our putting this sheet on record that we take the one Mr. Lafleur has?

The ACTING CHAIRMAN: That is what we have been discussing. I think that is a good suggestion.

(Statement appearing in this record is the corrected statement.)

Mr. DYDE: I think we should do that. In the meantime we may at least ask him to give the figures of totals so that we will know if there is anything that is remarkable we have to look for, but certainly I think we should put on the record the revised statement which Mr. Lafleur has in front of him, and which I apparently did not receive, whether it was his or my fault.

By Mr. Dyde:

Q. Total beef, according to the revised statement, is what, Mr. Lafleur?—A. 28,158,069.

Q. And that is a slight increase over the amount on the statement which we have in front of us which is 27,000,000 odd pounds. Total veal is what?—A. 4,106,476 pounds.

Q. And the total mutton and lamb?—A. 4,671,272 pounds.

Q. Now, it is agreed Mr. Lafleur will supply the committee with sufficient copies of the revised statement so that it can be placed in the record rather than the one that has just been distributed.—A. That is correct.

Q. You will be able to do that?—A. That is right.

The ACTING CHAIRMAN: Has any member of the committee anything to ask the witness?

By Mr. Winters:

Q. Would the witness have any comment as to whether or not these stocks are running unusually high or whether they are average?—A. Well, they are lower than last month.

By Mr. Thatcher:

Q. But they are away up on last year?—A. Yes.

By Mr. Fleming:

Q. Have you got the figures for previous years so as to give a comparison with earlier years?—A. Mr. Dyde had a statement.

Q. I do not think it is enough to compare it with 1947.

Mr. DYDE: We have a statement of the cold storage holdings of meat already on the record which included the years 1926, 1929, 1933, 1937, and from there to 1947.

Mr. FLEMING: Was that the same period of the year, May 1?

Mr. DYDE: No, it was not.

Mr. FLEMING: There is the trouble; you get these great fluctuations month by month, and I do not see that the figures would help us to make a comparison unless we had the same figures for the same date in these previous years.

Mr. WINTERS: For that reason the witness' comments might be helpful.

By Mr. Dyde:

Q. Have you got anything at all to help you in answering that question as to how this compares with previous years at the same date, May 1?—A. No, I have not got any record here, but the information is available at the office.

Q. Would it be possible for you to show us a statement including May 1, 1948, May 1, 1947, and May 1 of how many years previous, three or four years previous to that?—A. Yes, we could. I can get that this afternoon.

Q. I think that would be a sufficient length of time to go back, would it not?

Mr. HARKNESS: I think probably a year or two before the war, 1937 or 1938.

Mr. DYDE: Can you give us 1937 and 1938?

Mr. HARKNESS: 1937, 1938, 1939 and 1940.

Mr. FLEMING: He might as well start at 1937 and go right through on May 1 each year.

The WITNESS: Yes.

Mr. DYDE: From 1937 to the present year.

The WITNESS: Would you want a breakdown of that or do you just want total beef, total pork, total mutton and lamb?

Mr. HARKNESS: The total would be enough.

The ACTING CHAIRMAN: I think we would want to know how much was in storage for the meat board.

The WITNESS: We have no record of that.

The ACTING CHAIRMAN: We can get that?

The WITNESS: From the meat board.

The ACTING CHAIRMAN: Are there any further questions? Thank you, Mr. Lafleur.

Mr. DYDE: Mr. Chairman, there is one other statement which was sent in to me by Canada Packers. It is in connection with the condemnation insurance account of Canada Packers. I told Mr. McLean and his officers that they did not need to appear again to put this statement in. I suggest that you allow me to put this statement in by reading it into the record at this point. It is a rather short statement, if that is agreeable.

Mr. FLEMING: Agreed.

Mr. DYDE: The condemnation insurance account of Canada Packers shows cattle and hogs separately and gives figures of surplus or deficit per head as well as surplus or deficit after crediting deductions. I can summarize the report by saying that there is over the years from 1943 to 1947 a continuous deficit on cattle which totals for the years over $1,000,000. On the other hand there is a surplus on hogs totalling over the years 1945, 1946 and 1947, $13,000.

Mr. PINARD: Surplus each year?

Mr. DYDE: No, a total surplus of $13,000 odd. It is a brief table which I think might well be put on the record at this point.

The ACTING CHAIRMAN: Is that agreed? (agreed).

CANADA PACKERS LIMITED

CONDEMNATION INSURANCE ACCOUNTS

Cattle

Fiscal Year Ending March	Total Number Slaughtered	Surplus or Deficit after Crediting Deductions	Surplus or Deficit per Head
1943	306,235	$127,855 D	$ .418 D
1944	399,271	172,249 D	.431 D
1945	559,850	193,844 D	.346 D
1946	630,560	319,535 D	.507 D
1947	486,354	261,888 D	.538 D
		$1,075,371 D	

Hogs

Calendar Year			
1945	1,319,181	$10,543.80	$ .008
1946	1,121,581	4,966.54	.004
1947	1,189,574	2,272.54 D	.002 D
		$13,237.80	

The ACTING CHAIRMAN: Mr. Towers is here. We will ask him to come forward.

Graham Towers, Governor, Bank of Canada, called

Mr. DYDE: You have been kind enough to bring copies of the annual report of the Bank of Canada and the Foreign Exchange Control Board. I think we might distribute those so that the members will have them available.

The ACTING CHAIRMAN: As soon as these statements are distributed so that each member has a copy before him, I am going to ask Mr. Towers, the Governor of the Bank of Canada, if he will make a statement to the committee. Then after his statement whatever questions counsel wants to ask will be asked, and then it will be open to members of the committee to ask further questions of Mr. Towers. I think that procedure is satisfactory. Have all members been supplied with the statements and has the press been supplied with these statements?

Mr. DYDE: We can get some additional copies sent over.

The ACTING CHAIRMAN: Mr. Towers, will you proceed with your statement?

The WITNESS: Mr. Chairman, it would have been possible to have produced quite a lengthy document on the subject of money and banking and monetary and banking theories, and the possible effects on price levels of monetary policy, but it seemed to me rightly or wrongly that was not quite the type of thing which the committee would wish to hear. Therefore I thought it best to make my opening remarks as brief as possible with the thought that subsequently points on which the committee showed interest could be brought out by questioning, and any material which the committee wishes to have provided will, of course, be provided if it is possible to do so.

At this stage I propose to confine myself to a rather genreal statement referring to the increase which has taken place in the supply of money and the reason why this monetary expansion took place.

The increase in money supply which has taken place since 1939 is accounted for by the increase due to government war expenditure. War expenditure was financed in part by taxation and in part by borrowing from the public. But these two sources of funds, as is well known, did not cover the total financial requirements of the government. Assuming that the level of government expenditure was dictated by the necessity of winning the war, the residual financing required had to be obtained through the banking system even although this involved a substantial increase in money supply.

The question can be raised of course as to whether taxation was sufficiently high during the war years and whether the efforts made to encourage the public to save and loan its savings to the government, were sufficiently intensive and comprehensive. I believe, however, that quite a number of people, both in Canada and other countries, hold the view that Canada's performance in the fields of taxation and public borrowing during the war was as good as could reasonably be expected. However, this is a matter in which the committee will have its own views.

The expansion in money supply due to the war-time situation which I have described did not come to an end immediately with the cessation of hostilities. For some months following the end of the war, government war expenditures (including under this heading demobilization expenses, gratuities, etc.,) remained at a high level and therefore the money supply continued to increase in that period. However, the peak was reached in October 1946 and there has been no further addition to money supply since that date.

As I mentioned in the annual report of the Bank of Canada for last year, during 1947 the government was in a position to make a substantial retirement of outstanding debt. This resulted in a very considerable decline in banks' holdings of government securities and would, in itself, have been accompanied by a reduction in bank deposits of a corresponding amount. However, the increase which took place in banks' loans and security holdings, other than those of the government, approximately offset the reduction in banks' holdings of government securities. The figure of money supply, therefore, declined only very slightly during 1947.

The increase in Canada's money supply, as compared with the pre-war situation, has been somewhat less than the increase in a similar figure for almost any other country. For example, to take two of the countries with whose statistics it is customary to compare Canadian figures, between December 1939 and December 1947 Canadian money supply rose 188 per cent, United Kingdom 202 per cent and United States 214 per cent.

No doubt the Committee will expect me to express some opinion as to the effect which monetary expansion in Canada may have had on the level of prices. That is not something which one can do with any claim to accuracy. The level of prices is the result of many factors and it simply is not possible to isolate their separate importance. In his evidence before this Committee some time ago Mr. Taylor, Chairman of the Prices Board, mentioned various non-monetary influences which have had a considerable bearing in the determination of Canadian prices. This is particularly true in the case of consumer goods which are so heavily influenced as a group by import and export prices. In the case of capital goods, it is probable, as indicated in the Bank of Canada annual report for last year, that the tremendous rate of capital development did have an upward influence on costs and prices in that field. The war-time developments to which I have already referred had left ample financial resources available to finance this capital program. The problem has been to gauge when plans under contemplation were tending to outrun manpower and material resources and then to judge the limits within which action in the field of money and credit could be taken which would help to moderate the pressure without being so drastic as to cause unemployment.

As long as government war financing needs were large enough to require assistance from the banking system it was not feasible to take restrictive monetary action. The first improvement in this situation became possible after the government came into possession of a considerable cash balance following the ninth victory loan campaign in November, 1945. While war expenditure (including demobilization expense, gratuities, etc.), ran at a high level for several months more, there was no more general public borrowing or bank financing required.

Discussions with the chartered banks were started in January, 1946, which ended in what is commonly called the savings agreement. This agreement limited the banks holdings of government market securities (as distinct from special banking issues such as treasury bills and deposit certificates) to not more than 90 per cent of their peronal savings deposits with the banks in Canadian dollars. Since the largest banks government bond holdings were at or about the 90 per cent figure at that time, the result was to guard fairly effectively against any major further addition to money supply due to banks continuing to buy government bonds in the market. Another feature of the savings agreement was an undertaking on the part of the banks not to exceed an agreed rate of earnings on their investment portfolio of government bonds. One result of this arrangement was that if banks wished to sell government bonds in order to expand their loans or their holdings of non-government securities, they had to sell on the average a fairly long term bond giving a remunerative yield; if the banks sold short term low yield bonds exclusively, the yield on the remainder of their investment portfolio would go over the agreed limit. The increase in earnings which banks might stand to obtain by having loans instead of government bonds was thus somewhat reduced.

Later, government's budget position improved to the point where there was an overall cash surplus and debt retirement became possible. This had the effect of reducing the amount of money in public hands. At the same time the transfer of such funds to Bank of Canada made it possible to effect some reduction in the cash reserve ratio of the chartered banks. During the latter war years and through 1946 the cash reserve ratio of the banks averaged about 11½ per cent. By mid-1947 the cash reserve ratio was down to about 10½ per cent and the chartered banks on balance had become net sellers of government bonds in the market in contrast to the substantial purchases made in previous years.

In January and February of this year as the Minister of Finance mentioned in his budget speech market forces were permitted to bring about an increase in the rate of interest on government bonds. In the case of the longest dated issues the increase in yield was from about 2·6 per cent to just under 3 per cent per annum. This increase in yield represented a decline in price of about 4½ points. While it was not anticipated that this change in interest rates would have any major effect on the rate of new capital investment it was felt it was a step in the right direction under existing circumstances.

In his budget speech the Minister of Finance also referred to the unlikelihood of the general public becoming a net buyer of government bonds under existing conditions, at any reasonable level of interest rates. If the general public is not a net buyer of government bonds—and I agree with the view expressed by the Minister in that regard—it is not feasible for the Bank of Canada to carry what is usually called "open market" policy beyond the stage which I have already described. Further reduction in the cash reserve position of the chartered banks would involve the central bank selling government bonds. If the chartered banks were in a tight cash position they would not be buyers so that the only potential buyers would be the general public who—as has already been mentioned—are most unlikely to be net buyers in practice under present conditions.

There is one point I should like to mention in connection with the activities of the central bank and that is the extent to which we maintain touch with and have consultations with the commercial banks; that has been a constant, periodic thing ever since the Bank of Canada started. Last year, about the middle of the year or slightly later, we did take occasion to express the view to the chartered banks that a conservative attitude in regard to loans was desirable. We had in mind that the banks would want in their own interests and in the interest of their clients, to scrutinize the position of inventories and receivables rather carefully and try to insure that excessive inventories were not built up. The banks, I am sure, had that in mind even before the specific talks we had on that subject on various occasions in 1947.

Later on, in February, 1948, having in mind not only the scale of capital investments during 1947 but also some indication which it was then possible to get in regard to intentions for 1948, we did express the view to the banks that under existing conditions, when the rate of capital investment is pressing on relatively scarce supplies of manpower and materials, it was undesirable to finance capital expenditures through the expansion of bank credit. There again, I believe, the views which we expressed coincided with and carried the judgment of the banking system.

By Mr. Dyde:

Q. Mr. Towers, in connection with the remarks which you have just made, I think it would be helpful to the members of the committee if they were supplied with two tables which appear in the appendix to the budget and which I understand are the latest revised figures with regard to national income and expenditure and gross national expenditure. I think you have had an opportunity of examining these tables and I think, also, that they bring up to date—may I put it that way—they bring up to date some information which is contained in the annual report of the bank. Have you had an opportunity of looking at those tables which I have prepared?—A. Yes, I have looked at them, although I have not compared the slight changes in the figures in detail.

Q. They are, so far as you know, the latest figures that are available on those items, are they not?—A. Yes, they are.

Mr. DYDE: Mr. Chairman, I think it would be useful to the members of the committee to have copies of these in the form in which I have mimeographed them. I would ask to have these distributed.

The ACTING CHAIRMAN: Just for the information of the members of the committee?

Mr. DYDE: I think they would be useful in the record because they point up some of the remarks which Mr. Towers has just made.

The ACTING CHAIRMAN: You would like to have them in the record at this point? Is that agreed?

Agreed.

TABLES OF NATIONAL INCOME AND EXPENDITURE

TABLE 1—NATIONAL INCOME AND GROSS NATIONAL PRODUCT

—	1939	1944	1946	Preliminary 1947
	(Millions of Dollars)			
1. Salaries, wages and supplementary labour income	2,565	4,869	5,195	6,111
2. Military pay and allowances	32	1,068	340	83
3. Investment income	776	1,755	1,950	2,318
4. Net income of agriculture and other unincorporated business	901	1,904	2,065	2,308
5. NATIONAL INCOME (1+2+3+4)	4,274	9,596	9,550	10,820
6. Indirect taxes less subsidies	726	1,123	1,261	1,571
7. Depreciation allowances and similar business costs	582	881	839	906
8. Residual error of estimate	−1	+220	−37	−132
9. GROSS NATIONAL PRODUCT AT MARKET PRICES (5+6+7+8)	5,581	11,820	11,613	13,165

TABLE 2—GROSS NATIONAL EXPENDITURE

—	1939	1944	1946	Preliminary 1947
	(Millions of Dollars)			
1. Personal expenditure on consumer goods and services	3,828	6,253	7,712	8,736
2. Government expenditure on goods and services				
(a) excluding mutual aid, UNRRA and military relief	749	4,127	1,732	1,454
(b) mutual aid, UNRRA and military relief	....	960	97	38
3. Gross home investment—				
(a) plant, equipment and housing	554	756	1,321	2,042
(b) inventories	329	−83	387	780
4. Export of goods and services (excluding mutual aid, etc.)	1,449	3,566	3,197	3,581
5. Imports of goods and services	−1,328	−3,539	−2,871	−3,599
6. Residual error of estimate	....	−220	+38	+133
7. GROSS NATIONAL EXPENDITURE AT MARKET PRICES (1+2+3+4+5+6)	5,581	11,820	11,613	13,165

SOURCE: Appendix to the Budget, 1948–49, p. 5 (reproduced as an appendix to House of Commons Debates, 18 May, 1948.)

By Mr. Dyde:

Q. Mr. Towers, in connection with the two tables which I have just distributed to the members of the committee, I wanted to call attention to a point which is, perhaps, a small one and yet it helps, I think, to explain the remarks which you have made. I notice in the table which, on this sheet, is called table 2, gross national expenditure, that in the year 1946, inventories are shown at $387,000,000?—A. As having increased that much.

Q. No, I think it is a total, is it not?—A. No, that is the increase during the year.

Q. The increase during the year. And the increase in the preliminary figure for 1947 is $780,000,000. I think that affects in a very small way a table which appears as table 17 of the bank's annual report because I see in 1946, invested in inventories, the figure of ·5. Probably, that figure might now be revised to ·4. —A. Yes.

Q. That is the only point to which I wished to call attention with regard to the tables, except this; also in the same table 2, where we have gross home investment and (a) is plant, equipment and housing and (b) is inventory, I find there is a figure in both of these items, 1947, which compares with previous increases of a smaller amount.

Now, may I ask if you care to tell the committee particularly—no, perhaps I should put it this way, if you do not mind. The remarks you have just made with reference to capital investment were directed, I think, at that figure which I see is 2,042, expressed in millions of dollars. In other words, it was that capital investment to which you were referring or that increase to which you were referring when you made your remarks, was it not?—A. Yes, it was.

Q. Could you say or are you able to say whether the policy of the Bank of Canada has had any effect as yet?—A. It is too early to say whether or not it has. I imagine, even later on, it will be quite impossible to determine, even if capital investment declines in 1948, what the reason for that was. One knows of various cases where people who have planned expansion have postponed it because of high costs or for some other reason. To the extent that the financing of the capital investment is not just as easy as it has been, that may result in the postponement of certain projects.

Q. I refer also to that item of inventories which is shown there and I am sometimes informed, Mr. Towers, that the accumulation of inventory is an important factor—it is put this way at times, at least—an important factor in sustaining a high level of demand. Is that a fair way of expressing it?—A. Yes. I think it is. It is, obviously, on the basis of the figures, not as important as the investment in housing and equipment, but it is certainly a factor.

Q. Is that figure also increasing at the present time or could you say?—A. I cannot say because, subject to correction by Mr. Scott, our figures in Canada on inventories are not collected as frequently as they are in the United States. Mr. Scott, could you tell me the date of the latest figures?

This is a field in which the collection of statistics in Canada has improved but I could not, I think, give any recent figures which would be illuminative.

Q. Have you any general comment to make on this apparent accumulation of inventory—

By Mr. Winters:

Q. To what sort of inventories are we referring? Is it raw material on hand in industry, or what are we talking about?—A. All kinds of raw materials; goods in process; semi-finished goods in the stores, everything.

Q. How does one arrive at a minus figure for inventories, then?—A. A year in which they went down because public demand was greater than the flow of stuff coming in, and inventories actually went down—

Q. I do not quite see how you get a minus position. Does that mean a decrease or is there actually a deficiency? What does a minus position indicate? —A. It would be, perhaps, best illustrated by a case of an individual company which had commenced the year 1944 with inventories worth a million dollars. Its sales exceeded its own production or purchases and it ended that year with inventories of $900,000.

Q. It is a decrease in inventory rather than a minus holding?—A. It is a decrease in inventory.

Mr. WINTERS: I am sorry for the interruption, Mr. Dyde.

By Mr. Dyde:

Q. It is quite all right. I do not know whether you had finished what I had spoken about, Mr. Towers, perhaps you had. It was a question as to the effect of that accumulation on inventory, especially with reference to prices. Have you any comment to make on that?—A. It is a question of the hen and the egg, to a certain extent. The building up of inventories to accompany a larger turnover creates a demand for goods, just as much as if they had been bought by the ultimate consumer. Active consumer buying in a market which is not terribly well supplied puts up prices and, in turn, increases the value of a given volume of inventory. While very substantial increases have taken place, they have done so during a time when there has been a great increase in the volume and value of business turnover. So far as I know, the ratio of inventories to sales' turnover figures has not shown any appreciable increase.

On the basis of present sales there probably is not a serious, general problem of excessive inventories. I have not seen any indication, although there may be the odd exception, that the building up of inventories is on a speculative or hoarding basis. I think too many people still have in their minds a recollection of earlier years when losses on inventories were extremely serious. Of course, it still remains true that, while the ratio of inventories to sales may not be excessive now, if sales drop somewhat then we would at once hear of excessive inventory positions. The business man faces a difficult problem. He has to have supplies to match his current sales. At this time, they are not excessive, but the moment sales drop he will find himself in something of a fix.

By Mr. Harkness:

Q. If I may interrupt for a moment, would not this accumulation of inventories have the effect of a brake on prices to some extent?—A. Not while it was taking place, although once the inventory position becomes fully satisfactory in relation to sales, then it would have the effect you mentioned. While the inventory is being built up it would tend to put an upward pressure on prices.

Q. Now that the inventory is there, though, and a very considerably increased inventory, the effect from now on should be to push prices down?—A. If we are at the stage, and I think that probably is true in various lines, where inventories are really all that is required, it would have a calming influence on prices, certainly.

By Mr. Thatcher:

Q. Of course, there are many lines where that is not true as yet and the demand is still far greater than the supply. Is that not true?—A. I think that is true. It is not possible to have an over-all view in which each factor is weighted according to its importance. One hears of cases where six months ago or three months ago the demand exceeded supplies and inventories were regarded as low, where the situation has completly changed. Gradually, the number of these different items will increase. It is on the way now, I believe, but in certain cases, as you say, a shortage still persists.

By Mr. Dyde:

Q. Mr. Towers, you have already mentioned one or two or a number of ways in which the Bank of Canada has acted to affect the price level or, perhaps I should say to use your phrase, to moderate the pressure. Is there any other action the Bank of Canada has taken in that connection than those you have now outlined?—A. No, I think I have outlined the fields which we covered.

Mr. DYDE: Now, gentlemen, I want to ask Mr. Towers some questions not specifically related to the document which is here before you and I would quite gladly postpone those questions because they are not really on the point at the minute, if anyone wishes to pursue the discussion.

Mr. FLEMING: I would suggest Mr. Dyde might follow up his examination and conclude it because I do not mind saying I have a number of questions to ask and they will not be confined to the memorandum Mr. Towers has read.

By Mr. Dyde:

Q. There is one other question I wish to bring before the committee and it is in connection with Canada's foreign exchange position. Would you care to give the committee your view on the effect of price levels of changes in our foreign exchange position? I am putting that question rather generally, but I think perhaps we might relate it to, say, pre-November, 1947 and post-November, 1947?—A. I think, perhaps, Mr. Chairman, I might answer that question by going a little farther back, perhaps—I was going to say to the end of the war—but perhaps early in 1946 when re-conversion had really begun. The fact that, at that time, Canada held very substantial foreign exchange reserves was helpful in this sense. To the extent we were selling abroad on credit and needed to use up our reserves to pay for all the imports which our people wanted to make, the existence of the reserves and the use of them permitted far more to come into the country in the form of goods than would otherwise have been possible. This helped re-conversion and it helped to make the increase in price less than they would otherwise have been. Imports were coming in and prices were going up but, at least, people were able to find goods to buy.

There came a time, and here we come to November, 1947, when it was felt the decline in reserves had to be arrested, otherwise we would be in an extremely serious fix. Now, it is not possible to express a view in definite terms as to the price results of the steps which had to be taken in November, last. To the extent supplies which cannot come from the United States are obtainable elsewhere, presumably no significant increase in price is likely to result. But, there may be cases where shortages of things which cannot be imported will have an upward influence on prices.

By Mr. Harkness:

Q. You mean cannot be imported because of a lack— —A. Because of a lack of U.S. dollars, yes. It will be recalled that, so far as possible, the things which are affected in that way are the less essential; not confined admittedly to luxury goods, but not the basic essentials, at least.

By Mr. McGregor:

Q. What about fruits and vegetables?—A. I think I would have to leave it to a nutrition expert to decide the exact category in which they fall.

By Mr. Winters:

Q. Mr. Towers, would the result on prices of available goods coming from foreign countries through importation as a result of those loans, not be offset to some extent by our increased exports, also part of the same program?—A. I am not quite sure I understand that question.

Q. We are importing goods from other countries and that is made possible by these loans to other countries— —A. Rather, it is the other way around. The loan has made the export possible.

Q. I see that. Has the availability of goods now tended to keep prices down below what they would otherwise have been? Did you not say that?—A. I was speaking of the period up to November, 1947, a period for about fifteen months prior to that. We had been using up the reserves very rapidly. It was unfortunate, from one point of view, but it did mean we were able to get very considerable quantities of supplies which we could not have afforded if these reserves had not been there. The delivery of these supplies into the Canadian market did help to keep prices from going as high as they would have gone otherwise.

Q. On the other hand, we have been engaged in a program of export which would appear, to some extent, to offset that. Would that be true?—A. Well, in return for our exports or the use of our reserves, we get goods back. I will put it another way. In 1947, as a whole, our over-all current account surplus was negligible which means that for everything we sold we got something back. And therefore, the price effect of one is counteracted by the other. The use of reserves arises from the fact that for some of our exports we did not get paid.

By Mr. Thatcher:

Q. I have just one question to ask with respect to page 4. I wonder if Mr. Towers would enlarge on his statement there: "If the general public is not a net buyer of government bonds—and I agree with the view expressed by the minister in that regard—it is not feasible for the Bank of Canada to carry what is usually called 'open market' policy beyond the stage which I have already described." I wonder if you would enlarge on the reasons for that?—A. If it is desired to reduce the amount of cash held by the banks and therefore to force them into a position of contradiction, one way of doing it is for the central bank to sell government bonds to the public, either corporations or individuals. The public will pay for those bonds sold by us from their accounts in the chartered banks; which means that the chartered banks pay us the cash and thereby reduce their cash and have to pull in.

Q. I understand.—A. On the other hand if one does not find the general public on balance desiring to buy bonds that means of contradiction is non-existent.

Q. But my point was, how do you know the general public would not buy bonds at the present time?—A. Of course, we do not know about it in day-to-day transactions but statistics of the overall position are compiled from time to time.

Q. Well then, has the Bank of Canada any feasible way at the present time where they can curtail credit to the commercial banks to an extent?—A. By specific action rather than consultation, you mean?

Q. Yes. You said that you advised the banks to be conservative and not to make loans to companies for capital increases, did you not?—A. Yes. That is the consultation and co-operation method. You are raising the question as to whether there are some other means.

Q. Yes.—A. Speaking of Bank of Canada action alone, I do not think that there is any way which is practical. In order to finance the expansion in loans which has already taken place the banks have done some selling of government securities. If banks find it impossible to sell government securities at anything except very low prices probably they would be forced not to expand any more, possibly to contract. But in that process one would have a situation approaching chaos and high interest rates which would not only, I believe, preclude banking expansion but would interfere in a major way with a capital development program. In other words, a hammer could be used to hit a situation on the head but I am afraid the patient would be knocked out for a long time.

Q. You think it would not be advisable?—A. No, because while it is desirable that there should be some tapering off of the capital program so long as it is outrunning manpower and materials—tapering off is all very well, but a major reduction would bring unemployment.

Q. Yes, I can see that. What I am wondering is if the commercial banks at the present time are not contributing to inflation by letting out credit possibly more loosely than it should be let out for the national good. In your annual statement on page 5, you say: "the increase of $461 million in chartered banks' Canadian loans during 1947 was the largest annual increase on record." If that is the case apparently the banks have not been taking the advice that you say you gave them a few months ago. Would that be true?—A. No. I will qualify that in two ways; in our talks last year—and they took place in the latter half of the year—we referred to the desirability of scrutinizing very carefully loans against inventories and receivables, to try to avoid a situation where inventories or receivables were excessively high. I believe that is being done, but so long as volume of turnover and prices are increasing there must be a larger volume of inventories and there must be financing of that. In the other field about which we expressed quite strong views some three or four months ago, that is the field of bank lending for capital expenditure, there is some chance of effective action. While the banks must provide the financing on current account, for inventories and receivables, in the case of capital expenditures it is legitimate for them to say that in Canada the traditional sources of money supply should be used, and that is generally what is being done.

The ACTING CHAIRMAN: I don't want to interrupt you, Mr. Thatcher, but it seems to me that we should allow Mr. Dyde to finish his examination.

Mr. THATCHER: I thought he said that he was through with that point.

Mr. DYDE: I don't want in any way to interfere with the members of the committee in asking questions. I have in fact only one very minor question to ask to finish my examination for the moment; and if I might be allowed to put that then I will leave the field open, and it will not take more than five minutes or less to put that question.

By Mr. Dyde:

Q. Mr. Towers, what I wanted to be sure about was understanding one item on page 4 of your statement. It is quite a small matter and yet I am not certain that I understand the expression. You say: "further reduction in the cash reserve position of the chartered banks would involve the central bank selling government bonds." Am I right in saying this; that you might start that by simply saying, the effect of further reduction would be to bring about a further reduction in the cash reserve position—that is correct?—A. Yes, sir.

Mr. DYDE: I wanted to make sure that I understood that myself. Thank you. That is all I wish to ask Mr. Towers about that.

Mr. THATCHER: Would you just let me finish that one question I was in the middle of? Is that all right, Mr. Chairman?

The ACTING CHAIRMAN: All right, go ahead.

By Mr. Thatcher:

Q. I was trying to find out the position of the commercial banks in extending credit and to what extent they are increasing or decreasing the inflationary condition of the present time. I take it that the minister of finance at various times has said it is government policy not to make government investments at the present time so it would not increase the inflationary trend; therefore, I presume or think that is desirable. But last year private capital investment increased very, very materially; but I would take it from your report that a good deal of this capital expense was financed by the chartered banks. Now would it not be reasonable to suppose that the banks are taking as large a proportion as they can while the going is good to make increased loans and they are perhaps loaning money too rapidly and thereby increasing inflation at the present time, at a time when national economy, when the good of the national economy should have the banks decreasing their loaning?—A. I do not think I would put it that way. In each case there is the individual applicant who comes to the chartered bank and presents his financial requirements to cover a certain program of capital development. If the individual bank thinks the individual application is sound and that it is a good development, likely to succeed and therefore reasonably credit-worthy, in the ordinary course of events it will say yes; or if that bank does not say yes, some other bank will do so. If however it is indicated that under existing conditions (and it has been indicated) that type of financing is rather undesirable and it would be better for the applicant to go to the investment market for his requirements, then the bank would have a consideration in their minds which transcends the attractivenss of the individual loan; and I think that is the situation right now.

Mr. KUHL: Might I interject a question there? Would you agree that as a general principle, Mr. Towers, credit expansion is safe up to the point—

The ACTING CHAIRMAN: I think we will have to have it more orderly. I think once we have started along a certain line of questioning we should continue with it until it is completed.

Mr. KUHL: I thought my questioning was right along the lines of the questions that had been asked by Mr. Thatcher.

The ACTING CHAIRMAN: I think it would be better if we were to allow Mr. Thatcher to continue his questions, and then I think Mr. Fleming has been waiting for some time to get the floor.

By Mr. Thatcher:

Q. I do not know this, but I would like your comment on it. Do you think as a reasonable supposition that the commercial banks increasing credit at this time are affecting prices at all?—A. In recent times there has not been an increase in credit.

Q. You mean since the first of the war?—A. Well—

Q. Last year it increased very materially, did it not?—A. That is right, of which a substantial part was for financing inventories and receivables and a much lesser amount related to the financing of capital development.

Q. During the war years how did you control capital expenditures? Did you do it through the Bank of Canada direct? How did you control these capital expenditures then?—A. It was not controlled through monetary action but rather through the allocation of supplies.

Q. I think that is all. It does seem to me that the banks are extending credit at a time when they should be contracting it.

Mr. KUHL: Would Mr. Towers care to express an opinion on the point I have raised, the expansion of credit?

Mr. FLEMING: Mr. Chairman, I have one question to ask. If Mr. Kuhl has just one question I have no objection to it, but if he is going to ask a number of questions then I think I will have to object. Have you just one question, Mr. Kuhl?

Mr. KUHL: It all depends on his answer. The point I wanted to ask was, as a matter of general policy is it not true that generally speaking credit expansion will not bring about undesirable results until the poini of full employment is reached.

The WITNESS: There is a question there as to whether credit expansion can take place, if business is on the downgrade, because you have to have an applicant before you can make a loan. Now, on the general monetary question as to whether credit expansion is undesirable during a period of deflation; I would say, no, it is not undesirable, but whether it took place would depend on a number of things.

By Mr. Kuhl:

Q. Well, is not a loan issue made on the assumption that there is first of all a willingness and desire on the part of people to produce, and that is followed up by willingness or ability on the part of the consumer to buy the product? —A. Credit expansion is predicated on the willingness of people to borrow and the prospect of those people being able to repay the loans in due course.

Q. That is, it is predicated upon the assumption of the saleability of the products?—A. Partly on the saleability of the product and partly on the efficiency of the borrower.

Q. Just one more question on that point; would you consider that at the moment we had a condition of full employment; that is, outside of what you have said here?—A. I would say apart from the pockets of unemployment we are now just about at a level of full employment.

By Mr. Fleming:

Q. I notice in the memorandum which you read this morning the word "inflation" and the word "inflationary" did not appear anywhere. What do you say as to whether or not we have a condition of inflation in Canada today? —A. I think the answer to that is that the purchasing power of the dollar is distinctly less than it was in 1939; to that extent there is inflation.

Q. Well, that does not meet my question quite directly. If, in a year or two——A. You see, it is a question of scarcity. By using those words I might be giving you a false picture.

Q. Well then, let us say a condition of scarcity, using your own distinction rather than inflation; would the scarcity conditions with which we are faced in Canada today indicate inflation?—A. I would sooner get away from using that word "inflation", not from any great tenderness on the subject but because it is so often misinterpreted. If the price level had been 100 and it goes to 102, you might say that that is inflation. On the other hand, I think so many people have thought of it as a very extreme situation such as took place after the last war in certain countries. Today in a great many countries throughout the world currency is worth from ⅛ to 1/1000 of what it used to be. I would sooner stick to the fact of our case which is that the purchasing power in goods and services of our dollar is less than it was in 1939 by the amount which is indicated by the price index.

Q. And that is approximately what today?—A. I think according to the index it is about 151.

Q. And we can assume that our dollar is worth about 65 cents in terms of 1939?—A. That is right.

Q. Can you give what in your opinion is a statement of the factors which have brought about this condition; and in the light of your answer I will refrain from calling it inflation, I will call it a condition of marked depreciation of the Canadian dollar in terms of purchasing power.—A. It got underway during the war, as you know, as it always has done according to history in wars, where an effort is being made to devote a very large proportion of production to war purposes thereby reducing the proportion available for the civilian economy. The total money receipts of civilians of course are maintained not only at what they were at the beginning of the war, but higher. Full employment and higher wages increase income; the goods for people to buy in many cases actually are less than they were before the war. In the case of a country like Canada during the war there was more available in goods and services for the civilian public to buy but not anything like as much as they would have liked to buy, having in mind the great increase in the national income. That situation naturally promotes an increase in prices; in spite of any practicable level of taxation or practicable volume of savings by the public. Those two things do not suffice, so at a certain stage, which in Canada was reached in October of 1941, price ceilings are put in. That control reduces the increases in prices, or perhaps in some cases prevents them, but it has the effect of merely postponing the ultimate reaction. A certain time after the war is over there is the hope that production for civilian requirements will increase to a point where supplies are available without an increase in prices. But having in mind the general increase in the cost structure whch takes place during war, the hope which I have just mentioned turns out to be, of course, not fully realizable. In some countries the increase in prices has been only fairly severe; in others post-war inflation ran away with the whole show. In Canada we have been exposed to all these influences not only in respect to our domestic situation but also by reason of what has happened in other countries; and we are therefore paying a certain post-war penalty for the war. In our case the penalty is not as great as in most of the other countries in the world, but none the less painful.

Q. In a review of those factors you have indicated it is apparent that scarce supply of goods is one factor which has brought about this depreciation by 35 per cent of the Canadian dollar's purchasing power. You did not use the expression "volume", I know, but I take it that you will not take a serious issue with me on that.—A. Volume of money, both the money which came into people's hands during the war and which they set aside, and may now be spending, and also a great volume of current income.

Q. Volume of money, we will take it, is one of the factors that entered into the high prices and had its effect on the purchasing power of the dollar?—A. Yes, that is it.

Q. Just in passing, may I ask your view on one or two points relating to questions which you were asked this morning. I will just run over them quickly. Some of our crops last year were a little disappointing. I suppose that is a factor in creating the scarcity of today particularly at a time when similar conditions are affecting certain countries outside of Canada as well.—A. Yes, it is; not only because of somewhat disappointing crop levels in Canada, but also because they coincided with unfortunate crop losses in other parts of the world.

Q. Yes; to the extent that demand continues here and supply is down, that would be a factor in prices, would it not? I have to avoid the use of this word "inflation" in view of what you said earlier. That would be a factor in creating this condition of depreciation in the purchasing power of the Canadian dollar at home?—A. That would depend on whether the goods were really required in Canada.

Q. I am saying that in my question, that these are goods which are not produced exclusively for export but they are goods for which there is a demand in Canada. To the extent that they are in demand I take it that is a factor in creating the scarcity and would have the tendency of raising the price level for these particular goods in Canada if Canadian purchasers compete with purchasers from abroad?—A. If there is competition, yes.

Q. I think it is clear from what you said earlier this morning—take E.R.P., for instance; is it not reasonable to suppose that E.R.P. will create further markets for goods produced in Canada, and to the extent that these are goods that are wanted by the Canadian consumer we can expect a tendency through E.R.P. of pushing up the Canadian price structure?—A. I do not see that E.R.P. is going to creat further markets for Canadian goods; rather I might put it this way, it would prevent our present markets from disappearing.

Q. Well, put it on that basis; is it likely to have the effect of raising prices?—A. Not because of additional pressure; but it may prevent, as I say, our markets from disappearing—I think perhaps that is a strong word, largely disappearing. If they do largely disappear then we perhaps would have a substantial surplus of certain goods resulting in a substantial decrease in prices. If that just happened to affect a few things we could use ourselves to advantage the result might not be so serious, but if it happened on a broader scale, of course, we would have serious trouble at home.

Q. Yes, it might create a condition of scarcity. However, we will not spend any more time on that at the moment. To the extent that E.R.P. operates with respect to goods which are in demand by the Canadian consumer your hope is that it will not have the effect of raising the level of prices to the Canadian consumer but it is clear that it will have the effect of preventing, so far as it operates, a decline in prices?—A. Well that again of course depends on supply. We have to assume all along that these are short supplies which are in short supply on the Canadian market.

Q. I have assumed that, that these are goods in short supply and the Canadian consumer will be competing with the consumer abroad.—A. Those goods may exist but I cannot point to them at the moment.

Q. I was about to point that out; but without going into any detail as to the commodities I take it that we do not know as yet all he commodiies that are going to be embraced within E.R.P.?—A. Of course, there is this about it, there is the question of choice there. Our total sales abroad at the present time are not more than is necessary to pay for our imports; so, if we get more at home—in other words if we reduce our exports, we have also got to reduce our imports, and a reduction of imports would have a bearing on the price situation such as you have mentioned.

Q. I was coming to the point of the affect on imports of E.R.P. and its relationship to our level of imports, but just before leaving that I just wanted to eliminate this E.R.P. question with this observation; if you agree with it, without going into detail as to particular commodities because we do not know yet for how many commodities it is going to operate; but the extent that it operates in the field of the commodities that are in demand by the Canadian consumer and are in limited supply it is not likely going to bring about any decrease in prices; and that, of course, would depend on the commodities which are involved.—A. That is true, under the circumstances you mentioned; but it does one thing, as I said before, these purchases enable us to import more goods which would have a tendency to keep prices down.

Q. These things I am talking about are not going to have an affect on imports. Where imports are supplying a market that is short of goods then the effect, in general, is deflationary, is it not, or is to check increases in price?—A. To prevent that runaway price which may be due to scarcity.

Q. I think it is clear from your annual report of 1947 as Governor of the Bank of Canada, that the high level of imports into this country from the United States until the 17th of November, last, did have the effect of checking the rapid rise in prices which would otherwise have gone up faster?—A. I think that is the case, yes.

Q. And that the import controls, of which I think we can all express our regret at the necessity, the effect of those import controls so long as they continue is likely, by reason of having the Canadian market lacking in goods that otherwise would have been supplied from abroad, the effect is likely to produce an upward movement in prices?—A. It could have that tendency, yes.

Q. It is not likely to under the conditions we face today?—A. I think I would sooner that question was answered by Mr. Taylor because he would have a much better knowledge of where the vulnerable sectors are and what could be done about them.

Q. Do you think he is better informed on the question of supply and scarcity in connection with particular lines of goods?—A. My answer would be theoretical whereas, I think, his would be more practical.

Q. I am quite content you should put your answer in general terms, Mr. Towers, that the effect of the controls which check imports that are wanted by the Canadian consumer is, in general, to promote an increase in price?—A. It certainly makes us vulnerable but Mr. Taylor could answer better than I the degree of vulnerability and what could be done about it.

The ACTING CHAIRMAN: Would you be content to having the adjournment now?

Mr. FLEMING: Yes, I have quite a number of questions still to ask.

The ACTING CHAIRMAN: Just before you go, we will be meeting in room 277, that is the Railway Committee room, this afternoon. I think you will be more comfortable there. There will be more room for the people.

Mr. THATCHER: Will Mr. Towers be here tomorrow, too?

Mr. FLEMING: I think it was understood we were sitting tomorrow and Mr. Towers would be available if we needed him tomorrow morning.

The committee adjourned to meet again at 4.00 p.m.

AFTERNOON SESSION

May 27, 1948.

The committee resumed at 4.00 p.m. The Chairman, Hon. Paul Martin, in the chair.

Graham Towers, Governor, Bank of Canada, recalled:

The CHAIRMAN: The meeting will come to order, please.

By Mr. Fleming:

Q. May I continue. Mr. Towers this morning expressed some unwillingness to use the expression, "inflation". I note, however, on examining your report of the bank for 1947, on page 13 you have used the expression, "anti-inflationary influences", about the middle of the page, and on page 15, the last line, you have used the expression, "counter inflationary influences". I am not trying to be funny about it, but I take it you cannot have any objection, then, to using such expressions as "anti-inationary influences" or "counter inflationary influences", in our questions and answers—A. Quite. I fact, I won't shy away from the word "inflation".

Q. Is there anything you wish to add to what you said this morning?—A. No, it was just a question of phraseology rather than anything else. Inflation so often implies in people's minds a very extreme runaway situation which you see in other countries.

Q. Of course, I did not have anything as extreme as that in mind this morning when I asked if we had inflation in Canada.—A. Exactly; the change in price level indicates that exists to some degree.

Q. You said this morning, as I recall it, that the quantity of money, money supply, is one of the factors bearing directly on the price level. It is one of the factors that directly influences the level of prices?—A. Yes.

Q. So, money supply, taken by itself could, therefore, be regarded as one of those inflationary factors?—A. It could be. There are times, of course, when substantial expansion has taken place in money supply without that having any noticeable effect on the volume of business, still less on prices. In such a case, the increase in money supply is sometimes accompanied by a reduction in the speed of turn-over.

Q. I suppose it depends on the extent and the circumstances—

The CHAIRMAN: Just a minute, Mr. Fleming, Mr. Towers did not finish his answer.

The WITNESS: Yes, I had.

By Mr. Fleming:

Q. It depends on the circumstances and extent, I suppose, but we could say, in general, an expansion in money supply is going to have that tendency, an inflationary tendency?—A. If other circumstances favour it, yes.

Q. I said, that factor taken by itself, and other factors being equal?—A. It raises that possibility you mentioned.

Q. An expansion in the quantity of money is likely to have that effect; that is the tendency, is it not?—A. Yes.

Q. Who controls or who determines the money supply in Canada?—A. I shall try to answer that question extemporaneously, although in order to dot the i's and cross the t's, it might be better if I put it in written form.

First of all, the supply is influenced by the demand for loans from the banking system. If those loans for which application is made are considered good and sound, they will be made by the banks and this, other things being equal, would tend to increase the money supply.

Now, in 1947, there was a very substantial increase in loans, but it was the case, during that year, the government had a substantial surplus of cash receipts over expenditures. I am speaking now of something which is not exactly the same as a budgetary surplus. It is cash receipts as compared with cash disbursements on all accounts. The government, during that year, was able to redeem a substantial amount of bonds held by the banking system and thus keep the supply of money during 1947 on an even keel. What the situation will be during 1948, I am not yet sure. It is still the case that the volume of money, as at the present time in May, is, I believe, no higher than it was at the end of 1947.

Q. Excuse me, Mr. Towers, you are giving me, I think, an account of the factors which enter into the—A. I will come to that other point.

Q. I was asking you rather who determined the money supply. You have mentioned the banks; you have mentioned the government. Would you add to that?—A. And the borrowers.

Q. What about the Bank of Canada?—A. Now, coming to the Bank of Canada, I would hark back to what I was saying this morning. Let us suppose there had been no government surplus available for redemption of securities which had been in the hands of the bank in 1947. What could the Bank of Canada have done then to keep the money supply down? Theoretically, we could have sold bonds to the public reducing bank cash and, if we refused to buy any bonds, make it impossible for the banks to increase their loans. That, of course, would have produced a chaotic situation in the security market as the banks strove to accommodate their customers but were unable to do so. It is an extreme case which I am suggesting there because it would have meant an upset in the business world which would have been quite unjustifiable.

However, it does follow, I think, from what I have said, except at the cost of producing a chaotic situation, the Bank of Canada cannot absolutely control the supply of money under existing conditions.

Q. You say it cannot absolutely control, but it is one of the bodies that participates in the determination of the money supply of Canada, is it not? —A. It can try to influence that, but I would say that, without the assistance of the government's surplus in 1947, our influence would have been very small.

Q. You have mentioned four factors now in reply to my question about who determines money supply in Canada. You have mentioned the government, the banks, the borrowers and the Bank of Canada. Now, so far as the borrowers are concerned, I suppose they are a factor to the extent to which the banks are willing to lend to them?—A. That is right.

Q. Now, the Bank of Canada, you have indicated has a limited control. Would that be a fair way of putting it?—A. Limited control.

Q. Of the credits the banks will extend?—A. That is right. Putting aside the question of co-operation and agreement on a certain general policy, our control is limited under existing conditions if delicate weapons are to be used, and drastic action avoided.

Q. That is control on the part of the Bank of Canada?—A. Yes, except on the basis of very drastic action.

Q. And the bank has not seen fit, under the circumstances, to apply very drastic measures?—A. No. We believe that action as drastic as that would be a form of burning down the house in order to cook the pig.

Q. You spoke about government surplus in 1947; and apart from that the Bank of Canada would have little opportunity, apart from these drastic measures, of directly influencing the operations of the banks with respect to money supply?—A. Yes.

Q. Now, to what extent is government policy, itself, a factor in the money supply? I am speaking now with relation to the Bank of Canada and also with respect to direct action?—A. Perhaps I should say that a very important factor, with respect to the government during 1947, was the repayment of loans to the Foreign Exchange Control Board and a certain using up of cash which the government had at the beginning of the fiscal year. The so-called budget surplus was largely offset by loans to other countries. Now, the loss of exchange which produced that great accrual of Canadian dollar cash to the government was—heaven knows—not a matter of deliberate policy; but it happened; and that happening coincided with a very considerable need for reduction of government debt.

By Mr. Thatcher:

Q. What loans did we have for the fiscal year to foreign countries which you just mentioned?—A. I cannot remember the amount for the fiscal year, but for the calendar year the total of loans, that is, the utilization of credits authorized by parliament some time ago, plus relief, was something not far from $600,000,000.

Q. Those were loans which were approved two sessions ago?—A. $560,000,000 in loans in the calendar year, plus $40,000,000 for relief, making a total of $600,000,000.

The CHAIRMAN: They were higher a year previous.

The WITNESS: Yes, they were.

By the Chairman:

Q. Over a billion.—A. Let us say $900 million, something like that.

By Mr. Thatcher:

Q. There won't be many of those this coming year?—A. I believe not.

By Mr. Fleming:

Q. We have this: that the quantity of money has a direct influence upon—that is, the money supply has a direct influence on the price level; and the money supply is determined other than by government, banks, borrowers, and the Bank of Canada, and the borrowers only to the extent which the banks are willing to lend them. Is that right?—A. If you will forgive me, this may seem like quibbling with words; but I would say that the government fiscal policy—or to start from the other end—that the demand for borrowed funds by business; action of the banks in granting credits; government fiscal policy; the Bank of Canada—all have a bearing on the eventual result.

"Determined", I think, was the word you used. I am sure it is correct in a sense, but it seems to imply too great an exactitude, if you know what I mean.

Q. Perhaps you are reading into my word "Determined" conscious determination. I was not suggesting that it was always conscious.

By Mr. Thatcher:

Q. Sometimes unconscious?—A. If I might add one more thing: it is a factor in the situation. I dare say one might have many minor things.

The foreign exchange position of the board, too, last year. Exchange reserves were going down greatly, so money was drawn in from the public to government. Now, if the reserves were going up, the opposite tendency would be there.

By Mr. Fleming:

Q. That was a matter of decision on the part of one of those bodies you mentioned?—A. The drawing in?

Q. Yes.—A. No. That was very definitely a decision on the part of the general public, because they required the U.S. dollars.

Q. Perhaps we are not thinking of quite the same thing?—A. As the public buys the United States dollars, they pay over Canadian, and that, of course, comes to government.

Q. We come back to the government action eventually in that situation. Now, about the elements in money supply, I noticed by the report of the Bank of Canada, pages 34 and 35, you treat as elements of money supply, currency outside of borrowings in notes and coin; then bank deposits, and under chartered banks, you indicate demand deposits, then active, you call them active notice deposits.

And then again you include Bank of Canada, other deposits, and you arrive then at your money supply. Are those the factors which you consider enter into the money supply?—A. Yes, I believe they are; and that is approximately the basis on which the same calculations are made in major countries.

Q. You did make a change in your basis of calculation of money supply in your 1947 report as compared with the previous year?—A. Yes. We had published it somewhat earlier, and then included it in the 1947 report.

Q. Would you just explain?—A. I am sorry, I am wrong. It was first published in the 1947 report.

Q. I think you say so definitely in the 1947 report?—A. Yes.

Q. And you also make it quite clear there, I think that, by that time, you had included as part of the money supply of Canada, the savings deposits in banks. Is not that correct? These are excluded; you called them inactive notice deposits in the year 1947 report?—A. Yes.

Q. On the basis of calculation, your total money supply in Canada, at the end of 1947, is $3,000,944,000 as against $3,000,996,000 at the end of 1946?—A. Yes.

Q. On the new basis, you have shown a decrease in Canadian money supply of $52,000,000?—A. Yes.

Q. But if you followed the old basis of calculation by including the so-called inactive notice deposits of the chartered banks, which I presume are in general, savings deposits on which interest is calculated quarterly, you would have had, in 1946, an additional $2,856,000,000. But in 1947 you would have had an additional $3,143,000,000 of money supply? Is that correct?—A. Not an increase during the year, but a total amount.

Q. A total amount, you said?—A. Yes, that is right.

Q. If you had followed the old basis of calculation, you would have shown a substantial increase in the money supply at the end of 1947 as compared with the end of 1946, instead of a decrease?—A. That is right.

Q. The increase would have run something like $250,000,000?—A. Yes.

Q. Now, in your statement this morning, in speaking about money supply, you referred to— —A Would you excuse me?

Q. Probably we had better get that figure exactly. If Mr. Scott will do a little arithmetic to help us there.—A. Yes. Mr. Scott was pointing out that if one turned to the conception of liquid assets as distinct from money supply, that is, other liquid assets, and include government bonds as well, that you would get to a grand total of $13,454,000,000, as at the end of 1946; or, including money supply, $17,450,000,000. The same calculation for 1947 was $17,265,000,000. Now, I am simply trying to work this out on the basis of your 1946 report. I have got the calculation now. I think it works out to $235,000,000 of increase in money supply at the end of 1947 over the year 1946, on the basis of which this table has been set up in your annual report, previous to 1947 year. So we have that clear?—A. Incidentally, we did not have the information, to publish a table, in its present form until comparatively recently.

Q. Well, I do not want to labour the point, Mr. Towers. I do not want to be at cross-purposes with you on this; but the point I want to bring out now—and I think it is established—is this: that, had you continued to set up this statement of money supply in your 1947 report on the same basis as your 1946, and earlier annual reports, you would have shown not a decrease in money supply but an increase, an increase which I work out at $235,000,000?—A. If we had done that, we should also have taken into account public holdings of government bonds, because if inactive savings deposits are considered as part of money supply, there is just as good a reason for considering government bonds in that same category; so that, either we must look at the total in its present form, I think, or in an earlier form, plus government bonds in the hands of the public to make the thing in any way comparable.

That earlier form was not satisfactory. I do not apologize for it, particularly, because we did not have better information until recently. One of the reasons is that war pressure made it very difficult to keep on with the improvement of the statistical work which we started before the war.

Q. The only point is—I am not criticizing your basis at all—but the only point I would bring out is this: that whereas the statement in its 1947 form would seem to indicate that there was a reduction in money supply at the end of 1947, as compared to the end of 1946, of $52,000,000, if you had continued to set up your statement on the basis previously in effect you would have shown an increase in that year of $235,000,000.—A. I think, to make the two things comparable, it is necessary that the statement coming out in its earlier form also should take into consideration government bonds in the hands of the public.

By Mr. Maybank:

Q. If you had shown an increase in money supply by following the old method of presentation, you would not have been presenting the truth, would you? You would have been presenting a statement that some person might think was the money supply, but which you concluded should not be taken to show the money supply, the inactive deposits and the bonds and so forth?—A. That is right. We felt, too, that to show—to keep the accurate reflection of what took place—that we should exclude the inactive savings deposits and, at the same time, of course, we must have, in the background of our minds, the fact that the inactive savings deposits or government bonds, or certain other things of that kind, can come into the picture of money supply if the people choose that they should come in. But of course, in other countries—take for example in the United Kingdom where the post office and the trustee savings bank are the repository of such a large proportion of the small savings of the people, or in the case of Australia where so much of that type of deposit is in the national bank; they no more dream of including those deposits in their calculations of money supplied than they would of flying to the moon; so we have been trying to get ourselves statistically on that same basis for some time, and we were able to do so last year.

Q. You are familiar with the basis on which the Dominion Bureau of Statistics make up its figures on money supply in Canada?—A. Pardon?

Q. You are familiar with the basis on which the Dominion Bureau of Statistics make up its figures on the money supply of Canada?—A. I believe they are not publishing one at the moment.

Q. Well, I have one here entitled "Cash and money supply" February, 1948 issue of the Dominion Bureau of Statistics, and on page 5, they give the money supply, and they give it for five months in 1947, and also for January of 1948. These are the figures: 1947, January, \$7,545·4 million; February, \$7,555·3 million; October, \$7,618·6 million; November, \$7,554·5 million; December, \$7,660·1 million; and January, 1948, \$7,479·8 million.

The CHAIRMAN: Is that last year?

Mr. FLEMING: That is 1947 and 1948—January.

The WITNESS: Mr. Chairman, Mr. Scott here is more familiar with these D.B.S. figures than I am. I would ask him to comment on that.

Mr. SCOTT: I think the figures that you have been quoting, Mr. Fleming, are put together by the Bureau of Statistics for the purpose of calculating the average rate of turnover of money. Some cheques are drawn on savings accounts and for that reason they have put in there all the savings accounts and divided and got the average rate of turnover. The other publication, the regular monthly Canadian statistical review, I believe now does not actually give the money supply figure. I believe the issue which has come out this year is too soon after publication of the banks' annual report for them to take into consideration the question of the savings backlog. I think it was under consideration.

Mr. THATCHER: Before you proceed, Mr. Fleming, I don't just follow the point you are getting at.

Mr. FLEMING: It is a question of whether the money supply in Canada has been increased within the past year, or decreased.

Mr. THATCHER: Oh, that is what you are getting at.

By Mr. Fleming:

Q. Now, under present conditions, Mr. Towers, who determines the quantity of money in circulation?—A. That is the notes in circulation, in the hands of the public? Notes and coin.

Q. Notes and coin.—A. That is purely determined by the demands of the public.

Q. Determined by whom?—A. By the public themselves.

Q. I know, but who makes the decision as to the quantity of bills that are to be issued?—A. If Joe Smith wants to hold \$100 in his pocket instead of \$50, circulation goes up \$50.

Mr. MAYBANK: And there is a big supply of paper, they can always provide the various Bill Smiths and Joe Smiths with all the money they decide they want?

The WITNESS: That is right. It is waiting in our vaults.

By Mr. Fleming:

Q. So it is the Bank of Canada which issues the notes in response to this combination of Joe Smiths?—A. Yes. That is right. Mind you, of course, Joe Smith has to have some money in order to provide himself with the notes. He may have a deposit in the bank of \$500, and at the same time \$50 cash in his pocket. He may decide to bring his deposit down to \$450 and his cash in his pocket up to \$100.

Q. And you say in your report on page 23, that the Bank of Canada note issue in December of 1947, was \$1,211,350,386, up \$25,148,705 from the year before. Have you got that?—A. Yes, I have that.

Q. Now, to what extent is the Bank of Canada—

The CHAIRMAN: What is your point there, Mr. Fleming?

Mr. FLEMING: I simply want to make a note of the fact that money in circulation being one of the elements in the money supply in 1947, that source actually showed an increase of some \$25,000,000.

By Mr. Fleming:

Q. To what extent is the Bank of Canada concerning itself in matters of policy with the price level in Canada, Mr. Towers?—A. I would say that the extent to which we are was covered in my remarks this morning, which indicated, as do the remarks in the annual report, the feeling that the pressure for capital development was somewhat higher than our manpower and materials could tackle, and that under those circumstances some tapering off would be desirable; to the extent that slightly higher interest rates contributed to that, to the extent that a lack of great ease in getting bank accommodation for that purpose contributes to a tapering off, that would be desirable at this time; but it would be impossible at this stage to say the extent to which these things will actually produce the results that I mentioned.

Q. You have indicated, I think, some things the bank did. What was the purpose of doing these things in reference to the level of prices? Was it to bring about a reduction in the level of prices?—A. If there is some tapering off in these demands and if other things are equal then upward pressure on prices in that field would presumably be reduced.

Q. What is your objective?—A. Pardon?

Q. I am asking about your objective in the basis that you took?—A. The objective was to reduce the pressure.

Q. On the price level?—A. Yes.

Q. And in that way did you seek to bring about a reduction in the price level?—A. I don't know.

Q. Are you content to have arrested the increase? What I am getting at, Mr. Towers—I want to be perfectly frank with you so your answer can be as full as possible—in taking the measures to which you have referred was your objective to bring about an arresting of the increase in prices so as to slow down the rate of increase; or, was it to hold prices at that level; or, to bring about an over-all reduction in the price level?—A. I think to classify it as an objective is going too far. I think that opinions can vary, but that an arresting of the rise in the whole field would be regarded as a good thing. Some fall in prices might be regarded as a good thing provided it did not stem from a really serious business recession, but if I seem to be not very precise in regard to what may be expected it is precisely because this is an area where there are no rigid controls. There are possible influences but what eventually happens depends on the decisions of millions of Canadians as well as on the influences of outside countries. One can use delicate weapons to try gently to produce a result that would generally be regarded as desirable, but what happens after that depends on millions of people.

Q. It is the definition of that result that you were seeking that I should like to get from you, measured in terms of the price level?—A. The result?

Q. The result that you were aiming at in the measures you took.—A. Rather what we thought would be desirable.

Q. Put it whatever way you like. You used the expression the result you were seeking to attain.—A. Well, we believe it would be because, in an effort to do too much in the way of capital development in 1947, competition for scarce manpower and materials exerted an upward influence on prices. The most desirable thing would be that the effective demand for capital development should exactly equal manpower and materials available in which case you would have stability. How one reaches that exact level, having in mind that it depends on the decisions of tens of thousands of people, I do not know. All one can try to do is to exert certain influences in that direction and see what happens.

Q. Would this be a fair way to put it, and I do not want to protract this examination. You were conscious of there being certain inflationary factors at work?—A. Yes.

Q. You conceived the means that you have referred to to be a counter-inflationary or anti-inflationary measure which you took with a view to counteracting these inflationary measures that you mentioned yourself—A. Yes.

Q. Now, in general I suppose our problem is resolved in terms of the old law of supply and demand. I am speaking of our price level now.—A. Yes.

Q. There are some other factors, but broadly speaking it is the old law of supply and demand?—A. Yes.

Q. What regard did you have for the supply of goods—I am speaking now both of consumer goods and capital goods—in reaching the decision that the bank did reach to take what we have referred to as counter-inflationary measures within recent months?—A. Regard in what sense, in regard to stimulating production of consumption goods?

Q. You have indicated some of the factors you took into account, the kind of factors that moved the bank to take counter-inflationary measures. I am asking to what extent you have regard for the quantity of goods of all kinds available to meet consumer demand?—A. Well, the bank cannot in itself stimulate production.

Q. I suppose we can start with this, that we are going to beat this problem of the high and rising level of prices which reflects a scarcity of goods in relation to consumer demand only in the last analysis by increased production, are we not?—A. Yes.

Q. And I assume that the bank in deciding on the counter-inflationary measures that it should take would have regard, or would certainly see that it was clothed with information as to production?—A. Yes.

Q. I was wondering what that information was, or your view of production that you had when you decided on these counter-inflationary measures?—A. We have the same information really as anyone else, what is published by the Dominion Bureau of Statistics and the other sources. Perhaps I should say this, that the capital development which is going on will in due course increase production. That which has gone on since the end of the war is already coming into operation in various sectors. It will continue to do so, which will increase production in the way you have in mind, so that we in the bank certainly were not anxious to see capital development reduced to any greater extent than would help to relieve some of the inflationary pressure.

By Mr. Maybank:

Q. Would you at this point detail some of those capital expenditures that are beginning to bring their results in the production of consumption goods? Are you able to do that at this moment?—A. I cannot; it would require a tremendous list of industries where that had been taking place. Of course, included in the capital development program are housing, public utility developments of provinces, re-equipment of railroads, a thousand and one things of that kind.

Q. Would you be able to give later some answer to that question by way of a memorandum?—A. I think that capital development is classified by the Department of Reconstruction under various headings of manufacturing, public utilities, and so forth. I do not know that that would be very illuminating for the committee because you had in mind specific industries.

Q. I wondered whether you could give a memorandum in amplification of the statement that some of these capital expenditures will, first of all, increase production and, in fact, to some extent are doing so already. I wondered particularly with reference to the last part of that if there was any possibility of it being amplified.—A. I should like to have a look at the possibilities there and see what I can bring.

Q. That is why I suggested you could take a look at the possibilities and then give a memorandum of that sort.—A. I will.

By Mr. Thatcher:

Q. Did I understand you to say it is not desirable from the point of view of the Bank of Canada at the minute to discourage some of this— —A. That it is desirable?

Q. That it is not—A. It would be desirable if the pressure was not so strong; in other words, if the program of capital development was somewhat lower.

Q. In view of this very high level would it not be wise from a national point of view for the Bank of Canada, by whatever method possible, to try to discourage some of that for a year or so?—A. That was what was in our minds in suggesting to the chartered banks that under existing conditions it was inadvisable to finance capital development by expansion of bank credit. The total volume of capital development, of course, will be determined by manpower and materials. If that volume of manpower and materials is sufficient at existing prices to do two billions of capital development, but people try to do three billions they will still only get two billions worth done although it will cost them three billions.

Q. Exactly. In your brief you say that the tremendous rate of capital development did have an upward influence on costs and prices. You are speaking of last year. Instead of just giving advice to the chartered banks why did the Bank of Canada not do something about this? Is there not some tangible way you could withdraw cash from circulation, or go in the open market and take definite steps to curtail some of that?—A. I do not believe there is without running the risk that instead of having a fairly modest reduction in the plans for capital development you have a very serious one.

Q. But certainly the figures would indicate that any steps you have taken so far have not been very successful in getting the banks to curtail their credit? —A. There really has not been a chance to see the results from that yet.

By the Chairman:

Q. Mr. Fleming, before you go on may I ask a question? A moment ago, Mr. Towers, you said to Mr. Fleming, that generally speaking—I do not know whether you said generally speaking—supply and demand was the influencing factor in price levels at the moment?—A. Yes.

Q. Is not that rather a blanket statement in the face of existing controls and other influences, and particularly the world situation?—A. Yes. It is a case that one should have excepted any control situation from the operation of demand and supply but the area of controls of that kind is pretty small.

Q. Of what effect would have been the things we are discussing here, butter and rentals, for instance? To what extent would they be really serious factors? —A. Rentals would be a serious factor.

Mr. FLEMING: About this problem of supply—

Mr. WINTERS: Are you going further with this matter of capital development, Mr. Fleming?

Mr. FLEMING: Yes.

Mr. WINTERS: I would like to ask a question on that matter.

By Mr. Fleming:

Q. I want to lead to that. Mr. Towers, you started with the information supplied by the Dominion Bureau of Statistics. In measuring the volume of production, and the measures you are proposing to take to meet the problem of supply and demand, are you taking account of the movement in price levels? A lot of these statistics regarding the volume of production do not seem to take into account the steadily falling value of the dollar.—A. I do not think that aspect of the thing enters into or affects the decisions we have taken but other matters do. Certainly, in the monetary field, there is no obstacle to increase in production. In other words no one who has a legitimate need for credit finds any difficulty in getting it for current productive purposes. I am speaking now of a factory which is completed or a business which is in existence. The capital development end has a peculiar significance in the general domestic price situation. It has the same significance that war expenditures had during the war. War expenditures were for things to be shot away. They could not be used by the civilian population. The people who made those things were not using them and they were creating nothing which would mop up the purchasing power because the shells were designed for the other side of the ocean. Similarly, with capital development, those who are working on the factory are receiving income but the factory is not producing anything.

Q. Is it the policy of the bank that capital development at the present time should be discouraged because of its inflationary effect?—A. Discouraged, but not by drastic action. There is very naturally a preoccupation at the present time with rising price levels and some of the problems of high employment, but perhaps these are not as serious as the preoccupations which existed during the 1930's and right up to the time of the war. In anxiety to avoid further increases in prices—an anxiety which I fully share—I think one should be very careful not to take such drastic action that we will be crying out of the other side of our face.

Q. You are thinking of possible unemployment?—A. I am.

Q. How long has it been the policy or view of the bank that capital production should be discouraged because of its inflationary effect?—A. It would be desirable that there should be some over-all tapering off. That started to become a concern in the latter part of 1947. Hindsight is always a good thing. Perhaps it should have been a concern before that but if we look back at the time from the finish of the war it may help. What was the great concern just as the war finished? It was that the tremendous transfer of workers from war jobs to peacetime jobs and of the men and women in the forces to civilian employment should be accomplished. Having in mind the numbers involved that looked like a rather terrific problem. I think perhaps the transition has been accomplished more successfully up to this point than anyone would have dared to hope in May or in August of 1945. I think through 1946 internal pressures arising from capital development as distinct from external pressures and higher prices were not serious. The big jump in capital development expenditures took place in 1947. It is only when a thing like that is under way that one can obtain the figures.

Q. Since the latter part of 1947 then the Bank of Canada, has, a matter of policy, not approved of capital expenditures or any encouragement to that end? Is that a correct statement?—A. Our feeling towards the end of 1947 was that the thing was going somewhat too fast, and that was reflected in conversations which we had with the banks at that time although it was not until February of this year that we strongly expressed the view that bank financing of capital expenditures was not desirable.

The CHAIRMAN: Were you not concerned last winter with the possibility of the lessening of Canadian credits to other countries there would be a great danger the expansion would not be proceeded with sufficient despatch? Did you not point out that to the Banking and Commerce committee last winter?

The WITNESS: I do not recall having done so although I may have. It is the case certainly up to last autumn the prospects for E.R.P. were still somewhat uncertain. If, and this is one of the "iffy" remarks President Roosevelt used to talk about, if E.R.P. had not gone through then I hesitate to think what the present situation would be. Certainly we would not be talking about higher prices.

By Mr. Winters:

Q. May I interject a question there in connection with this matter and ask Mr. Towers if he does not feel that at that time in order to curtail the program of capital development the banks might have framed a national policy which arose out of conditions which were substantialy prevalent only in Ontario and Quebec?—A. I find it very hard to answer that question.

Q. It might appear that way but take for example the maritime provinces. I understood you to make the statement that anyone who wanted capital could easily get it from the banks. It seems, from what experience I have had and experiences which have been related to me, that condition does not obtain in the maritime provinces?—A. I should have said that the question of credit risk enters into the picture materially. It was because there were sufficient credit risks which were good that there was a substantial amount of capital development in 1947.

Q. Which would seem to me to indicate that the matter of allotting capital for capital development amounts to a pyramiding set of circumstances. Where there is development it is easier to get capital for further development, but in undeveloped areas it is more difficult to get the capital to develop the area, and a national program does not seem to be flexible enough to compensate?—A. In expressing this view to the banks which I mentioned on various occasions, I excepted the prospective small borrower who even under conditions in the past could not have expected to get his requirements by means of an issue in the general market. We made an exception in that case. That is only a partial answer because there is a larger one as well which you may have in mind.

I am inclined to think that so far as the banks are concerned, if they believe that the prospective borrower has a reasonable chance of success—here I may be going to utter heresy—they would lean over backwards to say yes in the maritime provinces.

Q. Perhaps it does not appear that way. It seems to me they measure the prospect of a reasonable success by the history in the field. Where the history in the field has not been good, they say the prospect of success would not be good?—A. That would have a bearing, no doubt.

Q. It seems to me that is the way they judge prospects, and it has always seemed to the people in the maritimes,—I speak for the maritimes but it may be the same in the west,—that these policies are framed according to conditions in Ontario and Quebec.

Mr. THATCHER: We feel similarly in the west, Mr. Winters.

Mr. WINTERS: My own feeling is that it is right, that capital for industrial development is pretty hard to get in the maritime provinces.

Mr. THATCHER: And in the prairies.

By Mr. Fleming:

Q. You said a moment ago that about the middle of February the Bank of Canada definitely advised the chartered banks that you thought they should discourage capital development?—A. I should like to put it a little differently, again without wanting to quibble—

The CHAIRMAN: That is the second time you have used that phrase. I do not think he said, "discourage capital development". It is a question of the proper tapering off.

The WITNESS: We expressed the view that the financing of capital development by the expansion of bank credit was undesirable. I believe the banks thought that the views which we expressed had substance. Now, whether or not that will reduce the volume of attempted capital development, I do not know. I do know that, to the extent that view is shared and put into effect, it does mean that the fair-sized or larger organizations requiring funds would have to obtain them from the source which was a normal one up until a few years ago, that is from the general mass of investors in Canada.

Q. That was the view of the bank in the middle of February last. Your purpose was to ask the banks, in turn, to discourage the use of bank credit for capital expansion?—A. That is right, so that it could be financed to a greater extent from the savings of the people rather than through the expansion of credit.

By Mr. Harkness:

Q. On that very point, it is not the function of the chartered banks to finance capital expenditures which are long-term financing operations and which normally do not come within the credit facilities extended by the chartered banks?—A. That is true. Up to 1945, the amount of that type of business which the chartered banks had undertaken was very small. They may have bought short-term industrial bonds on the market, yes. The thing of which I am thinking is the purchase direct from the borrower of a serial bond issue for industrial development.

Then, in 1944, the Industrial Development Bank Act was passed. It is from that time that the change in chartered bank policy dates, although some of them have said that they regarded it as a sort of transitional thing. Having in mind the reconversion from war, they thought it would be desirable that, within certain reasonable limits, they participate in reconversion without having in mind the carrying on of this policy indefinitely or for very large amounts.

Q. If these chartered banks keep a liquid position, they cannot really finance to a very great extent these longterm undertakings, can they?—A. That is right.

Q. It necessarily limits the amount of credit they can advance for capital expenditures?—A. It does. My impression is that, even before the conversation we had in February, there were those who were feeling they had done about enough.

By Mr. Fleming:

Q. You have indicated the view you expressed to the chartered banks in the middle of February of this year. You expressed a similar view to the government?—A. Yes.

Q. Because it was just around that time, I think it was actually February 15, that the Minister of Reconstruction announced the provision of special rates on depreciation to companies for income tax purposes which embarked on a reconversion program in which it was estimated they would invest $1,400,000,000. In order to obtain the benefit of these special rates of depreciation, they were to make the investment before March 31, 1949?—A. I do not remember the exact timing or the extent of the thing or just what the reason was. It was an extension, was it not, of an earlier arrangement?

Q. It was issued as a new basis of depreciation for the purpose of encouraging 4,000 Canadian companies to invest $1,400,000,000 before March 31, 1949, in a reconversion program?

The CHAIRMAN: That is February 15 of this year.

Mr. FLEMING: Yes.

The CHAIRMAN: Did it not have something to do with trying to create exports?

The WITNESS: I cannot remember, Mr. Chairman. In any event, someone else would be much better qualified to answer any questions relating to that than I am.

The CHAIRMAN: It must be tied in with the government's policy of trying to meet the dollar shortage situation.

By Mr. Fleming:

Q. Well, the witness, I take it, cannot help us on that?—A. I have a notion it was just an extension of a post-war arrangement and that it did not relate to fresh enterprises but rather to the finishing up of ones already under way. However, please do not take that as gospel because I am not sure.

Q. In any event, it would appear, I say this for your comment, that this is the very thing you were, as a bank, urging should not be done and trying to prevent the chartered banks from doing?—A. That would not be the case.

The CHAIRMAN: There is no basis for that kind of observation.

The WITNESS: I may be wrong in thinking it did not relate to new enterprises which started after that date. But if I am right, then, it has not got the effect you mentioned. I have a notion it related to people who had been delayed in getting ahead, who got their certificate from the department but had not been able to finish up by the zero hour and that the tail end of their expenditures was, therefore, covered. I think that is the case.

Mr. FLEMING: That is something into which you may wish to look, Mr. Towers, because certainly the statement did not say so. You indicated as one other measure—

The CHAIRMAN: Have you got the statement there?

Mr. FLEMING: I have not got it here in a form which I should like to pass over to you.

The CHAIRMAN: I think it did the very opposite thing to what you have said.

Mr. THATCHER: I have that book here.

The CHAIRMAN: Let me see it.

By Mr. Fleming:

Q. You indicated one of the other counter-inflationary measures which the bank took had to do with the change in the rates of interest on government securities, by reason of the withdrawal of market support for the Dominion of Canada bonds?—A. Oh, there was no withdrawal from the market.

Q. Did I say a withdrawal from the market? I meant to say a withdrawal of support?—A. There was a little confusion there because for quite some years the Bank of Canada had been giving the banks and dealers, every morning our bids and offers on all dominion government and guaranteed bonds. We started that, I think, as long ago as 1938, because at that time we were not in very close touch with the market. We thought it would make our touch closer. By January, when this other move took place, we felt that our volume of transactions was increased to a point where the giving of bids and offers every morning was not necessary. The two things coincided, that is the drop in prices and the change in our practice, but the change in practice is not the thing which had the real bearing on market levels.

Towards the end of 1947, partly because of domestic requirements for cash for capital development and other things, and partly for psychological reasons, that is the fall in the bond market in the United States and in the United Kingdom, the volume of offerings became distinctly heavy. At that point, and having in mind that government purchases for redemption are an important factor, it was felt desirable to reduce the price at which such purchases would be made.

Q. Well now, in your statement—

By Mr. Thatcher:

Q. Would you clarify that—excuse me. I have not got that quite clear. Did you say, then, you did not take that step in order to increase interest rates?—A. You mean, ceasing our daily quotations?

Q. Yes.—A. No, that was just a question of technique; they could have been ceased, and yet the prices being paid on debt redemption could have remained the same.

Q. Does that agree with what the minister said in his budget speech? I think he said that the Bank of Canada took that, subject to increased interest rates?—A. Not that particular subject, no. That was market technique.

Q. It says that the Bank of Canada permitted market forces to bring about some increase in the yield of government securities, and this increased the interest rates at that time?—A. That is perfectly true.

Q. How do you reconcile the two statements?—A. Perhaps it is a bit confusing; but, as I say, the bank had been accustomed to publish quotations—not to publish them but to give them to the dealers and the banks—every morning; we took advantage of the other change that was taking place, the change in the interest rate, to cease that practice; and instead we now operate as follows: we ask the bank or dealer which wants to buy or sell bonds from us to make us a firm bid or offer which we accept or reject; but we have not got every day an outstanding list of prices in the hands of the trade.

Q. But the net result has been to raise the interest rates?—A. No, it was the decision in another field which did that, because we could have operated on the new method but accepted offerings at the old price.

Q. It is a coincidence that the interest rate went up the next day?—A. No. Here is the real case: we had been wanting to make that change in practice, but we thought that it might somewhat disturb the market if we did so. However, the market was going to be disturbed anyway, so we took that opportunity to change.

By Mr. Fleming:

Q. At the bottom of page 3 of your statement this morning you referred to that part of the budget speech, and you said:

> In January and February of this year as the Minister of Finance mentioned in his budget speech, market forces were permitted to bring about an increase in the rate of interest on government bonds.

A. Yes.

Q. It was permitted by whom?—A. Permitted by the Bank of Canada.

Q. Now, that permission took what form? What is the thing that led—the thing, on the part of the Bank of Canada, which led to the rise in the rate of interest on government bonds?—A. As I mentioned before, the cash surplus of the government, the over-all cash surplus that I referred to this morning, has been used for debt reduction. Some of it, as the minister pointed out in his budget speech, was used to redeem bonds held by the banks as they matured. Another part was used for purchasing the longer term issues, and the government buying in that form, has had quite an important influence; it has had a very definite influence at times, when the general public, corporations and others were net sellers.

Therefore, the price which the government is willing to pay for those bonds which it buys is an important factor.

Q. You were supporting the market?—A. The government was using its funds to redeem debt; and the price it was willing to pay for that reduction was an important factor.

Q. The important factor in supporting the market?—A. Yes, at times.

Q. Yes. Then there was conscious action on the part of the government and the Bank of Canada in January and February to withdraw that type of support?—A. No, I would not say it was a withdrawal of support; it was, the case at that time, that the net selling on the part of the public increased; and, having in mind the volume of offerings, and also having in mind that there was no economic reason against a modest increase in the interest rate at this time, it was considered wise to reduce the price which the government was willing to pay for those redemptions.

Q. And that led to the fall in the market price of government bonds with a consequent rise in the interest yield?—A. That is right. And, as I mentioned before, it was a time when psychological factors were entering into the situation as well as a real desire to get cash from the sale of bonds.

Q. That was conceded to be a counter-inflationary measure?—A. Not of great magnitude, as the minister indicated in his speech; but, to the extent that it has any influence, that influence is certainly in the right direction.

Q. In the direction of counter-inflation?

The CHAIRMAN: I think we had a reference made a little while ago to an apparent inconsistency between the points of view expressed by the governor of the Bank of Canada today and the statement of the Minister of Reconstruction.

Mr. Thatcher has kindly handed to me the white paper of the department, which is dated November 1, and is published by the department under the authority of Mr. Howe.

> Special depreciation provisions became effective November 10, 1944, and were first limited to projects commenced on or after that date but completed before December 31, 1946. The period was extended first to March 31, 1948, and later to March 31, 1949, with the proviso that all applications for special depreciation had to be filed with the Department of Reconstruction and Supply before March 31, 1947. Since the special depreciation provision was designed only as a transitional measure to aid in the conversion, modernization and expansion of industry, its purpose appeared to be accomplished as the reconversion period gave way to a period of long-term adjustment of Canadian industry to changing domestic and foreign markets. With regard to investment projects commenced before November 10, 1944, or completed after March 31, 1949, the special depreciation privilege was extended to such expenditures on plant and equipment as were made within the period, with ordinary rates of depreciation chargeable to expenditures made outside the period. Special depreciation was also approved for installation costs of plant and equipment built or acquired prior to November 10, 1944, even though the building or acquisition costs of the asset itself were not eligible.
>
> Basically, special depreciation provisions were designed not only to encourage a particular type of investment but also to influence in some measure the timing of these expenditures. The provision was not a measure of control but rather an instrument of persuasion and guidance. As such, its effects were limited, for business enterprises that wished to go ahead without making use of special depreciation privileges could do so if they could obtain supplies. Those businesses desirous of obtaining the benefits of this provision were subject to some guidance in terms of timing by tying approvals to a suggested date of commencement of the investment project.

By Mr. Fleming:

Q. I do not think that you and I want to argue about it; but this announcement had the effect of extending the time until March 31, 1949, for the capital investment program.—A. I do not think it did so for new ones; but there again, it is someone else who would have to answer.

Q. Well, we will get that from another source.

The CHAIRMAN: There was a time limit placed so that the project would be proceeded with at the moment that it would contribute to a higher level of employment.

By Mr. Harkness:

Q. Is there any distinction as to whether it was for new projects or to increase facilities for already existing plants? I cannot see there was any distinction, as far as the funds going into capital expenditure are concerned. —A. I also included expansion of existing plants when I said "new"; I meant pieces of construction which had not yet started, whether they were new plants or additions to existing ones.

Q. That is, it was not provided for public projects; it included extensions and so forth?

The CHAIRMAN: Oh, yes, but the element of timing was there.

Mr. THATCHER: Are you saying that you can only have these projects now if they were started before March 31, 1947, without a special permit? Can you not start one at the present time?

The CHAIRMAN: With regard to this application for depreciation—

Mr. FLEMING: In order to qualify for the double depreciation, you have to have your investment made before March 31, 1949; and the announcement at that time had the effect of informing the public that March 31, 1949, was your deadline. Therefore, if you wanted to get the benefit of your double depreciation, you had to proceed forthwith with your reconversion.

Mr. THATCHER: It had to be started by March 31, 1947.

Mr. FLEMING: No. The investment had to be made before March 31, 1949, in order to get the benefit of the double depreciation.

The WITNESS: I had the notion that it had to be started by 1947, but I may be wrong.

Mr. FLEMING: March 31, 1949, is the date by which your claim to double depreciation must be made, by reason of your investment prior to that date.

I shall hurry along, because I have not been making very rapid headway here.

You will recall the statement that was made last October, Mr. Towers, as to how far the Canadian cost-of-living index was likely to go. The November statement, at that time, October 10, was that while it was then 139·4, it was likely to go to 145 and to settle there, to stabilize.

We now know that it has gone to 151 and it does not seem to be stopping. Has the Bank of Canada an interest in this continued rise beyond that expectation of October last, or has it measures in contemplation of a counter-inflationary nature?

The WITNESS: We have a deep interest, both as an institution and as individuals; but I cannot think of any measures that we can take, from a monetary point of view, to arrest it, other than the type of thing in the capital development field which we have attempted.

Mr. FLEMING: We come down to this, then, that so far as the Bank of Canada is concerned, we might not look to the bank to apply any further restraining force on this upward movement of price levels, or any other counter-inflationary measure except this discouragement of capital investment program. Is that a fair way of putting it?

The WITNESS: I think that is a fair statement, unless one visualizes really drastic action, which I do not visualize. And I would not, for a moment, say that the capital development program is all-determining in the matter of prices. Prices in other countries, wage rates, the size of crops—there are a thousand things which enter into it—the Bank of Canada cannot determine wage rates, it cannot say what prices are in the United States or in England, or what crops are going to be. So, if I appear to be lacking in a solution for the high cost of living it is because I am speaking from the monetary point of view, where any influence which can be exerted makes only a very modest contribution towards the final result.

Mr. FLEMING: I was only asking what the Bank of Canada could do to exert a counter-inflationary measure, and I think we are clear as to your answer that, apart from drastic action, you cannot do anything more than to discourage this capital investment.

The WITNESS: Other than trying to put it in a position where it is drawing funds from the savings of the public rather than from the banks.

By The Chairman:

Q. You put the external factor first and, I take it, you would agree with Mr. Taylor of the Prices Board that that possibly is the major factor?—A. I would say that it certainly is.

By Mr. Fleming:

Q. That statement, Mr. Towers, may come as a surprise to some people who are led—not through any statement of yours—to expect that the Bank of Canada would be able to exert pressure with a view to levelling out the humps and hollows of economic activity in business conditions. You have taken care to print the preamble of the Bank of Canada Act at the beginning of your report and I would just like to read it.—A. It filled me with horror but it appealed to my colleagues.

Q. May I read it:

> Whereas it is desirable to establish a central bank in Canada to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of the dominion: Therefore, His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:, . .

Regardless of what the preamble says, as things stand now, the only hope you can bring us that the Bank of Canada will be able to exert counter-inflationary measures would be—apart from what you call drastic action, which you do not intend to take—would be the discouragement of capital investment programs. —A. In that I would be repeating myself. We would try to divert the demand for funds for capital purposes to the general investment market, which funds represent general public savings rather than the expansion of bank loans.

Q. And that comes down to demanding that the chartered banks do not loan money for purposes of capital investment.—A. Yes, except perhaps in the case of very smallish concerns, or to finish up something already underway, or in some very unusual circumstances. But of course the central bank does not live, I hope, in a vacuum. There are many other things going on within the country which affect the general situation and price levels. The fiscal policy of the government comes into the picture. The exchange policy comes in; and, of course, so do such direct controls as it may be found necessary to put on.

Q. As to that point, those are all matters in the realm of government policy?—A. They are, yes; but, as I say the central bank is not living in a vacuum. That famous preamble of ours uses words which taken by themselves picture an institution apart which by itself can accomplish very considerable things, although of course it is limited by those words "within the scope of monetary action".

The CHAIRMAN: It has no more value than any preamble.

By Mr. Fleming:

Q. Then, has the bank in the course of its studies of this problem reached any conclusion as to how far the price level is going to go?—A. No.

Q. You are not in a position to comment on that?—A. No, we are free of any prophesy in that respect, and I propose to remain in that condition.

Q. This morning you made the observation that when controls were applied in 1941, that was postponing the trouble. Would you mind enlarging on that observation, please?—A. That is the way it necessarily turned out; and that, of course, could have been predicted at the time by anyone who foresaw that the war would last until 1945; but it was postponing it I believe to the great benefit of the public and of the war effort. To the extent that a runaway situation was averted during those years, I am sure that our war effort was much more effective than it could otherwise have been; nor did the action at that time mean that our people are worse off than they would have been if price ceilings had not been put on. That is obvious as one can see by looking at other countries of the world. If during those war years, our prices had gone up 30 or 40 or 50 per cent that would not have meant that we would have avoided further substantial increases after the end of the war. What I meant by saying postponing, was that price control did hold things so stable that we could not hope in a post war period to maintain that degree of perfection. There had to be some catching up with higher costs. And, of course, there often had to be a reflection of higher prices in other countries. In the last annual report of the bank I have expressed this view (this will be found on page 20, of the report):

> Short of substantially appreciating its exchange rate and increasing its taxation, no country could have insulated itself completely from the world-wide rise in prices. Theoretically it might be contended that this could be done by means of direct controls, but these would have to be very much more rigorous and complete than those of wartime, to say the least.

Q. And that is the next thing I was going to ask you. I was going to ask you if you would comment on that observation in your report, particularly the last sentence.—A. The last sentence?

Q. Yes.—A. Well—

Q. Questions have been asked in this committee from time to time about the restoration of controls as a means of pushing down the high level of prices? —A. The controls which I have mentioned here would not be the ones which might be directed to a particular situation or a particular commodity but would be the over-all system such as existed during the war. It is difficult enough during wartime when the civilian economy takes second place and when there is a patriotic support of what is being done. In war time too other countries were maintaining controls which were very helpful for us—particularly those in the United States.—But to maintain price control alive so to speak without any controls in the United States and in a much more complicated civilian economy where all our workers are engaged on civilian enterprise would present infinite difficulties, and a control which is trying to contend with great difficulties is by definition one which has to be more rigid, and rigorous and go further than one which is operating under more favourable circumstances.

Q. Does that add up to this: If there were an attempt made to reduce the level of prices by resort to controls would they have to be a very different type of control, very much more drastic, than those we had in wartime?—A. I would think so, yes.

Q. Would you need to have an over-all control?—A. Yes. If you didn't start off that way it would very soon become that.

Q. You could not apply it to just some commodities?—A. I hesitate to say you could not apply it to yoyos without going beyond that; if you see what I mean.

Q. I mean that is an extreme case?—A. Yes.

Q. We are speaking now of action to reduce the general price level.—A. Then I think it would have to be an over-all affair.

Mr. THATCHER: Mr. Chairman, might I interject?

The CHAIRMAN: It is not a question of interjection. I think Mr. Fleming has about exhausted his questions.

Mr. FLEMING: I would like to thank members of the committee for their forbearance.

The CHAIRMAN: I think you put in a very useful series of questions.

By Mr. Thatcher:

Q. Just on this matter of controls, Mr. Towers, I understand that several days ago, or several weeks ago, in the United States the President's economic advisory committee recommended that price controls be reimposed down there. Have you that information?—A. I think I have a newspaper clipping here, or I did.

Q. I have it here if you have not. I was wondering now if in the United States it is not likely that with their $14 billion rearmament program and with the European Recovery Program, is it not likely that for the rest of the year there will be a much greater inflationary tendency in that country?

The CHAIRMAN: My goodness, Mr. Thatcher, haven't we enough difficulty without going out of our way to bring that in?

Mr. THATCHER: Just a minute now, if that economic advisory committee in the United States is predicting that; if, in the United States they are going to reimpose controls, or if they happen to put controls on, would not that change the situation in Canada? Would you not need a like situation in Canada?

The WITNESS: In the hopes that I will not be reported in the United States—I am sure it won't be because it would be of no interest to them—I think the chance of their reimposing those controls in the United States in the foreseeable future is zero.

Mr. THATCHER: Well, that may be, but the economy advisory committee have recommended it.

The WITNESS: This is the time of year, shall I say, when proposals are sometimes made rather casually for the sake of public consumption.

Mr. THATCHER: Because there is an election there?

The CHAIRMAN: I do not think you should ask that.

Mr. THATCHER: All right, Mr. Chairman; I will refrain from that.

By Mr. Thatcher:

Q. In your evidence this morning, Mr. Towers, you stated that Canadians today are not buyers of bonds, did you not?—A. I said that the public as a whole, corporations and individuals, had been net sellers.

Q. Net sellers?—A. Yes, not on a large scale.

Q. Would you tell the committee how you arrive at that conclusion? Have you definite statistics?—A. We have. We only bring them up to date periodically because they require a fair amount of work. When we look at the amount of dominion government bonds outstanding, at the amount held by the chartered banks and by the Bank of Canada or by government account, we then say that the balance is held by the public. The annual report on page 37, has these calculations.

Q. Then would it be fair to say Canadians today are being forced to liquidate their bonds in order to meet the higher cost of living?—A. It is conceivable that some individuals are doing that. I would not take the figures as a whole to show any important move in that direction. The amount of bonds held outside the banking system and the government went down, according to our estimates, $420,000,000 in 1947. On the other hand inactive notice deposits, the true savings, went up nearly $300,000,000. So that the reduction of those two things combined, public holdings of government bonds and savings, was down $130,000,000.

Q. It would seem on the surface— A. If I may add one thing more, the tables of national income and gross national product do show, of course, continued substantial savings by the public, but those savings can take various forms, saving accounts instead of government bonds. There is some movement of that type. Moreover, some of that selling is undoubtedly selling of bonds by corporations which had bought them during the war to finance their post-war capital development.

Q. There is one other point that you mentioned this morning that I would like to have clarified if you can. It has to do with the credit which is put out by the commercial banks. It is indicated in your statement that last year they increased by $461,000,000 their loans for capital additions and improvements. I still cannot get it in my mind why the Bank of Canada cannot lessen that in some way?—A. The increase of $461,000,000 that you mentioned—that is in the Canadian loans—would have been almost entirely to finance inventories and receivables. The financing of capital development would in the main have taken place through the purchase of serial bond issues and would appear in the balance sheet under the heading of "other securities" rather than loans. The increase in that item, excluding provincial and municipal, in 1947, was $147,000,000 mentioned at the top of page 6.

Q. Yes, that may be; but it is government policy not to have government investment in that field. Therefore why would it not be sensible that we should not have private investment in that field?—A. Stop it entirely?

Q. Not completely, but you yourself have said today it is your policy to taper it off.—A. It would be desirable to taper off a bit.

Q. But you have stated you are not taking any effective action to do that. I think you said you consulted with them and advised them to be conservative?—A. No.

Q. I thought the function of a central bank— A. No, we did go further than that in February in respect to these purchases of bonds for capital development. We thought it was undesirable that should be done by expansion of bank credit. That was in February. There is not time yet to see what the results in that field will be. I would expect one might have a better indication in the course of two or three months but not yet.

Q. In other words, as far as the bank is concerned you are just prepared to let it drift along and find its own level?—A. Not quite; I do know that since that discussion in February that I have heard personally from at least twenty prospective borrowers of some size who have said that they had found that the banks were not entertaining applications of this kind in the way in which they had before.

Q. In the war years just how did you funnel investments?—A. Did not do a thing about it so far as the Bank of Canada was concerned. It was not necessary. The controls exercised by the Department of Munitions and Supply meant that people who wanted to expand factories for non-war purposes would have a pretty difficult time doing so.

Q. Is there any similar department working today under this import-export embargo? Maybe the chairman can point that out.

The CHAIRMAN: There is, not to the same extent, but there is in the very fact export permits are required and import permits. There is a form of control that is levied.

By Mr. Thatcher:

Q. I wonder, Mr. Towers, if you think it would help this problem of inflation if consumer credit was curtailed? That is consumers buying on time, measures of that kind. Would that be any help or would that be not significant enough to worry about?—A. I believe the Dominion Bureau of Statistics is struggling to be able to produce figures as to what goes on in that field, but they have not got them yet, so I cannot talk in quantitative terms.

The CHAIRMAN: You mean small consumer credit?

Mr. THATCHER: Yes.

The WITNESS: Instalment finance. Incidentally, if anything were done in that field, it is a provincial matter. I do not believe the dominion government would have authority. I say that as a layman and subject to correction.

The CHAIRMAN: Only in so far as interest charges are concerned.

By Mr. Thatcher:

Q. There is one other point I was not clear on from your report and your statement this morning. When our reserve of American dollars got very low —I think we got down to $500,000,000 or somewhere around there—we had to go and make a loan of $300,000,000 in the United States. What was the reason for that?—A. Insurance.

Q. How do you mean insurance?—A. The $500,000,000 was very low. There was a program being put in operation which it was hoped would arrest the decline, and even with luck later on enable some modest re-establishment of reserves. However, these things are, and still can be, subject to disappointments. For example, if which, God forbid, we should have a crop failure this year I do not know what our picture would look like in the twelve months commencing September. Therefore it was considered extremely desirable that we should not be so near the bottom of the barrel as $500,000,000 represents, and there should be the insurance of having this extra credit available in case of need.

Q. Now that we are back up to $600,000,000 will we still have to borrow the rest of the loan, or will we perhaps be able to avoid borrowing?—A. That would be a matter of government policy. I should think, without being able to speak for the government, that every one would want to see this thing a little further along to appraise better how we are going to get along before finally making up his mind as to whether or not the whole amount should be borrowed. Crops, as you know, are a very important factor. A big wheat crop, assuming it was readily saleable, would have quite a bearing on our situation. Conversely a poor one would have a bearing in the other direction.

Q. Have you any suggestion to this committee how prices can be brought down by voluntary methods?—A. No, sir.

The CHAIRMAN: Why did you say by voluntary methods?

Mr. THATCHER: I presume they can be brought down by controls but I was wondering if there was any voluntary way.

By Mr. Thatcher:

Q. You would suggest we will have to wait until production catches up with demand?—A. Yes, I would. I think there are various ameliorating things such as the ones we have been talking about earlier in the field of capital development which can make their contribution, but the essence of the thing certainly is the catching up of production.

Q. Do you believe that very high taxation is a good way to meet inflation? I do not wish to embarrass you with that question. I do not know that it is a fair question. I listened to the Minister of Finance go into the subject the other night, but I just did not follow his reasoning. If you can clarify it I would like to have you do so, but I am not trying to embarrass you.—A. I think I would like not to speak to the point of very high taxation but rather of budget surplus. I think there is no question a budget surplus is an anti-inflationary factor. If instead of a surplus—I will not take actual figures—of $300,000,000 in a year the surplus was zero, then it does mean that someone has just that much more to spend. If they try to spend all that, other things being equal, they will put prices up against themselves, and will be no better off. So far as price increases are concerned they may find that prices go up to certain levels but do not go back, in which case they have not only not secured the additional goods which they hoped to secure but they also reduced perhaps permanently the value of such savings as they have. Mr. Fleming said some of that extra money would be saved and set aside and would not enter into the market to put up prices but having in mind that we live, fortunately, in a nation of human beings, I am inclined to think that unless those funds were reaching the hands of people who were pretty well off, most of it would be spent and the results would be the disappointing ones which I have suggested.

Q. There is one final question which I have to ask of Mr. Towers. Do you think today in Canada the fact that chartered banks are lending more than they have ever lent before is having an inflationary tendency or do you think they are exercising caution? In other words are they making loans which are increasing this inflationary spiral?—A. I think they are exercising caution and if I might turn again to the increase of $461,000,000 loans I would say that would be almost entirely for the financing of current requirements of business.

Mr. HARKNESS: Inventories?

The WITNESS: Inventories and receivables. I just do not know how business would carry on if it could not get that financing. Let us say not every one of these loans is perfect, and there may be some where the manufacturer or merchandiser is carrying too much inventory. I do not believe those cases are numerous but if the merchandiser cannot get that financing what does he do? He has got to reduce the volume of his business. He then reduces the amount of goods coming to the public and perhaps that has an inflationary effect rather than the reverse. It is true that during the time of accumulation of inventories there is a certain inflationary effect because the goods have not reached the public, but I do not know of any way to avoid that. The merchandisers have got to be able to buy in proportion to the volume of business which is being done by the public.

Mr. THATCHER: You do not think they are accentuating this boom by lending too much?

The WITNESS: No, I do not. I certainly do not think that is the case in the loans for current purposes. I do not think it was the case to any noticeable extent in the loans for capital development, but I would be glad to see that particular type of loan or purchase of securities by banks tapered off to a very modest amount.

Mr. KUHL: I have heard the statement made in the House a few times that there is a certain amount of unemployment here and there in the country. As long as there is a certain amount of idle labour it can be hardly possible that there is an over-expansion of credit.

The WITNESS: If it is a pocket of idle labour and elsewhere there is a shortage of labour compared with the demand I think the situation is different.

May I just add one thing more? It is the case that during the 1939 to 1945 period there was no increase in bank loans. Much of the production was for war effort and that was being financed by the government, and in this reconversion period when the civilian supplies are really coming forward it was inevitable that a substantial amount of bank financing would be required.

By Mr. Zaplitny:

Q. Mr. Chairman, if we refer to the first page of the statement made this morning, there is mention there of money supply. I would like to ask a question or two in connection with that matter and to begin with, is it the policy of the Bank of Canada to make a deliberate attempt at any given time to relate the amount or volume of money to the actual production of goods in services in the country at that time?—A. I think one has to have a starting point for that kind of thing. Our starting point was 1934 to 1935 to be exact. Those were times of unemployment. We had, year by year to 1939, increased the money supply by indirect or deliberate action. It was a case of lowering interest rates and making it easy to float security issues or to borrow. It opened the door. We cannot make people go through the door. It created a favourable atmosphere and that was the most which could be done. From 1939 to the end of the heavy war expenditure period as I explained in my initial remarks, assuming the best possible was done in taxation and inducing people to save, then the balance had to be obtained by increasing the money supply, although no one desired that to happen. It was a residual element in the war financing.

Q. In other words, Mr. Chairman, there is no conscious or deliberate attempt to keep in balance at all times the volume of money supplied in relation to the actual goods and services that are produced in a material sense?—A. There is no rule of thumb. If there is certain unemployment and business is slack it is desirable that borrowing facilities should be made easy in the hopes that someone will use them. If on the other hand, and assuming there is not a war going on, the pace is getting too fast and furious then such steps as are practical may be taken to discourage—but again without any rule of thumb.

Q. Is it not a fact in times of what is called a boom such as the present time when, as a matter of fact, there is not the necessity for increasing the money supply, that is exactly the time when it is most easy to do so because that is the time in which we sometimes say there will be more risk capital or venture capital in fields of production? On the other hand at a time like that described a few minutes ago, during a depression, it was not possible to expand the necessary money supply even though it was desirable because people were not inclined to take risks due to the fact the depression existed. There is a weakness there it seems to me and I wonder what Mr. Towers' views on the subject are? I wonder if the Bank of Canada with its present powers is able to exert an influence on the money supply when it is needed rather than at a time when it is not needed?—A. It is obvious that in a boom the pendulum does swing too far in the direction of credit expansion whereas in a depression it swings too far the other way. In a depression one cannot force people to borrow and in a boom time one can exercise somewhat of a dampening influence but aside from drastic action you cannot cut them all off.

Q. In the two tables filed this morning it showed the national income in dollars as compared with the income in 1939. I have not got the actual figures but roughly it was 260 per cent. Now in your opinion, Mr. Towers, does that represent the actual increase in production of goods and services to a comparable percentage?—A. You are comparing the year 1938-39 with 1947?

Q. Yes.—A. During that time the gross national expenditure is more than double—from \$5 billion odd to \$13 billion. One would have to make a price index calculation but it represents obviously a very substantial increase in physical volume, although not two and a half times.

Q. Would it be fair then to assume that the difference between the actual increase in production of goods and services as compared with the increase in money supply would be the extent to which we have inflation at the present time? I am speaking relatively as compared with 1939? The difference between the increase in money supply and the actual increase in production of goods and services would indicate the degree to which there has been inflation, as compared with 1939?—A. No, you cannot tie the two things together in a mathematical way because there was a pretty substantial increase in the money supply between 1935 and 1939 and prices did not go up. What people do with the money they have is extremely important. In other words, is it lying idle or is it turning over fast?

Mr. FLEMING: Will you permit me to indicate the tables giving the figures on the increase? Would you like to have them now?

The CHAIRMAN: We will have them tomorrow morning.

Mr. FLEMING: I would only take one moment. The annual report, Mr. Towers, at pages 34 and 35 gives the increase in money supply. In 1938 it was $1,088,000,000 and in 1947 $3,944,000,000. It quadrupled in those ten years. The volume of production for Canada, according to the Dominion Bureau of Statistics, taking 1938 as 100, in 1947 was 168·2.

Mr. ZAPLITNY: Yes, but then production is also given in dollars. It does not answer my question because what I am interested in is the difference in the actual production of goods and services which can be used and the increase in money supply which does not necessarily represent goods and services. If there is a degree of inflation, there will be a difference.

The CHAIRMAN: You can pursue that tomorrow.

Mr. MAYBANK: This document to which Mr. Fleming has referred a few times, it might be well if copies could be obtained and distributed to the members of the committee.

The CHAIRMAN: What is that?

Mr. MAYBANK: It is one issued by the Dominion Bureau of Statistics, a survey of production in Canada, 1940 to 1945. I have no doubt we could get copies and distribute them to the members of the committee tomorrow. Then, if any person were referring to it in questioning, the other members of the committee would have a copy. Mr. Dyde, could you look after that?

Mr. DYDE: Yes.

The committee adjourned to meet again on Friday, May 28, 1948, at 11.00 a.m.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 65

FRIDAY, MAY 28, 1948

WITNESS:

Mr. Graham F. Towers, C.M.G., Governor, Bank of Canada, Ottawa.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

FRIDAY, May 28, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Fleming, Harkness, Kuhl, McGregor, Martin, Maybank, Mayhew, Thatcher, Winters, Zaplitny.

Mr. H. A. Dyde, K.C. Counsel to the Committee, in attendance.

Mr. G. F. Towers, C.M.G., Governor, Bank of Canada, was recalled and further examined.

Witness retired.

Mr. Fleming moved:

That this Committee, having sat for three and one-half months and having completed its investigation into the prices of bread, butter, meat and fresh fruits and vegetables, as well as having considered broadly the question of the causes of the rise in the cost of living, do now report to the House of Commons on its investigations to date and its findings thereon, while continuing its further investigations.

Mr. Maybank having moved in amendment thereto that the motion be referred to the Committee sitting in Executive Session, the amendment carried unanimously, Mr. Fleming having agreed to same provided the Committee meet in Executive Session immediately.

The Committee adjourned at 12.30 p.m. to go into Executive Session and to resume in public sitting on Tuesday, June 1, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee,

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MAY 28, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order.

Graham Towers, Governor, Bank of Canada, recalled:

The CHAIRMAN: Mr. Zaplitny is not here and Mr. Harkness will have the floor.

By Mr. Harkness:

Q. I read your report over rather carefully, Mr. Towers, from the point of view of prices and what you had to say about prices. It seems to me that your most significant sentence is the one on page 13—"prices during 1948 will clearly depend to an important extent on grain crop prospects and harvests in western Europe and the chief exporting countries." You also mentioned yesterday the effect of crops. Would it be fair to take from that, or is it correct to take from that statement, the view that the level of prices essentially and basically depends on the relative scarcity or otherwise of food products of all kinds?—A. Not entirely but certainly food has a major influence on price level, both directly and indirectly.

Q. Would it be correct to say that is perhaps the basic determining factor in connection with prices?—A. It is a major factor.

Q. That being the case would you say there is practically no chance of prices going down throughout the world as a whole, and of course particularly here in Canada where of course we are most interested, as long as the world scarcity of food continues?—A. I think that is probably the case.

Mr. THATCHER: Unless controls come back?

The WITNESS: Unless prices are forced down by controls.

The CHAIRMAN: Have you seen some of the recent figures, Mr. Towers? I am referring to price figures in the last week. Some very important items which have been investigated here are going down. The price of butter is down, for instance. The consumption of 10 cent bread is up; the price of fruits and vegetables is down considerably. That evidence is amazing and we will have it substantiated here later but I am giving you the trend.

Mr. FLEMING: It is only the effect of the seasonal trend.

The CHAIRMAN: And the effect of the work of this committee.

Mr. FLEMING: You had better give the producer some credit.

Mr. HARKNESS: I would take it that we are not so much dealing with one or two commodities but with the general picture.

The CHAIRMAN: Yes.

By Mr. Harkness:

Q. That being so it is probably correct to say that nothing this committee might do, and nothing your bank might do along that line, is going to materially alter the level of prices as long as the food scarcity throughout the world continues?—A. I can only reply for the bank and as we cannot influence food scarcities and that does have an influence on price level, I would say you would be correct from that point of view.

Q. Would it be correct to say that in the event of the world's food scarcity being overcome we are likely to have a sharp recession in prices?—A. Not necessarily, no. There can very well be a decline in the extraordinary high prices which have prevailed in various parts of the world on foodstuffs. There was, as we know, a decline in the United States somewhere about February. That decline made some of their prices less excessive without at the same time bringing them to a point where the grower was definitely harmed. I should think declines like that bring things into better balance but do not necessarily mean general recessions in business.

Q. Would you say the fact that prices in Canada are generally below prices in the United States is due to the agricultural policies followed in this country which have kept down the prices of food products? Is that the essential reason why our prices here are lower than prices in the United States?—A. It seems to me that question would require an answer of a length which the committee would not wish me to give at this moment.

Mr. THATCHER: Oh, yes.

The WITNESS: I should think the answer should be given by way of a written memorandum.

Mr. HARKNESS: We are dealing here with prices—

The CHAIRMAN: I was not going to interrupt but I do not think this is the type of question that should be put to an official in the public service of the country. The implication could be, if the basic assumptions are correct, that you are asking the witness to comment on government policy.

Mr. HARKNESS: I do not think that is the case. We are trying to get at the reasons for the increased food prices and all other prices as a matter of fact, and we are trying to find out how they may be brought down if that is possible. The line of questioning I am following is as to whether prices are essentially or basically tied to prices of food products and that seems to be the situation.

Mr. MAYBANK: I would like to interpose this sentence. Before pursuing the question you would have to be certain of two points and on one of which I think we would get an affirmative answer. The first point is that we would have to show an intimate familiarity with the American scene and laws before attempting to make a comparison of the effect of one country's laws contrasted with the effect of another country and its laws. I would consider that until that point were settled Mr. Towers should not make a comparison or contrast between the policies of two countries.

Mr. FLEMING: That is not the point.

The CHAIRMAN: Let us not spend too much time here. We want to get useful information from Mr. Towers and Mr. Harkness is getting along very nicely subject to this little deviation. I know he will handle his questions in a manner best suited to the interests of the committee as a whole.

By Mr. Harkness:

Q. You said you could give an answer but that it might be rather lengthy? —A. I added probably that it should be a written answer because as it has been observed it is a very complicated matter.

Q. Are there any relatively brief comments you could make?—A. Yes. The fact remains that prices are lower in many items. When the fall in grain prices occurred in the United States a few months ago, the United States prices having been distinctly higher than our prices here, our prices did not go down so that further falls in prices could take place elsewhere without Canadian prices going down.

Q. What that amounts to is what we might call the general world level of prices for food eventually is going to be reached here and in all other countries?—A. I would think so.

Q. We can take the basic position that there is not very much can be done in the matter of price levels except to temporarily hold them down in one country or to hold them up in another as the case might be?—A. Yes.

Q. I think that is all that I will ask on that matter. There is one other thing about which there was a great deal of discussion yesterday. In your report on page 6 you say "it is clear that the present rate of capital development is straining Canada's manpower and material resources, and is pushing up prices". You say much the same thing on page 17 of the report. This is the matter of controlling, as far as can be done, the issue of credit by the banks and that is the only thing, as far as I can see in your report, which deals directly with prices. There are several other things which deal indirectly with prices. You said in discussing it yesterday that the only thing the bank could do, apart from taking drastic action, was to restrict the chartered banks from making loans for capital development. What was the drastic action which you had in mind?

The CHAIRMAN: Do you not think we have gone sufficiently fully into that question?

Mr. HARKNESS: Perhaps so, but I was not here yesterday for the first half hour.

The CHAIRMAN: It was gone into very fully several times.

Mr. HARKNESS: All I wanted to get was the drastic action about which I heard yesterday. I wondered what that action was.

The CHAIRMAN: I am sure that when you read the evidence you will find it very interesting. Are you through Mr. Harkness?

Mr. HARKNESS: Yes.

Mr. WINTERS: I would like to pursue this matter of capital development with particular respect to an area like the maritime provinces and I would just like to develop a little further a point which I had an opportunity to insert yesterday in Mr. Fleming's questioning. At this particular time industrial development in Ontario and Quebec is such that it has been deemed wise to find means for tapering it off and those means as I see them, and as were stated here, were first to restrict capital or credit and secondly our austerity program, which in some instances puts a tax on goods in order to discourage people from buying. Also you referred once or twice yesterday, Mr. Towers, to the fact that although there was a general level of high employment or full employment as it may have been referred to, yet there are pockets of unemployment. The maritime provinces are pretty well in that unfortunate position, having pockets of unemployment, and we find ourselves in the position where the barrel of industrial employment is full in Ontario and Quebec but the tap has been turned off and the barrel is only partially full in the maritime provinces.

Mr. THATCHER: And in the west.

Mr. WINTERS: I do not know about the west.

The CHAIRMAN: There are certain parts of the west which are like the country as a whole and which have never been so prosperous.

Mr. FLEMING: We will have to get the chairman put into the witness box.

By Mr. Winters:

Q. It seems that although Ontario and Quebec suffer some hardships as the result of this program as do the maritime provinces, Ontario and Quebec enjoy the offsetting benefits of full employment. We in the maritimes suffer the hardships and restrictions with the attendant higher prices, but we do not have the offsetting benefit of full employment that goes with the situation in Ontario and Quebec. The people in the maritimes feel they are being discriminated against in this matter of higher prices. I would like to ask the question which they are asking, and it is this, Mr. Towers. When do you think this so-called austerity program may be relaxed or dispensed with?

Mr. MAYBANK: Is that the Ontario program?

Mr. WINTERS: The national program.

Mr. MAYBANK: I thought you said Ontario program.

Mr. WINTERS: I used the expression "austerity program".

Mr. THATCHER: Are you referring to the imports and exports from the United States?

By Mr. Winters:

Q. Yes, I am referring to the embargoes and also the high excise duties on other goods to discourage purchase of them and to encourage industrial development here.—A. Speaking strictly on the import restrictions from a foreign exchange point of view I do not think anyone can make a prediction as to the length of time that measures of that kind will be necessary. As the Minister of Finance has stated on various occasions recently, the drain has been arrested and the minister has given figures to indicate that we are more or less on an even keel but it is too early to say whether that is a prelude to further improvement or whether the thing turns the other way. Our crops in this growing season will have an important bearing on the matter. Having in mind the state of some of our major customers and continuing shortage of foreign exchange in spite of E.R.P., it would be a very brave man who would predict our foreign exchange situation next year. I would not like to say it would be worse and I would be frightened to say it would be better. There are too many unknown factors which exist and I would not make a prediction.

Q. When you say we are on an even keel I do not think you mean with respect to the United States because there are certain triangular developments and other developments?—A. No, we are continuing to find a heavy deficit in United States dollars in our dealings with that country but our earnings in trade elsewhere have placed us for the time being on an even keel over-all.

Q. Over-all, yes; and is there any indication that the trend which has brought us to that even keel will continue?—A. At the moment it is hopeful, if crops are good.

Q. And should it continue, if you care to go that far, should it continue is it possible to say that we might expect some relaxation in this restrictive program?—A. No, I could not say that.

The CHAIRMAN: Is that all?

Mr. WINTERS: That is all I have on that but I would like to ask one more question which has been bothering me. Up to a short time ago—not a short time, but relatively a short time ago in years—I used to believe that the amount of currency issued was tied into some basis. It used to be gold. I used to be told that the amount of notes in circulation was held at a fixed ratio to gold holdings and negotiable securities, but we seem to have gotten away from that and yesterday the witness said that the amount of notes in circulation was dependent on "Joe Smith's" requirements. I wonder if the witness would explain to me, if the committee already knows it, what our issue of money is tied to now, what is the backing of our monetary issue?—A. The backing of our monetary issue nowadays in essence is the credit of the country, so to speak. If the issue is definitely excessive in relation to the business of the country then prices will go up. In other words, I am not contending for a minute that the total amount of money in circulation, both deposits and notes, has no bearing on prive level, because one only needs to look at various countries where enormous increases have taken place to see that if you go far enough you make your money worthless. Now, a war is usually a producer of inflation of that type. If a country is so battered by war that the situation gets out of control—China is a startling example at the present time. By reason of taxation and public savings during the war in Canada the penalty which we are paying for the war is moderate, and the amount of money which it was necessary to create is less than it otherwise would have been; so, we are suffering to some extent, but not as much as most other countries.

Q. Is the measuring stick of the real value of our money now the open exchange rate compared to the American dollar?—A. You mean, the unofficial rate?

Q. Yes.—A. No, that has no bearing on the matter at all because the unofficial exchange rate simply represents the rate at which two Americans deal in Canadian dollars between each other—that is, dollars which cannot be used to pay for Canadian exports.

Q. That would be one line by which it would be judged, I should think.—A. No, it really has no bearing whatever. These are capital dollars for which foreign exchange cannot be obtained, and the rate varies in accordance with the way people feel when they get up in the morning.

Q. Is it customary for a businessman with headquarters in New York, say, and doing business in Canada, to translate his business balances in terms of dollars in Canada into terms of his own currency for purposes of his balance sheet in New York; that is, the open market value of the dollar?—A. No. I think you have in mind the case of a subsidiary company here and its published consolidated balance sheet; I should think that balance sheet would contain the official rate because the subsidiaries remit all their earnings at the official rate.

Q. Yes. We had a case here, the last witness just before you, Mr. Towers, who conducted an operation in Canada and the United States, and he was converting back and forth in terms of the open rate of exchange to the Canadian and American dollar.—A. I must read the evidence in that respect. If he was doing it on the unofficial market it might have related to certain capital transactions, perhaps loans from the parent company.

Q. No, it was his ordinary balance sheet operation and the committee were puzzled about it. It was the A & P—

Mr. Fleming: No, not the A & P but its subsidiary, the Atlantic Commission Company.

Mr. Winters: That is right, the Atlantic Commission Company, a subsidiary of the A & P.

By Mr. Maybank:

Q. Just following up the last question there with reference to the amount of money in circulation, would you be able to give comparable figures for other countries to those you gave for Canada as to the volume; either now, or by memorandum later.—A. You mean both deposits and note issues I take it.

Q. Yes, note issues—I thought you said notice. Yes, just what you have detailed with reference to Canada to show the same story.—A. I have the figures here for Canada, the United States and the United Kingdom. Would that be sufficient? Oh yes, I also have Australia.

The Chairman: You have the figures available related to other countries on the same basis as you have them for Canada? Mr. Maybank wanted to be able to relate money supply to production in the same way.

The Witness: I haven't got them here but I can get hold of them.

Mr. MAYBANK: I do not want them necessarily at the moment.

The WITNESS: Yes.

By Mr. Maybank:

Q. I wonder if I could have a memorandum of that sort filed at the same time with respect to several countries, and if you could give any figure to indicate the physical volume of production in the same way. That would have a bearing of interest to us. Could you give us that?—A. I think so, for various countries.

Q. Once you get some idea of the ratio between the money increase in the country and the production increase in the country you can see to what extent we have a large issue in regard to the production in relation to a large issue and production in another country.—A. Yes.

Q. If you can give us a memorandum on that I believe it would be helpful. —A. Right.

Mr. FLEMING: I was going to ask Mr. Towers to get some information on that point. Was Mr. Thatcher's question along that line?

Mr. THATCHER: I wanted to go into this exchange feature.

Mr. FLEMING: Do you mind my putting it in now so that Mr. Towers will have the information before him?

The CHAIRMAN: All right, proceed.

By Mr. Fleming:

Q. Does the bank keep any separate figures of production in Canada, or does it rely entirely on the D.B.S. figures?—A. It relies entirely on D.B.S. figures.

Q. Then so far as our own production is concerned we would be just getting the D.B.S. figures?—A. That is right.

Q. Now, coming back to the statement which you read yesterday, I am thinking now particularly of the paragraph beginning at the bottom of page 1, and extending over on to page 2; may I read it?

> The increase in Canada's money supply as compared with the pre-war situation, has been somewhat less than the increase in a similar figure for almost any other country. For example, to take two of the countries with whose statistics it is customary to compare Canadian figures, between December, 1939 and December, 1947 Canadian money supply rose 188 per cent, United Kingdom 202 per cent and United States 214 per cent.

Now, in arriving at these percentages have you applied the new basis of calculating money supplies which appears in the 1947 report the first time? —A. Yes, and it is the same basis as is used in the United States and the United Kingdom.

Q. In other words, these are on practically the same basis and it is the basis which appeared in your 1947 report?—A. Yes.

Q. In wanted to be quite clear on that because when we talk about this percentage increase there seems to be some fluctuation about it. In saying that the increase is 188 per cent in Canada between December of 1939 and December of 1947, what you are saying in effect is that the money supply in Canada in December of 1497 is 188 per cent of the money supply of December of 1939? —A. Yes.

Q. So that is an increase of 188 per cent?—A. That is right.

Q. And the same think would apply as to the United Kingdom and the United States?

The CHAIRMAN: We have that now clearly established. Let us save time.

Mr. FLEMING: Just a moment, Mr. Chairman, it certainly is not clear when you are talking about this percentage increase. I read it the other way the first time and that is why I want to clear that up. I know the members have been very patient about it.

The CHAIRMAN: They have been very patient, but I do not think you should take time just repeating, repeating and repeating.

Mr. FLEMING: If you want to start wasting some time by making remarks of that type you certainly are going the right way about doing it.

The CHAIRMAN: Any further questions?

Mr. FLEMING: I have not finished on that point.

By Mr. Fleming:

Q. Has the Bank of Canada any view as to what ought to be the ratio between money supply and production?—A. No.

Q. Is there any relationship between dollars in the bank's view?—A. Between money supply and prices, yes; definitely.

Q. So we may say there is no relationship between production and money supply?—A. Except this, that if production was being seriously hampered by lack of credit facilities then there would be a relationship. If the money supply appears to be inadequate and if credit facilities are lacking for production, then production can be effected; in which case central bank action to increase the money supply would be indicated. But it is impossible to say that a 10 per cent increase in money supply would produce a given percentage increase in production.

Q. There is no relationship or ratio in this, or anything else?—A. It is not a ratio relationship. If credit is inadequate then production is obviously affected. If it is adequate then production may go up or it may not, but at least you know if it does not it is not due to inadequate credit supply.

Q. When you are preparing the statement Mr. Maybank requested may I ask you to do this, Mr. Towers, as to the figure you have given, the periods you have taken; that commenced in December in 1939, in respect to Canada, and following the outbreak of the war in September there would be a considerable increase in money supply. May I ask when you are giving those other figures you give us figures on the money supply as at the outbreak of the war, September 1, 1939, and relate that increase to that date rather than December, 1939—A. Yes.

Q. I think it would give us a more adequate picture of the increase in money supply.—A. Yes. I am not sure we can get comparable figures; that is to say August 31, 1939, for the other countries. However, we could put in the Canadian ones at least.

Q. If you can get it for the others I think it would be interesting to have it.

Mr. MAYHEW: Are you referring to production only or to national—

Mr. FLEMING: I am speaking of money supply.. Mr. Maybank had asked for some further information as to both money supply and production, and I was suggesting those figures be related to September 1, 1939 or August 31, the last day of peace, rather than December, 1939, as was done in the memorandum.

Mr. MAYHEW: Production would not be the whole story.

Mr. FLEMING: My question at the moment is simply as to money supply.

Mr. MAYHEW: For the national turnover would it not be plus business that is not in the production field?

Mr. FLEMING: I am quite prepared that the information on those two subjects, namely money supply and national production, be put in separately. In view of what Mr. Towers has said he will have some reservation about any connection between the two. I am simply saying now that in calculating the percentage of increase of money supply we ought to begin with September 1, 1939 rather than December, 1939, in view of the fact in Canada there was a substantial increase in money supply between September 1 and December 31, 1939.

The CHAIRMAN: Are there any other questions?

By Mr. Thatcher:

Q. I wonder if Mr. Towers would enlarge a little on the question Mr. Winters asked him a moment ago regarding export import embargos. I wonder if he could tell the committee what success the embargo has had to the moment. Is it definitely stopping the runaway of American dollars? Are we making progress? Are we gaining a little?—A. Are we making progress as compared with last year when our exchange reserve was going down extremely rapidly. Progress comes in various directions. Imports, particularly from the United States, are distinctly less than they were a year ago. The reduction is not equal to the reduction in imports due to the banning of certain importations and the placing of a quota on others because the volume or value, certainly the value, of other types of importations has increased. Even so there is a reduction in imports. There is an increase in exports to the United States, and the combination of those two things has put us for the time being on an even keel over all, not with the United States of course.

Q. You say for the time being, but our adverse balance with the United States taken by itself is still very bad, is it?—A. It is still very substantial as is the normal case when times are good in Canada.

Q. What I am wondering is this. Before the war, as I understand it, there was a three-way triangle between Great Britain, Canada and the United States as far as sales and purchases went. Because of the war Great Britain is almost out of that triangle. Is it not possible in the future we are going to have a lot more direct dealings between Canada and the United States than we had before? If that is the case is there not a danger we must face these controls more permanently unless the Americans will reduce their tariff to let us sell them more? —A. That really requires a prediction as to how the United Kingdom and western Europe will get along over the course of the next ten years. To assume, however, that we have a balance in trade with the United States, that is, that our exports equal our imports, or that we have a balance with the United Kingdom, would mean very major changes in the Canadian economy. I think it would be defeatist to assume we would have to go that far. In other words, I think it is a fairer assumption that the United Kingdom, for example, will sufficiently recover so that she can afford to import more from Canada than she exports to us, and will have the means from her trade with other countries to pay us United States dollars for her deficit, thereby enabling us to pay for our deficit with United States dollars, but perhaps not on the present scale. So that it seems to me, although one is getting into the field of pure speculation here, that to write off our former pattern of trade with the United Kingdom and western Europe entirely is wrong, that we may find, however, that it is impossible for them over the years to pay for as large deficits as have been occurring in recent times, and that therefore we do need to depend somewhat less on that area of the world which implies we need to depend more on the United States.

Q. Is it not a fact, from the present economy of the world as it looks today, that we are definitely going to have to get the United States to give us more concessions so that we can sell more to the American market? We are simply buying far more from them than we are selling at the minute.—A. Pardon?

Q. Is that not the main reason for our American dollar shortage?—A. I did not hear the reason.

Q. Because we are selling them so much less than we are buying from them.—A. Yes, that is right.

The CHAIRMAN: It has always been the case.

The WITNESS: It is the traditional pattern.

By Mr. Thatcher:

Q. That has been the pattern ever since Confederation?—A. That pattern may need to be changed somewhat.

Q. It would almost look as though it may have to be changed, from the way things look at the moment?—A. I would not like to say any more than I have because it gets very definitely into the field of policies of two governments and their tariff relations.

Q. I did not mean it to get that far.

The CHAIRMAN: Is that all?

By Mr. Harkness:

Q. I have one other question. What would be the effect on prices in Canada of a general depreciation of currencies in European countries, including Great Britain?—A. At the moment I would say the effect in Canada would be very small.

Q. I would think that it would perhaps have considerable effect as far as agricultural products and so on are concerned.—A. You are speaking of the United Kingdom and western Europe?

Q. Yes. I am thinking now particularly, for example, of the present price of rye, the cash price as compared to futures, and as you probably know—

The CHAIRMAN: You are talking of the grain?

Mr. HARKNESS: I am talking of the grain. Of course, I would not be interested in the bottled rye.

By Mr. Harkness:

Q. The cash price is now $4.77; July futures are $3 and some odd cents, and the October futures are $2 odd. I understand the chief reason for that is the uncertainty over the depreciation of European currencies, that if the pound was depreciated to the price you can buy it for in the banks here, as far as picking up a few pounds is concerned, $2.50 or $2.60, then the price that could be obtained for rye would be around what futures are for October, about half of what the cash price is. I was wondering if that would not affect all other agricultural products?—A. I cannot understand how the price for rye, the grain, is actually affected by fear of devaluation. I think there must be some catch there.

Q. Of course, there is the prospect of a better crop which affects the matter, but I understand the main reason for that terrific disparity between October future prices and the cash price is to a large extent because of the fear that these countries, which constitute the market for the grain, will have depreciated their currencies considerably?—A. I cannot follow the reasoning there. If that is the thought it seems to me it is wrong. Take, for example, the devaluation of the French franc which took place not very long ago. So far as Canada is concerned the effect is practically unnoticeable. It may be the case that certain imports which we desire from France now become practicable to make because French prices have been out of line. To the extent that a country's devaluation simply reflects the higher price level which has developed then their devaluation simply puts them back in the market on a competitive basis. If the devaluation goes greatly beyond that then, of course, it does involve a drop in prices at which they can sell abroad, but judging from post-war experience it seems unlikely that the practice of excessive devaluation, striving for a temporary competitive advantage in foreign trade, will be followed.

By the Chairman:

Q. And following that practice in Canada undoubtedly would have an inflationary effect in Canada?—A. Oh, yes—we were speaking for a moment of the United Kingdom.

Q. I am just reversing it because thus far there has been no mention of devaluation and the effect that devaluing the Canadian dollar would have on the price level. I am suggesting to you, because your answer suggested this question in my mind, that a policy of devaluation in Canada would have an inflationary effect?—A. Yes.

By Mr. Harkness:

Q. Similarly it seems to me if it were done in other countries it would tend to reduce prices here if we did not devalue our money at the same time?—A. As I say, it depends on whether devaluation in the other countries goes beyond the point which would make their prices roughly comparable to ours.

Q. Let us say that the pound went down to the level at which you can purchase it from the banks here, which I think is about $2.50 or $2.60.—A. Yes. Of course, that relates only to a few pounds which you can take into England as a traveller.

Q. We will say if the pound was devalued to that point so that all exchange was made at that rate instead of $4.02, would that not automatically push down prices of the goods we sell to England in this country?—A. It would put down the prices at which we import goods. United Kingdom devaluation to such a figure would not in itself change the price at which we sell, obviously not while things are in short supply. If there were that devaluation which goes away beyond any devaluation arising from the difference in price levels, and which I would regard as completely out of court, so to speak, but taking it as a theoretical assumption, and if various other countries around the world who are our competitors in food products also devalued to the same extent then I dare say it would have that effect if shortages were not persisting at that time.

Q. The point is as far as these agricultural products are concerned there is a great disparity between price levels. Is that not the case?—A. As between various countries?

Q. Yes, particularly as between this country and Great Britain and the European countries.—A. Prices are higher in the United Kingdom and the European countries, are they not?

Q. Yes, much higher.—A. Due to certain domestic policies.

Q. For example, on wheat they have paid up to $5.50 a bushel, and the price here for wheat is less than half that.—A. I am not sure whether you are referring to the price which is paid for domestic crops in those countries or for their importations?

Q. I mean for their importations.—A. There have been times, I understand, when moderate amounts of some of those grains have been dealt with on the basis of brigandage.

Q. It still seems to me that if they devalue their currency they will probably try to pay the same prices, essentially keep the level of prices in their own country the same for their food products by various controls, and that is automatically going to push down, because of the fact we get fewer dollars for their currency, the prices of food we have to sell them.—A. It is a very difficult subject to explore because it is all so hypothetical, is it not? What are the price levels at the time they do it? Will they do it at all? How much will they do it? Will there be shortages or surpluses at the time? How many countries will do it, and so on and so forth. It is a bit of a picture puzzle.

Q. I brought it up because I thought as far as prices in Canada are concerned it might, in the not too distant future, be a determining factor?—A. I do not like to speculate, but I think it will be the distant rather than the near future, if it ever happens at all. It is true that during the 1930's, when the depression was on and food supplies were in surplus in many of the major exporting countries, that the United Kingdom did benefit greatly on the terms of trade. It was one of the things which enabled her recovery to take place during the thirties. She was getting very cheap food. While her exports were down, she was getting a relatively decent price for them. The pendulum has swung in the other direction and one of the United Kingdom's very great difficulties is that her imports are very expensive. She hopes that the extreme situation which has developed will be somewhat remedied. I think the view in the United Kingdom is that it is quite unlikely she can get the special benefits, the sort of unexpected benefit of particularly favourable terms of trade which existed in the thirties. She rather expects that the great raw material exporting countries would make a desperate effort to prevent a situation like that from developing again.

Q. Would you agree that, perhaps, there is a constant temptation on the part of these European countries to depreciate their currency for that very purpose, to get cheap food again?—A. Their depreciation does not give them cheaper food. It has to be depreciation on the part of the exporting countries.

By the Chairman:

Q. It helps them in their exports?—A. It helps them in their exports.

By Mr. Harkness:

Q. It helps them get their food in at a cheaper rate?—A. No, not in itself; but if the exporting country accompanies that devaluation, it may help them.

The CHAIRMAN: Are there any other questions?

By Mr. Fleming:

Q. I have several questions, Mr. Chairman. I understand they have, in the United States, a national advisory council on currency?—A. A national advisory council on general financial matters.

Q. Have we any counterpart of that in Canada—A. No. The national advisory council in the United States consists of the Secretary of State; Secretary of the Treasury; Secretary of Commerce; head of the Ex-Im Bank; chairman of the Federal Reserve Board and I think Mr. Hoffman has been added to it. It is really to co-ordinate various financial measures as between departments of the government.

Q. In your evidence yesterday you stressed a thought that appears on page 2 of your memorandum, down at the bottom of the page. In the last sentence at the bottom of the page, you seem to put it this way:

> The problem has been to gauge when plans under contemplation were tending to outrun manpower and material resources and then to judge the limits within which action in the field of money and credit could be taken which would help to moderate the pressure without being so drastic as to cause unemployment.

I take it, all the way through this post-war period of the last three years, the possibility of unemployment arising has been an important factor in your approach to this question of money supply?—A. Before the reconversion period and having in mind the tremendous shift which had to take place from war industry and the services, there was a fear, I think, during the course of that shift there might be some degree of unemployment. I think the actual results of that period were better than anyone might have expected before it took place. We have not been pessimistic since then with regard to employment.

Q. I was thinking about the course you are steering in your policy that there would be the desire to avoid unemployment which would be, in a sense, a manifestation of a deflationary condition?—A. Yes.

Q. That deflation you sought to avoid, that was one of the things which helped guide your policy in the postwar period?—A. We did not seek to avoid it by increasing the money supply which was already very large.

Q. How did you seek to avoid it, then?—A. What we were seeking to avoid was action so drastic with respect to decreasing money supply it might make the pendulum swing over in the wrong direction.

Q. So, in permitting the money supply to continue in the large volume it had reached, the fear of unemployment with that kind of deflation was one of the factors which influenced you?—A. There was, as you know, no decrease in money supply in 1947, but everything possible was done to avoid having increases. I do not think I can add anything to that.

Q. I was simply trying to draw some connection between that fact, the fact you had not taken action to reduce the money supply so far which, giving rise to deflation, would result in unemployment; I was trying to draw connection between the two?—A. I will put it this way. We took every action possible in conjunction with the government's surplus position to keep money supply from going up. Had it been possible to bring it down somewhat without resorting to drastic action, we would have done so. What we tried to avoid was really drastic action which would tend to bring capital development to a standstill.

The CHAIRMAN: We have gone into this three times already. I just want to point that out. I do not mind questions, but I do not think it is fair to the members of the committee to keep repeating.

By Mr. Thatcher:

Q. I asked Mr. Towers a question a minute or two ago and he phrased the answer so ambiguously I am not sure whether he said yes or no. I should like to ask the question and to have him answer yes or no. I should like to know, so far as our dollar position is concerned, is there any danger, from the way it looks now, of the austerity program becoming more severe? Is there that danger, yes or no?—A. I do not think that is a question which should be answered by yes or no.

The CHAIRMAN: Nobody else does, nor does Mr. Thatcher.

The WITNESS: Is Marshall aid going to continue for the second year? I do not know. What will our crops be like? I do not know. How can I answer yes or no?

The CHAIRMAN: He has to be sure there is a good government in office, too.

The WITNESS: There are so many things which none of us yet know. One cannot be certain. Next year our position might be better or, if luck is against us it might be worse. If it is worse, then my answer to your question is yes.

By Mr. Thatcher:

Q. It might have to become more severe?—A. If unfortunate developments increase the strain on our exchange reserve, but I hope it will be the other way. I think, with decent crops, there is some reason to have that hope.

By Mr. McGregor:

Q. That depends on the Marshall plan?—A. A great deal.

By Mr. Fleming:

Q. You said yesterday in reply to a question you did not think there was anything that could be done voluntarily. I do not want to take that answer out of its context, Mr. Towers, but I wonder if the Canadian people cannot do a great deal in meeting this problem of the high level of prices which is before us all, as consumers. I am wondering whether we could not do a great deal ourselves by such things as these; first, trying to achieve greater productivity of capital and labour, all of us, for greater production; second, by refraining from purchasing things we can do without and, thirdly, refraining from hoarding goods that are in short supply?—A. Certainly, all those things would be helpful.

Q. I just wanted to put that alongside the statement made yesterday because, in saying there was not anything that could be done voluntarily, I wanted to be quite sure that answer could not be read to the exclusion of the answer you have just now given?—A. No, I am glad you brought that up.

The CHAIRMAN: Are there any more questions?

Mr. HARKNESS: In connection with a question I asked some time ago, Mr. Towers said he would prefer to give a written reply. I wonder if I could ask him if he would give that written reply to the committee because I think it would be useful to us.

The WITNESS: I think I was rather rash in saying that because it was not my field. You were referring to the whole field of agricultural prices in Canada as compared with other countries, were you not?

By Mr. Harkness:

Q. Not so much compared with other countries; the question was more along the line of the effect that the level of agricultural prices has in maintaining, increasing or decreasing the price level?—A. On that, I should say, the people in the Dominion Bureau who compile the cost of living index are the proper authorities.

The CHAIRMAN: Do you want them recalled?

Mr. HARKNESS: No, I thought Mr. Towers said he could give a reply, but it would be rather long and he would prefer to put it in written form.

The CHAIRMAN: Mr. Marshall has covered that already in his initial statement. If you do not feel he has, he can always be recalled.

Mr. HARKNESS: It is not so much a matter of the cost of living index—

The CHAIRMAN: You mean the economic effect of a general level of agricultural prices? Is he not really putting an economic question to you? He is not asking for agricultural information, but the effect agricultural prices have on the whole price structure.

Mr. HARKNESS: It is really a general economic question, I would say, integrated with monetary policy, procedure and so forth.

The WITNESS: Well, the effect they have on the cost of living index is something the Dominion Bureau could tell you. Then, I had in mind, as the effect on the cost of living index is quite significant, the cost of living, in turn, affects wage rates and a great many other forms of costs. Food is an important factor, directly and indirectly, in the whole price level and in the whole cost and price structure. You could not measure that statistically. In other words, if food prices in general came down 20 per cent, you cannot say in advance just what effect that has on the whole cost and price structure, although one assumes it is significant.

Mr. HARKNESS: I still think your written reply would be valuable to us.

The WITNESS: I thought the query related to agriculture and food prices in Canada as compared with other countries and a description of the reasons for such differences as may exist. That would be a very complicated affair and that is why I said, if there is any answer at all, it would need to be written. I think, though, there would be others who would be better qualified to do it than myself.

By Mr. Fleming:

Q. When you said yesterday if we were to resort to controls as a means of checking the level of prices it would have to be over-all controls, did you mean the country would have to control wages and salaries, too?—A. Yes.

Mr. THATCHER: That is obvious.

Mr. FLEMING: It has not always been obvious.

The CHAIRMAN: I think we covered it yesterday.

Mr. FLEMING: Nobody asked the specific question.

By Mr. Harkness:

Q. Whom would you say could better answer this question than yourself?—A. The agricultural experts.

Q. Are there any to whom you could refer us?—A. The chairman, I am sure, could answer that.

The CHAIRMAN: I suppose there is Mr. White, Dr. Barton and Mr. Gardiner, people such as those. I suppose Mr. Gardiner, definitely.

Mr. HARKNESS: Of course, I proposed that some time ago, Mr. Chairman, but it did not seem to get general support.

Mr. FLEMING: Would he be a willing witness now?

The CHAIRMAN: Are there any other questions?

By Mr. Zaplitny:

Q. I should like to follow up the questions I started yesterday. It seems to me we established yesterday there was a condition of inflation now as compared with 1939, relatively speaking, at least?—A. Yes.

Q. Would it be correct to say that inflation, in itself, is not necessarily harmful provided no one takes advantage of that condition to raise prices?—A. Inflation does imply higher prices, does it not?

Q. In your answer yesterday, if I remember correctly, you said there were factors which entered into inflationary prices other than the money supply?—A. Yes.

Q. In other words money supply in itself does not create inflation in prices but it creates a condition where it makes it possible to inflate prices?—A. I was really thinking of the situation as it is today and as it has arisen from the war. It does remain true that if one goes far enough in the creation of money one can cause inflation.

Mr. THATCHER: You mean like social credit?

The WITNESS: No, but money creation—

Mr. KUHL: There is no inflation in social credit.

By Mr. Zaplitny:

Q. What I am trying to get at is this. Perhaps the question is hypothetical but I think it is important that we hear the answer. Admittedly we had a period of deflation during the depression years. A certain amount of inflation as far as money supply is concerned might be beneficial for a time until it reached a point where it exceeded the actual production of goods and services?—A. That is really the situation where by the creation of a substantial amount of money for an unspecified purpose one can produce an inflationary situation. According to a certain doctrine the remedy for that is to tax the money away and revert to the previous position. Assuming that we are in a somewhat inflationary situation now how do we cure the situation? Do we tax it away? I think I must just ask that question to show how painful it would be to try and recover the lost ground when once through money creation you had an inflationary situation on your hands.

Q. Mr. Chairman, it appears to me that is the position in which we are now, and we are trying to find our way out of it. What I am trying to point out is the function of this committee and the objects for which we are striving, namely to remedy the price situation rather than to try to do something about the inflation as inflation. Inflation as compared with a period of deflation may be a levelling process.—A. I do not want to touch too closely on a doctrine which has been discussed in Canada on many occasions in the last thirteen years but I understand the remedy for an inflationary threat according to that doctrine is taxation. If the payment of the dividend or whatever it is produces an inflationary situation then we tax it away. I was just wondering if you were leading to the thought that taxation should be higher now?

Q. No, not at all, but what I am trying to lead up to is this. The committee is concerned, I think I am stating it correctly, with the price situation rather than the volume of money supply as compared with actual goods and services, because inflation itself being a relative term is not the thing we are trying to solve. We are trying to solve the price situation which is the second step, someone having taken advantage of the inflationary period to put prices beyond a reasonable level. That brings me to my next question. Would you say, Mr. Towers, that so far as the Bank of Canada is concerned it is not in a position to do anything about the price situation as such and it is not in a position to control prices?—A. In the meeting yesterday I indicated the extent to which we felt we were able to go. I think that may be a modest contribution towards stability and I did indicate that other actions are possible. For example one could take extremely drastic action which would reduce the money supply substantially. One could theoretically appreciate our dollar 25 per cent, that is versus the American dollar, and put the American dollar at 25 per cent discount although we have not got the resources to do that. Those measures would bring down prices in Canada but I fear that they would produce disorganization and unemployment and the remedy would be worse than the disease.

Q. In your opinion then there is no desirable way by which the Bank of Canada can affect the price situation at the present time?—A. Not beyond what we have done.

Q. Would it be correct to assume that in your opinion the only direct way in which prices may be affected is by a system of price control, leaving aside for the time being the desirability of such a system, but it is the only direct way in which it can be done?—A. Yes, and that of course is theoretical too, because I do not think any nation in peacetime or over a long period of years has been able to operate a system of price control.

Q. You say it is theoretical but of course we know it has been done in wartime and to that extent it is not theoretical because we have had that background experience. Would you say the only area of doubt is whether it could be done succesfully in peacetime?—A. I would say also that it could not be done over a very long period of years. Supposing, and God forbid, there were a fifteen-year war I do not think there would be a successful price control.

Q. Is it possible in your opinion to withdraw from the field of price control in stages rather than all at once?—A. I would say that was what was done in Canada.

Q. Would it be correct to assume that if that is what was done and is being done in Canada today, it could also be done ordinarily in peacetime?—A. You mean having had an over-all system of price control?

Q. That you should taper off the price control situation in much the same way as you have talked about tapering off the capital development situation?

—A. I would like to answer that question at length. When price control was started in Canada there was a certain amount of debate, or shall I say consideration, as to whether it could be a selective system which means controlling some things and leaving out others. It was felt that selective system was not practical and it had to be, broadly speaking, an over-all system. The Americans did not put in price control when we did because they were not at war. The majority of opinion down there amongst their officials and advisers had been in favour of the selective system but when they saw how the system in Canada was working, and how difficult the selective system was, they felt that our system was the right one. When you start price control it must be over-all and must include wages and salaries but on the way out it can be a selective retreat if you assume that the retreat will not take too long, because the selective system will not last long.

Q. I have one more question which I think will be my final one. This question is not pointed in any particular direction but I want to get this very clear. From the evidence that has been given by Mr. Towers would it be correct to assume that regardless of whether it is desirable or not, a system of direct price control is the only way of controlling prices in the long run? That is, the policy followed by the Bank of Canada has not produced any appreciable results to date?—A. I would not say that. I would say that had monetary and fiscal policy not worked well during and since the war we would have had a far higher price level.

Q. There is something missing then because I think the whole tone of the evidence is to the effect that the advice given by the Bank of Canada to the chartered banks has not yet had any results? In other words, the results are not appreciable enough to be seen at the present time?—A. We were speaking about getting prices down from the levels at which they rest today. Consumer goods prices and all price levels are affected very much by price levels in other countries. The capital development program probably has given our prices in certain areas a bit of an upward push through striving to do more than manpower and material could manage. Therefore it is suggested that what has been possible in a monetary sense was perhaps a moderate contribution towards stability. If one wants to look at the other side of the medal and inquire whether by reason of a monetary or fiscal policy of another kind we might have had a far higher price level, I would give an unequivocal answer—yes. That is still true. In other words, if the committee was thinking of the reverse of what it is actually trying to do today, and if the command had been to get prices higher, then under existing conditions the task could certainly be accomplished with considerable ease.

Q. Outside of its monetary field the Bank of Canada has made no attempt to influence the price situation in Canada?—A. Outside of the monetary field?

Q. Yes?—A. Well, that is our field.

By Mr. Kuhl:

Q. May I ask a question right along that line. Is there any harm in a high level of prices provided that level prevails throughout the whole price structure? If the price of primary products, secondary products, and all prices are generally in line is there any harm?—A. If everything is in balance then the harm lies in the fact that compared with the starting point of lower prices people's savings have been materially cut. The value of their savings has been reduced.

Q. Therefore a possible remedy may lie in the field of either redistribution of existing income or raising the income of people in the lower brackets?—A. When you suggest things were in balance that assumes that incomes have gone up appropriately. That is what the balance would mean, but it does mean that past savings in the form of insurance, bank deposits and so on, which our people have accumulated against old age, would represent distinctly less purchasing power than those savings did represent before.

Q. Starting with the premise that prices and incomes are in line there would be no advantage in applying price controls? The controls would have to reduce prices all the way along the line and therefore there would be no benefit in applying price controls as far as levelling off prices are concerned?—A. I think the discussion on price control is a bit theoretical, particularly if you assume price control is going to bring prices down a lot. What was done in October of 1941 was to prevent prices from going up and the number of prices brought down was very, very small.

Q. If an attempt was made to bring prices down it would have to be directed towards consumer goods, primary products, secondary products and so on?—A. Yes, and wages and everything else.

Q. Yes, so therefore the suggestion, generally speaking, would not be any better after price controls than before?—A. Assuming price controls did bring prices down by reason of controls on wages and everything else, then one has restored somewhat the value of people's savings but incidentally, the type of thing you mention has never been done at any time in any country in the world.

Q. Furthermore, is it not also true that price controls or regimentation of that nature in peacetime has a tendency to reduce production rather than to increase it?—A. I would think so because you are trying to run everyone's business by remote control.

Mr. FLEMING: So many people associate price ceilings as we had them with the idea of low prices, but had the price ceiling structure been maintained instead of being withdrawn from many commodities when it was, having regard to the upward pressures against price structure and prices, would those ceilings not have had to be substantially increased?

The WITNESS: Undoubtedly.

The CHAIRMAN: Mr. Thatcher agrees with that.

Mr. MAYBANK: Yes, he agrees with it.

By Mr. Zaplitny:

Q. One or two questions which follow out of the discussion. I think there is a lot of misconception about what is involved in the term "price control", at least in the way in which I was talking about it. It is not a matter of rolling back prices or the setting of ceilings. What I was trying to point is that it was going to control prices, which means bringing them into proper relationship with each other; and I was asking whether he thought the only way of doing it was by direct control of prices, not necessarily rolling them back in toto or placing ceilings on them. A ceiling by itself does not mean anything. What we are talking about is bringing about proper relationship; and, is the only way you can do that by taking direct action?—A. You are speaking there, as I understand it, of price relationships, the one to the other, more than on the question of levels?

Q. That is right.—A. I do not think either fiscal policy or direct controls can do that. I think that these price relationships, one thing to another and so on, are established in the market place and by demand and supply.

Q. Oh well, Mr. Chairman, I am sure Mr. Towers will revise his opinion a little bit. He will recall the large volume of legislation we now have on our statute books dealing with price relationships; the Wheat Board and so on. All of these forms of regulation have to do with the setting of prices which are not tied in to the law of supply and demand. In other words, there has been action already taken to an extent by legislation to try and bring about price relationships. That is my understanding of price control, bringing prices into proper relationships, which does not necessarily involve rolling them back, does not necessarily involve keeping them from going up. In some cases it might be necessary to let them rise, in other cases to bring them down, but at all times try to have them in proper relationship.—A. If you did that in the case of a few things by law, parliament which is sovereign, says just what the price of a thing should be; and if other countries or other people do not agree with that—for instance, in places where our law does not run—the Treasury would make up the difference. It would be a rather impossible situation if the law was to try to do that in respect to all commodities, wouldn't it?

By Mr. Harkness:

Q. Is not what you are doing in that case setting a price by legislation or executive order for the advantage of one group as against another, or to the disadvantage of another group instead of letting your natural law of supply and demand set the price in the market? In that case you are putting an artificial price on which is to the advantage of a particular scheme of control and to the disadvantage of another scheme.—A. Well, if it is done in that way it is on the basis that a majority of the people in a country wish to see that take place.

Q. It might be that people who have to have a political majority might wish to have it take place, but the basic factor would still remain unchanged; that you are setting a price which is to the advantage of some people and to the disadvantage of others.—A. As a citizen if I see a law passed I respect it without questioning it too much.

Mr. MAYBANK: Would it not really mean this, that granting this term of socialist superiority there would not be a disadvantage for some and an advantage for others. You grant the socialist superiority, governmentally and morally, and then it could not possibly be of advantage to one and of disadvantage to another. That would be a contradiction of terms, would it not.

Mr. HARKNESS: Well, we have a situation right now, have we not, where the price of wheat and cattle and pigs and so forth is held at a certain level just to give an advantage to the general consumer, and certainly it is a disadvantage to the farmer.

Mr. MAYBANK: Yes, that is the case today.

Mr. HARKNESS: That is the case; there is no question about it.

Mr. ZAPLITNY: That does not bring in the exact point I had in mind. Today we have legislation with respect to certain commodities to fix a certain price as a target; or, a certain series of targets. If that is proper and desirable in one field then in order to keep the relationship of prices right one could hardly then leave the other fields to be determined by the so-called law of supply and demand; which, incidentally, is more artificial than prices set by legislation, as has been proven in this committee.

Mr. MAYBANK: Is that evidence?

Mr. WINTERS: I do not agree with that at all.

Mr. MAYBANK: The witness should be sworn.

The CHAIRMAN: He is entitled to make his comment on the evidence.

The WITNESS: Well, I know there are conflicting views on this point. There are some who would argue that two drinks of rye are all right but few people would argue that a dozen were.

Mr. HARKNESS: We are getting on to a different kind of rye now.

The WITNESS: Yes.

Mr. ZAPLITNY: One question on which I think we can agree is that it is possible and desirable to legislate prices on certain commodities; and, that being so, it is equally possible and equally desirable to do it on other things.

The WITNESS: No, that is what I do not believe; hence, my analogy to rye; because it would then mean you were trying to determine the exact extent of the reward for each individual in the country, what the charges for his services would be and what would be the charges for the things he buys.

Mr. KUHL: Would that not imply the need for creating a superman?

Mr. MAYBANK: Or a polit bureau. This is unanimity of evidence.

The CHAIRMAN: Are there any other questions?

Mr. FLEMING: There is a matter I would like to bring up, if you are through with Mr. Towers. I will be very brief about it. I raised the same question a month ago and my motion was rejected; but I would like to bring the same matter to the attention of the committee at this time.

The CHAIRMAN: Mr. Fleming, I suggest to you that that is a question of procedure.

Mr. FLEMING: It is not a matter of procedure, Mr. Chairman.

The CHAIRMAN: You agreed at the last meeting of the steering committee, and as a member of the steering committee, that that is the place to bring this matter up for discussion. I think we were all agreed among ourselves as to that. I do not know what you have in mind, but I think the proper place to bring it up is in the steering committee.

Mr. FLEMING: May I make my motion, Mr. Chairman? We discussed the matter in the open committee the last time it was raised.

The CHAIRMAN: I can do no more than suggest what the practice is. If you feel in spite of that you wish to do it, I have no power to stop you.

Mr. MAYBANK: Mr. Chairman, on a point of order, I submit that the motion would not be receivable until it has been submitted to the steering committee for consideration.

The CHAIRMAN: The motion has not even been heard yet.

Mr. MAYBANK: It goes without that.

Mr. FLEMING: I want the committee to report now on what it has done to date.

The CHAIRMAN: If that is the case then I suggest to you as a member of this committee and also as a member of the steering committee, that the place to discuss that is in the steering committee. While I have no power to compel you to do that, I certainly ask you to observe that rule.

Mr. FLEMING: Mr. Chairman, you will recall that the steering committee met for one purpose the other day. I touched on the question there but the matter was not disposed of finally. I stated my point but there was not opportunity for further discussion of it. If the committee choose to refer the motion to the steering committee, that is the committee's responsibility. I think we have to have the question settled one way or the other. If the committee wish to refer it to the steering committee then that is up to the committee, but I would like to put my motion, if I may:

I would move:

> That this committee, having sat for three and one-half months, and having completed its investigation into prices of bread, butter, meat and fresh fruits and vegetables, as well as having considered broadly the question of the causes of the rise in the cost of living, do now report to the House of Commons on its investigations to date, and its findings thereon, while continuing its further investigations.

Mr. MAYBANK: I would move in amendment that the motion be referred to the steering committee, or to an executive session of the main committee.

Mr. McGregor: I will second that motion. As far as the steering committee is concerned, I do not think it has any control over this committee. This is the real committee, and I do not think the steering committee has any control over this committee; therefore, I would second this motion.

Mr. Maybank: May I change my amendment to an executive session of this committee.

The Chairman: Do you agree to that? The amendment to the motion, which Mr. Fleming brings to our attention, is that Mr. Fleming's motion be referred to an executive session of the committee.

Mr. Fleming: May I ask before you put that amendment if we may have an executive session now?

The Chairman: We can call it right away.

Mr. Fleming: Then I am quite agreeable to that.

The Chairman: All right. I take it that it is agreed we will have an executive session forthwith. (Agreed). There will now be an executive session of the committee.

The committee adjourned.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 66

TUESDAY, JUNE 1, 1948

WITNESSES:

Mr. Maurice Samson, C.A., Chartré, Samson, Beauvais, Gauthier & Cie., Chartered Accountants, Quebec, P.Q.

Mr. E. H. Knight, C.A., Knight & Trudel, Chartered Accountants, Pointe Claire, P.Q.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

TUESDAY, June 1, 1948.

The Special Committee on Prices met at 11.00 a.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudry, Fleming, Harkness, Lesage, Maybank, Pinard, Thatcher, Winters, Zaplitny.

Mr. H. A. Dyde, K.C., and Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

On the occasion of the opening of the Committee's inquiry into Textiles, the Chairman suggested, and the Committee agreed, that this afternoon's sitting take the form of an Executive Session in order to confer with Counsel and Accountants, and to discuss other matters which the Committee may feel advisable to deal with.

Mr. Maurice Samson, C.A., of Chartré, Samson, Beauvais, Gauthier & Cie., Quebec, was called, sworn and examined. He read into the record a general Report to the Committee on the scope of the inquires made to date by Accountants in the textile industry.

Mr. E. H. Knight, C.A., of Knight & Trudel, Quebec, was called, sworn and examined. He read into the record introductory Report "A" on the scope of the inquiry. He filed,

Exhibit No. 121—Copy of questionnaires sent to companies in the textile industry by Knight & Trudel, Chartered Accountants. *(See Appendix "A" to this day's Proceedings).*

Exhibit No. 122—Copy of letters and questionnaires sent to a number of companies in the textile industry, by Counsel to the Committee. *(See Appendix "B" to this day's Proceedings).*

Mr. Knight also read into the record Accountants' Report "B", being information returned by companies primarily engaged in the manufacture of cotton yarn and cloth.

On motion of Mr. Thatcher,

Resolved,—That the companies from whom no answers to the questionnaire were received, be requested by wire to submit such answers.

At 1.00 p.m. witnesses retired and the Committee adjourned to meet again in Executive Session at 4.00 p.m. this day, and in public session on Wednesday, June 2, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, June 7, 1966.

(1) The Special Committee on Prices met at 11.00 a.m. the Vice-Chairman, [illegible], presiding.

Members present: Messrs. Basford, Fleming, [illegible], Rouges, MacNaught, [illegible], Thatcher, Winkler, Zingler.

Mr. R. A. [illegible], K.C. and Mr. [illegible], Counsel to the Committee, in attendance.

On the question of the meeting of the Committee's [illegible] next Tuesday, the [illegible] suggested, and the Committee agreed, that this afternoon's sitting [illegible] form of an In-Camera Session in order to confer with Counsel and [illegible] and to discuss other matters which the Committee may find advisable to deal with.

Mr. [illegible], C.A., of [illegible], [illegible] & Co., was called, sworn and examined. He read into the record a general [illegible] of the scope of the inquiry made to date by [illegible] the textile industry.

Mr. [illegible], C.A., of [illegible] & [illegible] [illegible] was called, sworn and examined. He read into the record information (Exhibit "[illegible]") on the scope [illegible].

Exhibit No. [illegible]—Copy of questionnaire sent to companies in the textile [illegible] & [illegible] Chartered Accountants. (See Appendix "[illegible]" to this day's Proceedings.)

Exhibit No. [illegible]—Copy of letters and questionnaires sent to a number of [illegible] in the textile industry by Counsel to the Committee. (See Appendix "[illegible]" to this day's Proceedings.)

Mr. [illegible] also read into the record [illegible] [illegible] "[illegible]" being information [illegible] by companies [illegible] engaged in the manufacture of [illegible].

On motion of Mr. Thatcher,

Resolved,—That the companies from whom no answers to the questionnaire [illegible], be requested by wire to submit such answers.

At [illegible] p.m. the witness retired and the Committee adjourned to meet again [illegible] at [illegible] p.m. this day and in public session on Wednesday, [illegible] at [illegible] a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,
June 1, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Vice-Chairman, Mr. R. Maybank, presided.

The Vice-Chairman: I see a quorum, gentlemen.

Gentlemen, you know there is a great deal of information to be laid before the committee which has been collected in part by the secretariat and it will form the basis of most of the questioning and the idea has occurred to me that in order for the committee to be more fully informed about the material which will be the subject matter of examination and thus to have the information then probably with reference to the course to be taken, a special session with the secretariat, an executive session, would be in the interests of us all. I have talked it over with counsel and Mr. Wilson and they seem to be in the same view, that it would advance matters more quickly if we were to do that. My suggestion is not that we do this at this morning's session because we have a great many people here who were called here for this morning just to ask them to walk away from the building would not be very good, and it is not necessary for the purpose which I have in mind, but rather the afternoon session may be turned into an executive session and also there might at the same time be a couple of other matters come up at the executive session, such as always does. What I am actually proposing, if you think these views are sound, is that we turn the afternoon session into an executive session. What do you think of that?

Some Hon. Members: Agreed.

The Vice-Chairman: Is there general agreement on that?

Some Hon. Members: Agreed.

The Vice-Chairman: Then it is understood that our meeting at 4 o'clock will take the form of an executive session.

Mr. Thatcher: I was wondering, Mr. Chairman, if there is any significance in the fact that both Mr. Monet and Mr. Dyde are here. Does that mean that Mr. Monet is not going to be looking after anything else except textiles?

Mr. Dyde: That is its significance.

The Vice-Chairman: I thought it was because they had worked together on this matter.

Mr. Thatcher: Did they work together on textiles throughout?

Mr. Dyde: Not completely so.

Mr. Monet: Mr. Dyde looked after certain sections of it and I will be looking after other sections.

Mr. Thatcher: I was just wondering what the significance of their both appearing together might be.

The Vice-Chairman: I am suggesting that you do not follow it now but that you take it up this afternoon at the executive session and that we now go on with the witnesses whom we have here. In that way we will save quite a little time, and if you will just hold that question until this afternoon.

Mr. Thatcher: All right.

The Vice-Chairman: Now, Mr. Dyde, are you prepared to proceed?

Mr. DYDE: Mr. Chairman, as you will recall, there was discussion as to the plan that we were to follow some time ago, and the examination into this particular field follows a somewhat different procedure from those that have taken place previously. It is for that among other reasons that I feel an executive session would be useful. The services of Mr. Maurice Samson, a chartered accountant, were retained, and he was requested to conduct an examination in accordance with instructions which were given to him by this committee through its chairman. As Mr. Samson will tell us shortly, he with his associates, Mr. G. H. Knight, of Messrs. Knight and Trudel, chartered accountants, has been in direct charge of the work; and I propose generally at this moment to say that the procedure will follow this plan, approximately: You will hear evidence this morning from Mr. Samson and then from Mr. Knight, the chartered accountants; and this evidence will take the form of a series of reports. The evidence and the reports will be divided, and subject to what may be considered wise, this division is between the three main heads of the textile industry; namely, cotton, in the first place, artificial silk and nylon in the second place, and wool in the third place. My recommendation, which will be repeated this afternoon if necessary, is that we proceed as far as possible on the basis of commodity by commodity in accordance with our previous practice and that we tackle the primary cotton industry first and then following Mr. Knight's evidence I would propose to have certain material put before the committee in the way of statistical data; and to have certain witnesses of the Wartime Prices and Trade Board and of the Commodity Stabilization Corporation to come and give the committee certain information; and then, at the same time the committee will be in a position to invite witnesses from the industry itself. In the meantime, that will unfold itself for this morning, Mr. Chairman, and I suggest that we can spend our time usefully this morning in hearing the report by Mr. Samson and getting started on Mr. Knight's report. I would like to distribute Mr. Samson's report before asking him to read it.

The VICE-CHAIRMAN: Now, Mr. Dyde, have the press been supplied with anything?

Mr. DYDE: No.

The VICE-CHAIRMAN: Are there a sufficient number of these copies for the various papers?

Mr. DYDE: Yes, there are, Mr. Chairman.

Maurice Samson, C.A., Chartré, Samson, Beauvais, Gauthier & Cie, Quebec, called and sworn:

By Mr. Dyde:

Q. Mr. Samson, would you give the committee your address, please?—A. 134 Park Avenue, Quebec City.

Q. That is your private address?—A. Yes.

Q. Your profession is?—A. Chartered accountant.

Q. You have prepared a report for the committee which you are now in a position to read, are you not, Mr. Samson?—A. I am ready to read the letter being the introduction to the report. It reads as follows:

QUEBEC, May 22, 1948.

House of Commons,
Special Committee on Prices,
Ottawa, Ontario.

Gentlemen:—On March 30, 1948, I received a letter from your Committee authorizing me to act on your behalf as follows:

(1) To receive, summarize and report on questionnaires to be sent out by the Committee and completed by companies engaged in the manufacture of textile products.

(2) To examine the books and records of the following companies, namely:
Dominion Textile Company Limited
Canadian Cottons Limited
The Wabasso Cotton Company Limited
Courtaulds (Canada) Limited
Canadian Celanese Limited
Bruck Mills Limited
Dominion Woollens & Worsteds, Limited
Ayers Limited
Paton Manufacturing Company Limited
Canadian Industries Limited—Nylon Division

(3) To examine the books and records of such other companies engaged in the manufacture of textile products as counsel for the committee may direct.

(4) To report to the committee on your examination of each company's questionnaire and records.

Due to the extensive field to be covered and the importance of submitting the final report on time, I considered it expedient to associate myself with Mr. E. H. Knight, C.A., for the purpose of this enquiry. Mr. Knight has been in charge of the investigation and will submit the report covering the enquiry over his signature; he will be pleased to furnish any information or explanations that you may require.

Immediately on receipt of your letter we, in collaboration with your committee's counsel and accountant, prepared a preliminary questionnaire which was sent to manufacturers of cotton yarn and cloth, woollen cloth and artificial silk and nylon. A more detailed special preliminary questionnaire was also prepared and sent to the ten companies mentioned in paragraph 2 of your letter. Two additional companies, namely:

The Montreal Cottons Limited and
Drummondville Cotton Company Limited,

subsidiaries of Dominion Textile Company Limited, were added by counsel under paragraph 3 of your instructions, as a consolidation with the parent company was not considered feasible.

The questionnaires required each company to submit figures on an annual basis for the 12 consecutive years from 1936 to 1947 inclusive, and on a monthly basis for the 27 consecutive months from January 1, 1946 to March 31, 1948.

Each of the 12 specially named companies referred to above was visited in accordance with your instructions and replies to the special preliminary questionnaire were compared in each case with the company's records.

Annual figures were verified by reference to the annual statements signed by the shareholders' auditors. In those instances where annual figures were not detailed in these audited statements, they were compared either with the companies' accounting records or internal reports.

We satisfied ourselves as to the accuracy of the interim returns filed by the reporting companies.

We investigated the method used to compute the finished goods inventories in terms of quantities and the figures reported were reconciled for a number of periods, with the inventory records of each company.

We studied the methods and tested the figures used by each company in establishing the unit cost prices reported in the special preliminary questionnaire.

A letter signed by the chief executive officer and the chief accounting officer certifying the accuracy of the figures submitted was obtained from each company.

In summarizing the information returned by the reporting companies, five separate submissions have been prepared. These will be submitted under the following titles:

Report "A":—Introductory report on the scope of the enquiry.

Report "B":—Report of information returned by companies primarily engaged in the manufacture of cotton yarn and cloth.

Report "C":—Report of information returned by companies primarily engaged in the manufacture of woollen cloth.

Report "D":—Report of information returned by companies primarily engaged in the manufacture of artificial silk and nylon.

Report "E":—Summary report of information returned by companies primarily engaged in the manufacture of cotton yarn and cloth, woollen cloth and artificial silk and nylon.

Respectfully submitted,

MAURICE SAMSON,
Chartered Accountant.

Mr. THATCHER: There is just one question I would like to ask before Mr. Samson goes on; maybe Mr. Dyde would answer it. How were these companies picked out as the ones to be brought before the committee as representative in this field?

Mr. DYDE: That will be referred to in the report by Mr. Knight.

Mr. THATCHER: I see.

The VICE-CHAIRMAN: I imagine there would not be any questions at this stage; of course, he will be here—

Mr. DYDE: He will be available, and Mr. Knight as well.

The VICE-CHAIRMAN: Mr. Knight will deal with this factual material in this matter. Mr. Knight is sworn also?

Mr. DYDE: I will now call Mr. Knight.

E. Harry Knight, C.A., 17 Peter Avenue, Pointe Claire, Quebec, called and sworn.

By Mr. Dyde:

Q. While copies of this report are being distributed, Mr. Knight, would you give the committee, please, your home address?—A. 17 Peter Avenue, Point Claire, Quebec.

Q. Your occupation is chartered accountant?—A. Yes.

The VICE-CHAIRMAN: Gentlemen, this introductory report which is in front of you as you will see is something which can be quite easily printed, and the same thing applies with reference to report "B", which is the one to follow which gives special information and guidance. I understand from Mr. Knight that a similar remark could be made respecting reports "C", "D" and "E". So may we decide now that these several reports will be printed in the record as though read in their entirety at the time they are brought before us. Is that agreed?

Some Hon. MEMBERS: Agreed.

By Mr. Dyde:

Q. Mr. Knight, would you proceed to read your report?—A. Yes, sir. It reads:—

REPORT "A"

Special Committee on Prices,
House of Commons,
Ottawa, Canada.

GENTLEMEN:—This report deals with the scope of the present enquiry into the primary textile industry of Canada.

In order to obtain the information required, two forms of questionnaires were prepared, one, known as the "Special Preliminary Questionnaire", filed as Exhibit 1, being sent to the ten large companies specially mentioned in paragraph 2 of your letter and also to the two other companies which were added by Counsel.

Mr. DYDE: Excuse me, Mr. Knight. At that point, Mr. Chairman, we are able to produce the actual blank questionnaire. I had felt that it was not necessary to have this reproduced in numerous copies because the reports themselves indicate completely what the questionnaire was. Now I think I would like further to produce the blank questionnaire so that as a matter of record it would be in the proceedings in case anybody did want to check back and find out the exact form of the questionnaire. Would that be satisfactory?

The VICE-CHAIRMAN: I think we can take care of that if we will put it in as an exhibit.

Mr. DYDE: That will be Exhibit 121.

The VICE-CHAIRMAN: That will be printed in our proceedings of today as an appendix to this report.

Mr. DYDE: Proceed, Mr. Knight, please.

The WITNESS: A more restricted questionnaire, known as the "Preliminary Questionnaire", filed as Exhibit 2, was prepared and sent to 141 companies, including the twelve special companies referred to above. Exhibits 1 and 2 contain copies of the correspondence that went with the questionnaires.

Mr. DYDE: And you are now able to produce your Exhibit 2, which becomes Exhibit 122.

The VICE-CHAIRMAN: That will be printed as an appendix in the same way.

The WITNESS: The Preliminary Questionnaire was first sent to Companies listed by the Dominion Bureau of Statistics in their 1945 Census of Industry Reports as being manufacturers of cotton yarn and cloth, woollen cloth and artificial silk and nylon.

These companies numbered	136
Add: Other companies circularized by request of Counsel.	5
	141

Mr. DYDE: Excuse me, Exhibit 3 is in the report here so that it does not need to be identified as an exhibit.

(Discussion off the record)

Mr. THATCHER: There is one point on which I am not clear. These companies listed at the back whom you circularized; will they appear before the committee at all? Will they be asked to appear?

Mr. DYDE: I would again like to postpone consideration of that until the meeting this afternoon.

The VICE-CHAIRMAN: That procedure has not been definitely settled, as to just who might be called. There are several things concerned in that that had to be decided, and decided by us; and it was partly in my mind when I suggested the executive session this afternoon; I say, partly in my mind then. These points are things we will have to settle.

Mr. DYDE: Yes, Mr. Knight.

The WITNESS:

Deduct: Companies excused by Counsel for reasons detailed on Exhibit 3	22
	119
Deduct: Companies which have failed to report or which had not reported fully by May 7, 1948	21
Total number of companies included in the statistical data of the reports	98

Names and addresses of the companies circularized, divided into groups, as indicated in the foregoing summary, are submitted as Exhibit 3, and also incorporated at the end of this report.

Mr. DYDE: Excuse me, Mr. Knight, if I might break in again. If members of the committee will look at the last page of this report you will find the names of the companies which have failed to report or which have not reported in full by May 7. Now, Mr. Knight, I think since this report was actually written by you some of these companies on that list on the last page have in fact reported, and I think we should now stop and make sure that these are marked on our copies so that we know that there are companies which have reported although their reports came in after May 7. Would you indicate please the names of the companies which have reported since you wrote your report?

The WITNESS: Yes, sir. Canadian Silk Textiles Registered, J. G. Field & Son Limited, Grand Valley Textiles, Huntingdon Woollen Mills Limited, J. Lewis and Sons Limited, L. & L. Textiles Limited and Seneca Weavers Limited.

The VICE-CHAIRMAN: And there is a matter there which normally I would suggest be left over for this afternoon, but this afternoon is not a public meeting and some notice of this may well have to go out to the public if this question is raised. The question in my mind is as to why these companies did not report, and did they have a sufficient reason for not reporting; and whether they might be specially and immediately summoned to come here and state why they have not reported. If there is anything in the nature of contempt on the part of any of these companies then it should be dealt with by this committee immediately. Again, I do not know whether there is sufficient excuse for them not having complied with the request; but, if there is not, then it seems to me this committee should take some action against them. At any rate, I am offering that to you for consideration now in public meeting in the hope that these views will get publicity the more quickly and perhaps be seen by these organizations.

Mr. THATCHER: Mr. Chairman, who would pay their expenses if they came down here under those circumstances; would the committee pay them or would they pay them themselves?

The VICE-CHAIRMAN: We perhaps should consider that in the meeting this afternoon.

Mr. THATCHER: I suggest that we summons them immediately and give them three days to get their replies in.

Mr. WINTERS: And have them state the reasons why they have not complied.

The VICE-CHAIRMAN: There may be sufficient reasons to excuse the delay; on the other hand, there may not.

Mr. THATCHER: In any event, they should have notified the committee.

Mr. WINTERS: They should have all been in by now.

The VICE-CHAIRMAN: Again, as I said, there may be good reasons for the report replies not having been sent in, and there may not.

Mr. ZAPLITNY: Could we have the date on which they were notified they were to report, the date on which the questionnaire was sent to them? Was it all done at the same time or were they staggered?

Mr. DYDE: We can check on that, although the letters must have been fairly close together.

Mr. PINARD: Was there just one letter sent?

Mr. DYDE: No. When the letter first went out a date was given at which replies were to be in. I have been able to check up the date at which the letter went out and it was April 1, the day following the day on which the committee instructed counsel to proceed; and then, on a later date, which I have not before me at the moment; it later was found that the material was not returned and another letter was sent asking them to send the information at once. The first letter that went out, that is the letter of April 1, asked for the information by the 15th of April, and it was some time shortly after that that the second letter was dispatched asking them for replies; and so far as I know, and Mr. Knight has checked with me on this just now, there has been no response from the fourteen companies on the back page.

Mr. THATCHER: I would move, seconded by Mr. Zaplitny, that we send a wire or telegram immediately to these companies asking them either to let us have the information within say three days or reasons why they cannot give it. If three days is not satisfactory you could change that, but I think immediate action should be taken.

The VICE-CHAIRMAN: Mr. Thatcher, may I just make this suggestion to you; it would be a slight variation; that your motion respecting the telegram go without actually preparing the wording of it. The reason I have in mind there for that is that it might be if you sat down to draft a wire you would not do it in precisely those words, you might do it a little differently; you would do it whatever way you thought would be most effective. What would you think of simply saying that these firms be immediately telegraphed on this point and that the chairman do this during the noon adjournment, and that the chairman take advice of a couple of members for the wording of it rather than the actual draft wording appearing in your motion.

Mr. THATCHER: All right, I will change my motion.

The VICE-CHAIRMAN: Which is simply that a wire of demand be immediately sent?

Mr. THATCHER: Right.

The VICE-CHAIRMAN: Then, if you leave it to the chairman I would ask that Mr. Winters and yourself advise with me on the form of the wire.

Mr. ZAPLITNY: Apart from that, have we any information as to what volume of business is done by these companies? It might have occurred to some of these people that they consider themselves so small that they withheld answers for that reason. That might not be a good ground but it may be a reason.

The VICE-CHAIRMAN: That is possible, yes. But all the motion asks is that a telegram, which I have called a telegram of demand, should go during the noon hour; and I think that the three of us will work out the wording that will be felt by most of the committee, in fact by all of the committee, to be satisfactory.

Mr. THATCHER: There is one other word maybe; I would like—

The VICE-CHAIRMAN: Just a moment now. That is the motion, gentlemen; that a telegram be sent. Is there any further comment?

Carried.

Mr. THATCHER: There is one very simple question—

The VICE-CHAIRMAN: Wait just a moment, please.

Mr. LESAGE: Mr. Chairman, just a point with regard to the telegram. I do not know just what the phraseology of it will be but I was going to suggest that you incorporate in it a clear statement that failure to comply would be construed as contempt.

The VICE-CHAIRMAN: You will be agreeable to the committee considering that at 1 o'clock? We will bear in mind what you say.

Mr. LESAGE: I thought that might be important.

The VICE-CHAIRMAN: What were you going to say, Mr. Thatcher?

Mr. THATCHER: There is just one more question on this list of companies that you have here on the first page of the list. Can you tell me—I think it is the cotton group, the last on the page—Woods Manufacturing Company Limited, Montreal; is that the same company which has a plant here in Hull?

Mr. DYDE: I do not know. I will find out.

The VICE-CHAIRMAN: Proceed now, Mr. Knight.

Mr. DYDE: Mr. Knight, we are now at the top of page 2, and your first paragraph indicates that questionnaires have been returned by twelve special companies, and you suggest in that paragraph that they are filed as follows.

The Special Preliminary Questionnaires returned by the twelve special companies and correspondence related thereto are filed as follows:

Exhibit 4:—Ayers Limited
Exhibit 5:—Bruck Mills Limited
Exhibit 6:—Canadian Celanese Limited
Exhibit 7:—Canadian Cottons Limited
Exhibit 8:—Canadian Industries Limited—Nylon Division
Exhibit 9:—Courtaulds (Canada) Limited
Exhibit 10:—Dominion Textile Company Limited
Exhibit 11:—Dominion Woollens & Worsteds, Limited
Exhibit 12:—Drummondville Cotton Company Limited
Exhibit 13:—Paton Manufacturing Company Limited
Exhibit 14:—The Montreal Cottons Limited
Exhibit 15:—The Wabasso Cotton Company Limited

The Preliminary Questionnaires returned and related correspondence will be filed as follows:

Exhibit 16:—Preliminary Questionnaires filed by 22 companies in the Cotton Group.

Exhibit 17:—Preliminary Questionnaires field by 54 companies in the Wool Group.

Exhibit 18:—Preliminary Questionnaires filed by 22 companies in the Artificial Silk and Nylon Group.

Exhibit 19:—Preliminary Questionnaires returned by companies which were either late in filing or which filed incomplete returns.

Mr. Chairman, I am breaking in to Mr. Knight's reading of this report, and I may say with his concurrence, to make a remark or two at this point; and, again it may be a matter which you will wish to discuss and it may be a matter which you will wish to discuss this afternoon. I had planned to deal with the primary cotton industry first and my recommendation really is that these reports which have been sent in by the companies should not be produced at this moment; and my reasons for making that suggestion and recommendation are that if these are produced at this moment, it is quite a mass of material and it would put us off consideration of Mr. Knight's analysis of that material; so that I suggest for clarity and for ease in procedure that we do not put these reports in at this moment but that we permit Mr. Knight to proceed with his analysis of the material, following which of course the officers of these companies will come forward, and just as we have done in the past, their material will be available then. My reason for that suggestion is for the purpose of attempting to make a fairly complicated study so much easier for us.

The VICE-CHAIRMAN: Shall we follow that procedure, gentlemen?

Some Hon. MEMBERS: Agreed.

Mr. DYDE: Then I have some remarks to make with regard to the paragraph a little lower down on the page in connection with the preliminary questionnaires. I would like at least to postpone that matter because I can see that the committee will finally agree that if the vast mass of material was obtained from all the smaller companies would be far too great for the committee to go through. In view of the work that our chartered accountant, the witness, has done on them I am going to make the same suggestion, at any rate for the moment, that we do not produce them until we have had generally a look over these reports of Mr. Knight's. I think perhaps that we should go on to the lower part of page 2, continue with the paragraph beginning, "the preliminary questionnaire—"

The Preliminary Questionnaire called for information to be supplied on an annual basis and again on a monthly basis. Schedule "B" of the Questionnaire called in part for the following:

1.—Sales of cotton yarns and fabrics:
2.—Sales of woollen products:
3.—Sales of rayon and nylon yarns and fabrics:
4.—Sales of other products:
5.—Total Sales:
6.—Operating Income:
7.—Net Profit, after proision for taxes on income:

From this information the returns have been divided and reported on under three groups, namely: cotton, wool, and artificial silk and nylon.

The following comparative summary has been prepared for the purpose of showing the proportion of the primary textile industry of Canada represented by the 98 reporting companies. For this purpose, the number of these reporting companies has been compared by groups with the number of firms listed in the latest reports of Dominion Bureau of Statistics:

	Number of firms		
	Listed by Dominion Bureau of Statistics (1945)	Companies returning Questionnaire	Percentage of coverage
Cotton Group	23	22	96%
Wool Group	68	54	79%
Artificial Silk and Nylon Group	28	22	79%
Total for the Industry	119	98	82%

The figures shown above as reported by Dominion Bureau of Statistics do not correspond with the number of firms listed in their 1945 Census of Industry reports. Fifty-five names were deducted from these lists for the following reasons:

(*a*) Subsidiary companies and mills listed individually by Dominion Bureau of Statistics were reported to us in consolidated form on the parent company's returns.

(*b*) Some firms were listed by Dominion Bureau of Statistics in more than one location under each group and in more than one of the three groups from which the mailing list for the questionnaires was prepared.

(*c*) Some companies were excused by Counsel on the grounds that they are not, or have ceased to be, engaged in the field covered by this enquiry.

Five names were added covering companies which were circularized by request of Counsel.

It has been impossible to compare the coverage from the point of view of sales volume, as the basis for summarizing the figures reported on the questionnaires differed from that used by Dominion Bureau of Statistics.

By Mr. Dyde:

Q. May I interject there just to ask you to explain why?—A. In the returns of the Dominion Bureau of Statistics, for example covering wool, companies are listed as manufacturers of woollen cloth and manufacturers of wool yarn separately, and consequently the sales figures reported to the Dominion Bureau have been consolidated under those two headings. Now, we investigated those that were listed as manufacturers of woollen cloth only, and when these companies replied they gave us their total production is so far as it affected the woollen industry with the result that we had a little yarn and all the cloth and we were not therefore able to compare the dollar value of the sales reported to us with either the cloth or the yarn. If we compared it with the cloth we had 115 per cent of the Dominion Bureau figure; which is obviously wrong. It is for that reason, sir, that I have made that remark.

Q. Now, Mr. Knight, would you continue with page 4, of your report?—A. Yes.

As soon as the special preliminary questionnaires had been issued, the executives of the special companies were invited to attend group meetings called for the main purpose of discussing uniformity of presentation of the information required. Mr. J. R. M. Wilson, F.C.A., your committee's accountant, attended these meetings and assisted in supplying information requested in connection with the enquiry.

As the work progressed, it became evident that technical problems such as costing and the fixing of selling prices, price controls and subsidies, lacked uniformity even within each group of the industry. Consequently, prior to the finalization of the attached reports, after consultation with counsel, it was decided to invite representatives of the special companies to attend group meetings called for the purpose of discussing these problems and gathering further information that might clarify the interpretation of the factual data collected and submitted in the attached reports.

I have obtained all the explanations that I have requested. I am now prepared to submit my report on the cotton group. This will be followed by reports on the wool group and the artificial silk and nylon group. Statistics on the industry as a whole will be submitted in the final report, which will sum up the separate reports on each of the groups.

Respectfully submitted,

E. H. KNIGHT,
Chartered Accountant.

NAMES AND ADDRESSES OF THE COMPANIES IN THE "COTTON GROUP" WHICH HAVE REPLIED TO THE PRELIMINARY QUESTIONNAIRE

Acadian Bobinet Co. Limited, Room 813, Sun Life Building, Montreal.
Avalon Fabrics Limited, 500 Ontario St., Stratford, Ontario.
Burrows Textiles, 47 Neeve Street, Guelph, Ontario.
Caldwell Linen Mills, Limited, Iroquois, Ontario.
Canadian Cottons Limited, 760 Victoria Square, Montreal (1).
Cornwall and York Cotton Mills Company Limited, Saint John, N.B.
Cosmos Imperial Mills Limited, Sherman Avenue North, Hamilton, Ontario.
Curl Bros. Textiles (Canada), 393 Sorauren Ave., Toronto (3), Ontario.
Dominion Fabrics Limited, Forest St. East, Dunnville, Ontario.
Dominion Rubber Company Limited—Textile Division, 550 Papineau Ave., Montreal.
Dominion Textile Company Limited, 710 Victoria Square, Montreal (1).
Drummondvile Cotton Company Limited, 710 Victoria Square, Montreal (1).
Firestone Textiles Limited, Hamilton, Ontario.
Glendale Spinning Mills Limited, Glendale Ave., North Hamilton, Ontario.
Goodyear Cotton Co. of Canada Limited, St. Hyacinthe, Quebec.
Powdrell & Alexander of Canada Limited, 276 Davenport Road, Toronto (5), Ontario.
Stauffer-Dobbie Limited, Galt, Ontario.
The Esmond Mills Limited, St. Charles St., Granby, Quebec.
The Hamilton Cotton Co. Limited, 304 Mary St., Hamilton, Ontario.
The Montreal Cottons Limited, 710 Victoria Square, Montreal.
The Wabasso Cotton Company Limited, 768 St. Maurice St., Three Rivers, Quebec.
Woods Manufacturing Company Limited, 2660 Mullins Street, Montreal.

NAMES AND ADDRESSES OF THE COMPANIES IN THE "WOOL GROUP" WHICH HAVE REPLIED TO THE PRELIMINARY QUESTIONNAIRE

Artex Woollens Limited, 330 Adelaide St. West, Toronto, Ontario.
Ayers Limited, Lachute Mills (Argenteuil) Quebec.
Barrymore Cloth Company Limited, 1179 King St. West, Toronto, Ontario.
Ben Miller Woollen Mills, R.R. No. 4, Goderich, Ontario.
Brandon Woollen Mills Co. Limited, Brandon, Manitoba.
Collie Woollen Mills Limited, Appleton, Ontario.
Collins & Aikman of Canada Limited, Farnham, Quebec.
Continental Woollen Mills Limited, 680 King St. West, Toronto (1), Ontario.
Copp Woollen Mills Limited, Port Elgin, N.B.
Dominion Woollens & Worsteds, Limited, Peterborough, Ontario.
Downs Coulter & Co. (Canada) Limited, c/o Eastern Trust Company, Charlottetown, P.E.I.
Dupont Textiles, Limited, 533 College St., Toronto, Ontario.
Fawcett & Grant Limited, Huntingdon, Quebec.
Geo. Pattinson & Co. Limited, Eagle Street, Preston, Ontario.
Geo. Sheard & Co. Limited, Coaticook, Quebec.
Glen Textiles Limited, 66 Fraser Avenue, Toronto, Ontario.
Hield Brothers Limited, Kingston, Ontario.
H. Leach & Company Limited, 231 Front St. East, Toronto, Ontario.
J. A. Humphrey & Son Limited, Box 307, Moncton, N.B.
Kenwood Mills, Limited, Arnprior, Ontario.

NAMES AND ADDRESSES OF THE COMPANIES IN THE "WOOL GROUP" WHICH HAVE REPLIED TO THE PRELIMINARY QUESTIONNAIRE—*Concluded*

La Filature du Saguenay, Ltée, 10 Ave. Savard, Chicoutimi, Quebec.
La France Textiles, Limited, Woodstock, Ontario.
Leach Textiles Ltd., Huntingdon, Quebec.
Lester & Burton Limited, 251 Sorauren Ave., Toronto, Ontario.
Meaford Woollens Ltd., 201 Weston Rd., S., Toronto, Ontario.
Methot & Frére Limitée, Cap Saint-Ignace, Co., Montmagny, Quebec.
M. J. O'Brien Limited, 900 Victoria Building, 140 Wellington Street, Ottawa, Ontario.
Montrose Worsted Mills Inc., 440 Ontario St. W., Montreal.
Oxford Woollen Mills Limited, Oxford, Nova Scotia.
Paton Manufacturing Company Limited, 710 Victoria Square, Montreal (1).
Renfrew Textiles Limited, Stewart Street, Renfrew, Ontario.
Rosamond Woollen Company Limited, Almonte, Ontario.
St. Andrews Woollen Mills Limited, 660 St. Catherine St. West, Montreal.
St. George Woollen Mills Ltd., St. Georges de Beauce, Quebec.
St. Johns Textile Mills Ltd., 145 Cousins St., St. Johns, Quebec.
Slingsby Quebec Limited, 268 Grand River Ave., Brantford, Ontario.
Tayside Textiles Limited, Perth, Ontario.
Textile Weavers Limited, Grand'Mere, Quebec.
The Bird Woollen Mill Company Limited, Bracebridge, Ontario.
The Brock Woollen Co. of Simcoe, Limited, Simcoe, Ontario.
The Campbellford Cloth Company Limited, 1179 King St. West, Toronto, Ontario.
The Canada Hair Cloth Co. Limited, 198 St. Paul St., St. Catharines, Ont.
The Circle-Bar Knitting Co. Ltd., Kincardine, Ontario.
The Horn Bros. Woollen Co. Limited, 95 William St. North, Lindsay, Ontario.
The Midland Woollen Mills Limited, 104 Richmond St. W., Toronto, Ontario.
The Paris Wincey Mills Co. Ltd., Paris, Ontario.
The Slingsby Manufacturing Co. Limited, 268 Grand River Avenue, Brantford, Ontario.
The Strathroy Woollen Mills Limited, P.O. Box 190, Strathroy, Ontario.
Thoburn Woollen Mills, Almonte, Ontario.
Warwick Woollen Mills Limited, Warwick, Quebec.
Watchorn & Co. Ltd., Merrickville, Ontario.
West Coast Woollen Mills Ltd., 520 Clark Drive, Vancouver, B.C.
Western Canada Weaving Mills Ltd., 78, E, 2nd Ave., Vancouver, B.C.
Wm. Looser & Co. Ltd., 64 Wellington St., West, Toronto, Ontario.

NAMES AND ADDRESSES OF THE COMPANIES IN THE "ARTIFICIAL SILK AND NYLON GROUP" WHICH HAVE REPLIED TO THE PRELIMINARY QUESTIONNAIRE

Acton Vale Silk Mills Limited, Acton Vale, Quebec.
Associated Textiles of Canada Limited, Room 800, University Tower Building, Montreal.
British American Silk Mills Ltd., 1449 St. Alexander St., Montreal.
Bruck Mills Limited, 460 St. Catherine St. West, Montreal.
Canadian Celanese Limited, 1401 McGill College Avenue, Montreal.

Canadian Industries Limited—Nylon Division, 1135 Beaver Hall Hill, Montreal.
Coaticook Textiles Ltd., 4060 St. Lawrence Blvd., Montreal.
Courtaulds (Canada) Limited, Cornwall, Ontario.
Dionne Spinning Mills Co., St. George West, Beauce Co., Quebec.
Dominion Silk Mills Limited, 2 Mark Street, Toronto, Ontario.
Dominion Spinners Limited, 130 Gregoire St., St. Johns, Quebec.
Fine Silk Limited, 10 St. James St. East, Montreal (1).
Grout's Ltd., Welland Ave., St. Catharines, Ontario.
J. B. Martin Company Limited, 445 St. James Street, St. Johns, Quebec.
Laurentian Silk Mills Limited, 1449 St. Alexander St., Montreal.
Louis Roessel & Co. Limited, 1449 St. Alexander St., Montreal.
M. E. Binz Co. Ltd., Montmagny, Quebec.
Newlands & Co. Limited, Galt, Ontario.
Riverside Silk Mills Limited, Galt, Ontario.
Soieries Boell Ltée, 76A Richelieu, St-Jean, Quebec.
Sutton Silk Mills Ltd., Sutton, Quebec.
Verney Mills of Canada Ltd., Granby, Quebec.

NAMES AND ADDRESSES OF OTHER COMPANIES CIRCULARIZED BY REQUEST OF COUNSEL

Ayers Limited, Lachute Mills, Argenteuil, P.Q.
Dominion Yarns Ltd., Welland, Ontario.
J. G. Field & Son Ltd., Tavistock, Ontario.
Kenwood Mills Ltd., Arnprior, Ontario.
Slingsby Quebec Ltd., 268 Grand River Ave., Brantford, Ontario.

COMPANIES EXCUSED BY COUNSEL FOR REASONS INDICATED

	Reasons
Acme Glove Works Ltd., Joliette, P.Q.	Joliette Mill represents 8 per cent of sales volume, all used by Acme.
Angoras of Abercorn Ltd., 1651 Sherbrooke St., Montreal, P.Q.	Hand weavers
Belding Corticelli Ltd., P.O. Box 9, Montreal, P.Q.	Do not make cotton or rayon yarns
Canadian Homespun Reg'd., 1174 St. Catherine St. W., Montreal, P.Q.	Hand weavers
Canadian Weavercraft Co., 282 Ontario Street West., Montreal, P.Q.	Hand weavers
Carmen Poirier Reg'd., 428 Victoria Ave., St. Lambert, P.Q.	Hand weavers
Dominion Thread Mills, 52 Nazareth Street, Montreal, P.Q.	Do not make cotton or rayon yarns
Dominion Yarns Ltd., Welland, Ontario.	Not an operating company
East Broughton Woollen Mills, Ltd., East Broughton Station, Beauce Co., P.Q.	Mill destroyed by fire
Fernhill Limited, 146 St. Thomas Street, Joliette, P.Q.	Out of business
Golden Fleece Woollen Mills Ltd., Magrath, Alberta	Out of business
Island Weavers, 816 Esquimalt Road, Victoria, B.C.	Hand weavers

Johnson Woollen Mills Ltd., Waterville, P.Q.	Hand weavers
Le Métier, 17 Blvd. Desaulniers, St. Lambert, P.Q.	Hand weavers
Little Shop Inc., Pointe au Pic, P.Q.	Hand weavers
J. R. Moodie Co. Ltd., Hamilton, Ontario	Cotton Spining Department figures not available
N. Poisson, 580 Victoria Street, St. Lambert, P.Q.	Hand weavers
Squier Studio, Cedar, B.C.	Hand weavers
Superspun Yarn Co. Ltd., Joliette, P.Q.	Mill closed in 1947
Talbot & Talbot, 952 Queen Street, West, Toronto, Ontario	Weavers of cotton laundry nets
Thurso Woollen Mill, Thurso, P.Q.	Mill closed in 1947
Truro Woollen Mills Ltd., Truro, N.S.	Not manufacturing

NAMES AND ADDRESSES OF COMPANIES WHICH HAVE FAILED TO REPORT OR WHICH HAD NOT REPORTED FULLY BY MAY 7, 1948

Arnprior Mill Stock, Co., Murwash street, Arnprior, Ontario.
Aux Tissages Français Ltée., 7260 St. Urbain St., Montreal, P.Q.
Canadian Silk Textiles Reg'd., St. Hyacinthe, P.Q.
Consolidated Textiles Ltd., St. Hyacinthe, P.Q.
Cookshire Woollen Mill, Cookshire, P.Q.
Duplex Textiles Ltd., St. Hyacinthe, P.Q.
Duval & Raymond, Princeville, P.Q.
Fairfield & Sons Ltd., 797 Notre Dame Ave., Winnipeg, Man.
J. G. Field & Son Ltd., Tavistock, Ontario.
Grand Valley Textiles, 180 Beverley Street, Galt, Ontario.
Huntingdon Woollen Mills Ltd., Huntingdon, P.Q.
Iberville Drapery Mills, Ltd., 61, 4th Ave., Iberville, P.Q.
La Filature de l'Isle-Verte, Isle-Verte, P.Q.
Lewis, J. & Sons Ltd., Stewiacke, N.S.
L. & L. Textiles Ltd., Magog, P.Q.
Maritime Textiles Ltd., 47 Inglis Street, Truro, N.S.
Paquin, M. Napoléon, St. Gabriel de Brandon, P.Q.
Seneca Weavers Ltd., 135 Main Street, Brampton, Ontario.
Shefford Woollen Mills, Ltd., Granby, P.Q.
Spider Looms Ltd., 3618 Kingsway, Vancouver, B.C.
Trenholmville Woollen Mills, Trenholm, P.Q.

Mr. DYDE: Now, before closing this report, Mr. Chairman, there are these pages at the back, the names of compaines who have replied and those that have been excused; and I think that in view of the discussion that took place a few minutes ago we should, even at the expense of a few minutes, read the list so that we will know exactly the names of those that have fallen into each group. It would not take long and I think it would be worth it.

Mr. THATCHER: Mr. Chairman, I do not like to disagree with Mr. Dyde, but it seems to me that we are wasting fifteen minutes or so in the reading of these names. We can all read them for ourselves. I would like to move that they be taken as read and appear in the record.

The VICE-CHAIRMAN: They have already been included in the record. They have been taken as read. Is that satisfactory?

Mr. THATCHER: Yes.

The VICE-CHAIRMAN: Are there any comments in respect to any of these names? What number is that, Mr. Knight; you gave it before?

The WITNESS: Twenty-two.

By the Vice-Chairman:

Q. Are you able to say, off-hand, whether those twenty-two represent the major companies in the industry? Are there any of the big ones that are not there?—A. I believe, sir, only one of the cotton group has not replied.

Q. Which one?—A. All of those listed in the Dominion Bureau's returns.

Q. Which company is that? If you do not have it available, you can mention it a little later?—A. Yes, sir.

The VICE-CHAIRMAN: Mr. Thatcher, Mr. Dyde has been able to make inquiries since that time you asked your question and the Woods Manufacturing Company which is mentioned here is the same one and has an operation, also, in Hull.

Mr. THATCHER: It is the same?

The VICE-CHAIRMAN: It is the same. Turning the page, gentlemen—

Mr. DYDE: We can give the answer to the question you asked a moment ago, Mr. Chairman.

By the Vice-Chairman:

Q. The one company which did not reply in the cotton group, which one is that?—A. It is the Grand Valley Textile; they reported late.

Q. They have a return in now?—A. Yes, sir; but they were late, too late to be incorporated in the returns.

Q. Are they a large company?—A. I would have to refer to their questionnaire.

Q. Perhaps the question is not important enough, if you cannot answer it off-hand.

Are there any comments in respect to these woollen companies which are listed as having replied to the P.Q., the preliminary questionnaire?

Mr. THATCHER: Did I understand Mr. Dyde to say that those are just the companies which actually make woollen yarn?

Mr. DYDE: Woollen cloth.

The VICE-CHAIRMAN: All of these companies are what we laymen might call fabric companies. The examination is a fabric examination, rather than an article examination, a clothing article.

By the Vice-Chairman:

Q. Was there any considerable number left out, Mr. Knight, from the woollens?—A. Yes, I believe there is.

Mr. LESAGE: Fourteen.

The VICE-CHAIRMAN: Fourteen.

Mr. DYDE: Yes, some of whom may have reported since.

The VICE-CHAIRMAN: You are referring to that last page in the book with which we dealt a short time ago? Is that where you are getting your information?

Mr. LESAGE: The information is on page 3.

By the Vice-Chairman:

Q. Of those in the wool group, whatever ones have not reported come to about 21 per cent, apparently, Mr. Knight?—A. Yes, sir.

Q. And, of course, all their names appear on the list here in this introductory report you are dealing with and it is to them it is proposed the telegram should go?—A. Yes, sir.

Mr. DYDE: Some are also in the excused list, Mr. Chairman.

The VICE-CHAIRMAN: Yes, some might be in the excused list. What is the significance on the next page, of what are called other companies? These have not fallen into either of the categories we have so far dealt with in this recent talk. Any comment to be made on that, Mr. Dyde?

Mr. DYDE: Those were the companies which were, in fact, omitted from the original list and which we find it desirable to have included for one reason or another. I am not sure that the same reason holds for each of the companies. It may have been an oversight and, in fact, in one case it was.

The VICE-CHAIRMAN: This is a second thought list?

Mr. DYDE: That is right.

The VICE-CHAIRMAN: Is there any comment to make upon these companies which counsel excused for the reasons indicated? Would you run down that list?

Mr. DYDE: I think, Mr. Chairman, the remarks and reasons which have been placed at the head of the column are of sufficient length to indicate why they were excused.

The VICE-CHAIRMAN: There are three there opposite which I notice the remark, "hand weavers." I take it that is intended to indicate to us they are just very small organizations and an inquiry into their operations would not give any typical information, anyway. It that the idea?

Mr. DYDE: That is right, sir.

The VICE-CHAIRMAN: There are quite a number of hand weavers.

Mr. DYDE: You will notice some of them are out of business.

The VICE-CHAIRMAN: Yes, one of them burned down. Then we come to the last page with which we have already dealt. All right, Mr. Dyde.

Mr. DYDE: Would you mind distributing copies of report "B", please.

(At this point Mr. Pinard assumed the chair).

The ACTING CHAIRMAN: We will proceed with the reading of this report "B".

Mr. DYDE: Possibly I might help the members a little on this before Mr. Knight starts to read. The first part of the report is a narrative and refers to schedules. If you look at the first page of the report, you will see references to schedules B1, B2, B3 and so on, which are actually in this bound volume. It will be necessary for you, I think, to have your marker in the page where the schedule actually appears at the time Mr. Knight is reading because we will be looking at the summary or the narrative by Mr. Knight and, at the same time, we may wish to look at the actual schedule. I believe that will become apparent as we go forward. Will you proceed, Mr. Knight, please?

The WITNESS: Yes, sir.

REPORT "B"

Special Committee on Prices,
House of Commons,
Ottawa, Canada.

Gentlemen:—This report covers the Cotton Group of the Primary Textile Industry of Canada. Except where otherwise stated, this report has been prepared from information derived from questionnaires submitted by companies whose main business is the manufacture of cotton yarns and fabrics.

Attached to this report and forming part thereof are the following schedules:

Schedule B1:—Summary of Annual Sales and Operating Income (Cotton Group), for the twelve years from 1936 to 1947 inclusive.

Schedule B2:—Annual Sales and Operating Income (Cotton Group), for the twelve years from 1936 to 1947 inclusive.

Schedule B3:—Analysis of operations by Periods indicated, on a Sales Dollar Basis, for the five special companies individually (Cotton Group).

Schedule B4:—Sales by Months (Cotton Group), for the 27 months from January 1946 to March 1948, inclusive.

Schedule B5:—Analysis of Operations by Quarters of Years, on a Sales Dollar Basis, for the five special companies individually (Cotton Group).

Schedule B6:—Finished Goods inventories expressed in Terms of Quantities, for the periods indicated (Cotton Group).

Schedule B7:—Unit Selling Prices and Components of Cost of articles reported by the five special companies (Cotton Group), as at the dates indicated.

Schedule B8:—Capital Employed and Earnings of the five special companies (Cotton Group) from 1936 to 1947 inclusive.

These schedules are submitted in the same sequence as the information contained in this report.

Mr. DYDE: May I interject a remark, Mr. Chairman? My thought was that we would go through this fairly rapidly to get a complete picture of report "B" as soon as we could. Then, we will come back to questions after we have gone through the report, if that is agreeable.

The ACTING CHAIRMAN: That is agreed.

The WITNESS:

SCHEDULE B1

This schedule shows total sales, operating income and the percentage of operating income to sales for the twelve years from 1936 to 1947 inclusive, for all reporting companies in the cotton group.

Figures shown as "operating income" throughout this report represent net income before deducting:

(a) taxes on income
(b) interest on borrowed money and other financial charges
(c) inventory reserves
(d) depreciation set up in the companies' books in excess of the amounts allowed by income tax authorities and
excludes investment income and profits or losses on disposal of investments and fixed assets.

Average annual sales, for the twelve year period, of all companies in the cotton group, amount to $88,273,000.00, the corresponding operating income of $9,857,000.00 being 11·2 per cent of the sales figure.

During the twelve years under review the cotton industry passed through three significant periods. These may be grouped as follows:

1. Pre-war years—1936 to 1939 inclusive
2. Pre-subsidy years—1940 to 1943 inclusive
3. Subsidy years—1944 to 1947 inclusive

I was informed that cotton subsidy agreements between Commodities Prices Stabilization Corporation Limited and the cotton companies became effective at various dates early in 1943. The purpose of these agreements was to enable the companies to import raw cotton at increasing prices, while maintaining selling prices at ceilings fixed by the Wartime Prices and Trade Board. Each company was, however, prevented from collecting that portion of the subsidy allowance which would cause earnings to exceed 116⅔ per cent of standard profits as determined by the income tax authorities in each case.

With the exception of Dominion Textile Company Limited which terminated their cotton subsidy agreement March 31, 1947, the raw cotton subsidy agreements were discontinued with the lifting of price controls on September 15, 1947.

In addition to the subsidy on raw cotton, Commodities Prices Stabilization Corporation Limited allowed a subsidy on imports of grey cloth. During the period in which the raw cotton subsidy was in effect, this subsidy on grey cloth was subject to the profit earning restrictions of the raw cotton agreements. I have not attempted to examine the individual subsidy agreements.

Four of the largest companies in the cotton group representing approximately 80 per cent of sales and operating income, terminate their fiscal period in the first quarter of each year. As the individual subsidy agreements of these companies became effective at the beginning of their 1943-1944 fiscal period, the first annual figures of these four companies to include raw cotton subsidies, were reported under 1944. For this reason, the year 1944 has been shown as the first year in the subsidy period.

The following table sums up the information shown in detail on schedule B1:

Period	Total sales (Thousands	Operating income* of dollars)	Percentage of operating income* to sales
Pre-war years—1936 to 1939	$ 218,609	$ 18,886	8·6%
Pre-subsidy years—1940 to 1943	407,272	64,200	15·8%
Subsidy years—1944 to 1947	433,396	35,196	8·1%
	$ 1,059,277	$ 118,282	11·2%

*As defined above.

The figures above show that, following the introduction of the raw cotton subsidy and its profit limitations, the percentage of operating income to sales fell from the 15·8 per cent average for the period 1940-1943, to 8·1 per cent for the ensuing subsidy years.

These percentages are further analysed on Schedule B2.

By Mr. Dyde:

Q. Now, Mr. Knight, may I interrupt there for a moment? Would you turn to schedule B1 and just, in your own words, briefly point out to the committee how they should read schedule B1. You have already summed it up for them but just turn to that schedule and let us see exactly the way you work that?

The ACTING CHAIRMAN: Is that not just a breakdown of the figures of which we just had an explanation on page 2?

Mr. DYDE: Yes, that is what I was asking Mr. Knight to explain to us. It is simply the detail of the table which has already been provided on page 3 of the report. If that is clear, perhaps we need spend no more time on it. Will you proceed, Mr. Knight?

The WITNESS: Yes, sir.

By Mr. Thatcher:

Q. Before we start schedule B2, may I ask a question?

The ACTING CHAIRMAN: Well—

Mr. THATCHER: I thought you said we were to ask questions as we went along?

The ACTING CHAIRMAN: No, after the brief has been read.

Mr. THATCHER: I might forget it by that time. I should like to ask it now.

Mr. LESAGE: It was agreed we would go through the report first and then come back to the questions. I do not see why we should change our minds because Mr. Thatcher has a poor memory.

Mr. THATCHER: I thought you were going to ask questions after each schedule.

The ACTING CHAIRMAN: It would be much better procedure if the brief were read completely.

Mr. THATCHER: I had a very simple question to ask and I should like the matter clarified. However, if you object—

The ACTING CHAIRMAN: It is not a question of objecting. We thought we had agreed on that procedure. It is simply a matter of procedure.

Mr. THATCHER: I do not know why you are so touchy on these little things. I do not like the attitude on some of these things.

By Mr. Dyde:

Q. Will you proceed, Mr. Knight, please?

SCHEDULE B2

This schedule shows the sales and operating income reported on Schedule B1, broken down by classifications as follows:

(a) 5 Special Companies, being,
Dominion Textile Company Limited and its subsidiaries:
Drummondville Cotton Company Limited
The Montreal Cottons Limited
Canadian Cottons Limited
The Wabasso Cotton Company Limited

(b) 14 other companies, detailed by name and location on Exhibit 3, being,
Those companies which reported their main business as being the manufacture of cotton yarns and fabrics

(c) 3 subsidiaries of tire and rubber manufacturers, being,
Firestone Textiles Limited, which sells its output to Firestone Tire & Rubber Company of Canada Limited;
Goodyear Cotton Co. of Canada Limited, which sells its output to The Goodyear Tire & Rubber Company of Canada Limited;
Dominion Rubber Company Limited, Textile Division

The average annual sales and operating income for the twelve years under review and the percentage of this operating income to sales for each of the above classifications compares as follows:

	Average Annual Sales	Average Annual Operating Income*	Percentage of Operating Income* to Sales
	(Thousand of Dollars)		
5 Special Companies	$ 66,248	$ 8,308	12·6%
14 Other Companies	15,790	1,406	8·9%
3 Subsidiaries of Tire and Rubber Manufacturers	6,235	143	2·3%
	$ 88,273	$ 9,857	11·2%

(*) As defined under Schedule B1.

This table indicates that the average annual operating income of the 5 special companies was 12·6 per cent of sales compared with 8·9 per cent for the 14 other reporting companies.

The average percentage of operating income of the three tire and rubber company subsidiaries, shown as 2·3 per cent has, according to correspondence received, been dependent on the prices paid by the parent companies which use over 90 per cent of the production reported.

The operating income and the percentage of this income to sales has been analyzed by periods between 5 special and the 14 other reporting companies and is now shown on the following table:

Period	5 Special Companies Operating income*	Percentage of operating income* to sales	14 Other Companies Operating income*	Percentage of operating income* to sales
		(Thousands of dollars)		
Pre-war years—1936 to 1939...	$ 15,412	9·3%	$ 3,092	7·6%
Pre-subsidy years—1940 to 1943	56,297	18·0%	7,499	10·2%
Subsidy years—1944 to 1947...	27,986	8·8%	6,282	8·3%
	$ 99,695	12·6%	$ 16,873	8·9%

*As defined under Schedule B1.

With the introduction of the raw cotton subsidy and its profit limitations, the operating income of the 5 special companies fell from 18·0% to 8·8% compared with a fall of, from 10·2% to 8·3% for the 14 other companies.

SCHEDULE B3

This schedule shows the components of cost and operating income for each of the five special companies on a sales dollar basis for the twelve years under review.

The following table has been prepared from these figures and shows the twelve year average for the five companies.

Raw Materials—Cotton	29·6 cents
Raw Materials—Other	15·9 cents
Labour	25·6 cents
Overhead	16·3 cents
Operating income (as defined on Schedule B1)	12·6 cents
Sales Dollar	$ 1.00

This twelve year average of the components of the sales dollars has been divided by periods previously established in this report, and appears as follows:

	Pre-war period 1936 to 1939	Pre-subsidy period 1940 to 1943	Subsidy period 1944 to 1947
Raw Materials—Cotton	30·7 cents	27·2 cents	31·5 cents
Raw Materials—Other	14·5 cents	15·6 cents	17·0 cents
Labour	26·5 cents	23·9 cents	26·9 cents
Overhead	19·0 cents	15·3 cents	15·8 cents
Operating income (as defined on Schedule B1)..	9·3 cents	18·0 cents	8·8 cents
Sales Dollar	$1.00	$1.00	$1.00

The average operating income of 18 cents in the dollar earned during the pre-subsidy period was reduced to an average of 8·8 cents during the ensuing years, due mainly to profit limitations imposed by the raw cotton subsidy agreements.

The operating income content of the sales dollar has been compared in the following table to the corresponding share of labour and overhead:

	Pre-War Period 1936-39 Per cent	Pre-Subsidy Period 1940-43 Per cent	Subsidy Period 1944-47 Per cent
Operating income	9·3	18·0	8·8
Labour and overhead combined	45·5	39·2	42·7
Percentage of operating income to labour and overhead	20·0	46·0	20·0

As selling prices have increased in each of the succeeding periods which have been compared above on sales dollar basis, due consideration must be given to the decreasing quantity of goods represented by the sales dollar.

Figures shown on Schedue B3 vary from one company to another for reasons peculiar to each company.

SCHEDULE B4

This schedule shows sales by months for the 27 month period from January 1946 to March 1948 inclusive for all companies reporting in the cotton group. The figures reported have been shown under the three classifications already established, namely:

1.—5 Special companies
2.—14 Other companies
3.—3 Subsidiaries of tire and rubber manufacturers.

While each of the five special companies has reported sales and operating income on an interim basis, only one of the fourteen other companies was able to supply monthly details of operating income. However, as all companies in the cotton group reported sales on an interim basis, schedule B4 has been prepared to show the monthly trend of these sales.

In summarizing interim returns, figures reported by companies whose accounting periods did not coincide with the calender month have been pro-rated to a calender month basis to obtain uniformity for purposes of comparison.

The effect of the lack of uniformity in financial periods of the reporting companies is best evidenced by the following comparison:

		(Thousands of Dollars)
Schedule B1—Annual sales reported under 1947 for all companies		$ 116,063
Schedule B4—Total sales for the twelve months ended December 31, 1947 (after being pro-rated)		
5 Special companies	$ 102,252	
14 Other companies	24,191	
3 Subsidiaries of tire and rubber manufacturers	12,942	
		139,385

One of the reporting companies included in the foregoing figures—Dominion Textile Company Limtied—reported sales for the twelve months ended March 31, 1947 at approximately 36 million dollars, while the sales for the 12 months ended 31st March, 1948 are reported at 52 million dollars. This increase in sales is therefore reflected on Schedule B4 where the sales are reported on a monthly basis, but is not included on schedule B1, because the sales are reported under the year in which the company's fiscal period ends.

Decontrol of prices in the cotton group was made effective September 15, 1947 and the following table has been prepared to show the sales for the seven months following decontrol compared with the corresponding period a year previous:

	(Thousands of Dollars)			
	Total Sales Sept. 1946 to Mar. 1947	Monthly Average	Total Sales Sept. 1947 to Mar. 1948	Monthly Average
Five special companies	$45,103	$ 6,443	$64,681	$ 9,240
Fourteen other companies	11,456	1,636	16,472	2,353
Three Subsidiaries of tire and rubber manufacturers	5,759	823	8,575	1,225
Totals for the three classifications	$62,318	$ 8,902	$89,728	$12,818

The average monthly sales for each classification of companies has shown a substantial increase during the seven month period ended March 1948, compared with corresponding period ended March 1947. As sales were not reported by quantities, it has not been possible to determine whether the increase in the dollar volume of sales indicated above was due to increases in selling prices or increases in the quantity of merchandise sold.

SCHEDULE B5

This schedule shows the components of cost and operating income for each of the five special companies on a sales dollar basis by quarters of years covering the 27 months under review.

As discussed under the heading of Schedule B3, the figures shown on Schedule B5 vary from one company to another for reasons peculiar to each firm. In comparing the figures of one period with another, consideration must also be given to the decreasing quantity of goods represented by the sales dollar.

The operating income of Dominion Textile Company Limited, for the last quarter of 1947, and the first quarter of 1948, is shown at less than 1 per cent of sales for each of these periods, compared with a 9·5 per cent average for the 27 months reported. The company states on its Preliminary Questionnaire that the operating income for this period was substantially reduced by imports of grey cloth at high cost without benefit of subsidy, and also by a retroactive wage adjustment.

Neither sales nor operating income are reported by The Montreal Cottons Limited for the third quarter of 1946. The explanation given by the company on their preliminary questionnaire was to the effect that a 100 day strike took place at that time. Due to this strike a certain volume of sales and continuing expenses have been carried over and reported under the last quarter of 1946.

The following table shows the variation between the components of the consumers sales dollar, during each quarter year period from January 1946, to March 1948.

	All Raw Materials	Labour	Overhead	Operating Income*	Sales Dollar
1946					
1st quarter	$ 0.443	$ 0.288	$ 0.175	$ 0.094	$ 1.00
2nd quarter	0.468	0.278	0.166	0.088	1.00
3rd quarter	0.372	0.323	0.195	0.110	1.00
4th quarter	0.407	0.305	0.181	0.107	1.00
1947					
1st quarter	$ 0.496	$ 0.265	$ 0.164	$ 0.075	$ 1.00
2nd quarter	0.513	0.229	0.135	0.123	1.00
3rd quarter	0.503	0.226	0.151	0.120	1.00
4th quarter	0.514	0.284	0.170	0.032	1.00
1948					
1st quarter	$ 0.522	$ 0.252	$ 0.165	$ 0.061	$ 1.00

(*) as defined

Figures in this table have been compiled from those shown on Schedule B5.

SCHEDULE B6

This schedule shows finished goods inventories expressed in terms of quantities as reported by the 5 special companies grouped by periods as follows:

Finished Goods Inventories, expressed in terms of quantities, as at the end of each fiscal period reported under 1939.

Average Annual Finished Goods Inventories, expressed in terms of quantities, maintained during the pre-subsidy period 1940-1943.

Average Annual Finished Goods Inventories, expressed in terms of quantities, maintained during the subsidy period 1944-47.

Finished Goods Inventories, expressed in terms of quantities at the end of latest interim accounting period terminating in 1948.

These figures have been summarized below for these four periods in thousand of pounds and in thousands of yards separately, due to the fact that some of the companies reported their finished goods inventories in pounds and others in yards.

	In thousands of pounds	In thousands of yards
1939	12,989	22,390
1940-1943	7,537	10,560
1944-1947	6,498	4,480
1948	9,602	3,060

This table indicates that on the average, stocks of finished goods reported by the 5 special companies in 1948, were not in excess of the average year end inventories maintained throughout the twelve year period, and were considerably less than the finished goods inventories reported in 1939.

Inventories of finished goods expressed in terms of quantites have been reported by the 5 special companies at the end of each interim accounting period from January 1946 to March 1948 inclusive. These figures have been averaged by quarter year periods and shown for each company on the attached schedule. A summary of these figures appears below:

	In thousands of pounds	In thousands of yards
1946—		
First quarter	4,402	3,416
Second quarter	5,517	3,387
Third quarter	3,300	3,413
Last quarter	3,229	3,617
1947—		
First quarter	3,936	3,527
Second quarter	6,442	4,007
Third quarter	6,620	3,106
Last quarter	7,451	3,256
1948—		
First quarter	7,703	3,060

Taking the five companies together, inventories of finished goods in terms of quantities do not appear to have materially fluctuated from one period to another.

Schedule B7

This schedule shows the unit selling prices and the components of cost of articles producing a significant sales volume as reported by each of the 5 special companies.

Unit selling prices and costs have been shown under the following dates:

as at January 1, 1942
as at September 15, 1947
as at April 1, 1948.

In reporting the components of cost, the companies have followed their usual methods of costing for purposes of determining selling prices and have used replacement prices of raw materials and current labour and overhead rates. I was informed that this system of costing is general in the industry and that, costs being maintained on a process basis, figures were not available to reflect the cost of manufacture of the various articles reported on schedule B7.

The companies have, in addition to giving a technical description of each of the items reported supplied samples of the material itself in each case.

Mr. Dyde: Excuse me, Mr. Knight. Mr. Chairman, the companies have been very co-operative and supplied these samples. They are available and I suggest that it would be interesting for the members of the committee to have these samples distributed to them. Perhaps we could have them distributed while Mr. Knight goes on reading.

The Vice-Chairman: That is a good idea. Spread them around while Mr. Knight continues.

The increase in prices over the past six years are shown on the following table, which indicates selling prices of the items reported, as at the dates indicated:

	Jan. 1 1942	Sept. 15 1947	Apr. 1 1948
Dominion Textile Company Limited:			
Unbleached Bed Sheeting, per yard	$0.2700	$0.49875	$0.6125
Dyed Drill, per yard	0.2800	0.4475	0.4975
Printed Percale (Domestic Manufactured), per yard	0.1400	0.2175	0.2600
White Flanelette, per yard	0.1075	0.1850	0.2300
Drummondville Cotton Company Limited:			
Cotton Tire Cord, per pound	$0.30644	$0.5856	$0.6840
Rayon Tire Cord Fabric, per pound..........	Not Made	0.79828	0.80528
Belt Duck, per pound	0.3400	0.5675	0.6500
Fishing Twine, per pound....................	0.3465	0.68475	0.68475
The Montreal Cottons Limited:			
White Broadcloth, Sanforized Shrunk, per per yard to wholesalers	$0.165	$0.27375	$0.370
Dyed Pocketing—Light Shades—(Direct), not Mercerized, per yard....................	0.165	0.2725	0.3375
Dyed Plain, Vicuna No. 13, Class 3 Colours (Direct), per yard	0.1825	0.270	0.330
Dyed Satine (Dominion) Class A Colours (Direct), per yard	0.120	0.185	0.230
Canadian Cottons Limited:			
Denim, per yard	$0.1850	$0.3075	$0.3775
Work Shirting, per yard	0.1750	0.2675	0.3200
Ticking, per yard	0.2075	0.3300	0.4050
Cotton Blanket, per pair....................	1.9250	2.8500	3.0500
The Wabasso Cotton Company Limited:			
"Beresford" Printed Percale, per yard......	$0.1225	$0.19125	$0.2475
Unbleached Factory Cotton, per yard	0.0975	0.16375	0.235
White Broadcloth, per yard	0.150	0.2825	0.340

It would appear from these figures that selling prices have risen for each commodity in each succeeding period.

SCHEDULE B8

This schedule shows capital employed compared with earnings for each of the twelve years from 1936 to 1947 inclusive and for each of the five special companies individually. There are two sets of figures namely,

(*a*) Capital compared with Earnings as shown on the Special Preliminary Questionnaire, and

(*b*) Capital compared with Earnings after adjusting inventory reserves as explained below.

The following is a definition of the terms used on Schedule B8.

Capital Employed includes:

Common Stock
Preferred Stock
Capital and Earned Surplus
Surplus created by the Refundable Portion of Excess Profits Tax.
Reserves for Contingencies and other free reserves;

Net Profit after Taxes includes:

Net Profit shown at the foot of Statement 1 of the Special Preliminary Questionnaire

Percentage of Profit to Capital represents:

The ratio of Net Profit after Taxes to Capital Employed as defined above.

Included as a separate item on the Special Preliminary Questionnaire, for each of the five special companies, is the amount charged or in some instances credited as an inventory reserve, before determining Net Profit after Taxes, as defined above.

The second set of figures on schedule B8 shows Capital Employed compared with Earnings after adding back or crediting the aforementioned inventory reserves to both Capital Employed as defined above and Net Profit after Taxes.

The following table shows in comparative form the twelve year averages of both sets of figures:

	Percentage of net Profit to Capital Employed: Before adjusting Inventory Reserves	After adjusting Inventory Reserves
Dominion Textile Company Limited	6·5%	7·0%
Drummondville Cotton Company Limited	7·8%	9·1%
The Montreal Cottons Limited	6·2%	6·4%
Canadian Cottons Limited	6·0%	5·5%
The Wabasso Cotton Company Limited	8·3%	8·5%
Average for the five companies for the twelve year period	6·6%	6·9%

The foregoing figures have been analysed on an annual basis for each of the five special companies and are shown in comparative form on Schedule B8 attached.

The following table has been prepared from these figures to show the average for the five companies for the periods indicated:

	Pre-War Period 1936/39	Pre-Subsidy Period 1940/43	Subsidy Period 1944-47
Dominion Textile Company Limited:			
Before adjusting inventory reserves	4·8%	6·4%	8·1%
After adjusting inventory reserves	4·5%	9·2%	7·2%
Drummondville Cotton Company Limited:			
Before adjusting inventory reserves	9·7%	8·4%	6·0%
After adjusting inventory reserves	9·2%	12·0%	7·0%
The Montreal Cottons Limited:			
Before adjusting inventory reserves	5·7%	7·2%	5·6%
After adjusting inventory reserves	5·5%	8·3%	5·5%
Canadian Cottons Limited:			
Before adjusting inventory reserves	2·6%	8·5%	6·6%
After adjusting inventory reserves	1·8%	9·1%	5·2%
The Wabasso Cotton Company Limited:			
Before adjusting inventory reserves	3·6%	12·0%	9·8%
After adjusting inventory reserves	5·1%	13·6%	6·9%
Averages for the five companies:			
Before adjusting inventory reserves	4·7%	7·6%	7·4%
After adjusting inventory reserves	4·4%	9·6%	6·5%

The percentages shown in this table reflect the variation between the ratio of Net Profit to Capital Employed both before and after adjusting inventory reserves for each of the three basic periods used throughout this report.

SUMMARY

The executive of each of the five special companies have supplied all the information and extended all the assistance that I have required. The schedules attached to this report and comparative tables included therein have been prepared from the questionnaires submitted.

I shall be pleased to furnish any further information that you may wish to obtain.

Respectfully submitted,

E. H. KNIGHT,

Chartered Accountant.

SCHEDULE B1

TEXTILE ENQUIRY

SUMMARY OF ANNUAL SALES AND OPERATING INCOME (Cotton Group) for the twelve years from 1936 to 1947 inclusive (Thousands of Dollars)

Total for the individual financial years ended in the following calendar years:	Total sales	Operating income*	Percentage of operating income* to sales
Pre-war period			
1936	$ 52,013	$ 4,509	8·7%
1937	59,477	5,764	9·7%
1938	55,108	3,940	7·2%
1939	52,011	4,673	9·0%
	$ 218,609	$ 18,886	8·6%
Pre-subsidy period			
1940	$ 76,335	$ 11,172	14·6%
1941	95,178	16,244	17·1%
1942	117,961	19,964	16·9%
1943	117,798	16,820	14·3%
	$ 407,272	$ 64,200	15·8%
Subsidy period			
1944	$ 109,916	$ 8,283	7·5%
1945	107,035	8,478	7·9%
1946	100,382	8,794	8·8%
1947	116,063	9,641	8·3%
	$ 433,396	$ 35,196	8·1%
Totals for the twelve years	$ 1,059,277	$ 118,282	
Averages per year for the twelve years	$ 88,273	$ 9,857	11·2%

*Operating income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposals of investments and fixed assets.

SCHEDULE B2

ANNUAL SALES AND OPERATING INCOME (COTTON GROUP) FOR THE TWELVE YEARS FROM 1936 TO 1947 INCLUSIVE

(Thousands of dollars)

—	5 special companies			14 other companies			3 subsidiaries of tire manufacturers		
	Total sales	Operating income*	Percentage of operating income* to sales	Total sales	Operating income*	Percentage of operating income* to sales	Total sales	Operating income*	Percentage of operating income* to sales
	$	$	%	$	$	%	$	$	%
Totals for the individual financial years ended in the following calendar years.									
Pre-war period—									
1936	39,564	3,699	9·3	9,787	698	7·1	2,662	112	4·2
1937	45,016	4,976	11·1	10,876	679	6·2	3,585	109	3·0
1938	43,241	3,265	7·6	9,121	619	6·8	2,746	56	2·0
1939	37,854	3,472	9·2	10,818	1,096	10·1	3,339	105	3·1
	165,675	15,412	9·3	40,602	3,092	7·6	12,332	382	3·1
Pre-subsidy period—									
1940	56,025	9,096	16·2	15,738	1,993	12·7	4,572	83	1·8
1941	70,508	13,942	19·8	19,233	2,237	11·6	5,437	65	1·2
1942	92,240	18,007	19·5	19,961	1,814	9·1	5,760	143	2·5
1943	93,262	15,252	16·4	18,698	1,455	7·8	5,838	113	1·9
	312,035	56,297	18·0	73,630	7,499	10·2	21,607	404	1·9
Subsidy period—									
1944	84,036	6,827	8·1	17,394	1,336	7·7	8,486	120	1·4
1945	79,780	6,909	8·7	16,695	1,431	8·6	10,560	138	1·3
1946	74,026	7,024	9·5	17,257	1,504	8·7	9,099	266	2·9
1947	79,424	7,226	9·1	23,900	2,011	8·4	12,739	404	3·2
	317,266	27,986	8·8	75,246	6,282	8·3	40,884	928	2·3
TOTAL FOR THE TWELVE YEARS	794,976	99,695		189,478	16,873		74,823	1,714	
AVERAGE PER YEAR FOR THE TWELVE YEARS	66,248	8,308	12·6	15,790	1,406	8·9	6,235	143	2·3

* Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposals of investments and fixed assets.

SCHEDULE B3

TEXTILE ENQUIRY

ANALYSIS OF OPERATIONS BY PERIODS INDICATED, ON A SALES DOLLAR BASIS, FOR THE FIVE SPECIAL COMPANIES INDIVIDUALLY (COTTON GROUP)

—	Pre-war period 1936-1939	Pre-subsidy period 1940-1943	Subsidy period 1944-1947	Average for the 12 years
DOMINION TEXTILE COMPANY LIMITED				
Raw materials—Cotton	31.6	27.1	33.2	30.6
Raw materials—Other	12.4	14.8	17.0	15.2
Labour	26.4	22.9	24.7	24.3
Overhead	18.8	14.7	15.9	16.0
Operating income*	10.8	20.5	9.2	13.9
Sales dollar	$1.00	$1.00	$1.00	$1.00
DRUMMONDVILLE COTTON COMPANY LIMITED				
Raw materials—Cotton	47.0	46.0	40.3	43.2
Raw materials—Other	1.2	3.1	19.8	12.1
Labour	15.9	20.5	22.6	21.1
Overhead	20.1	16.6	11.7	14.3
Operating income*	15.8	13.2	5.6	9.3
Sales dollar	$1.00	$1.00	$1.00	$1.00
MONTREAL COTTONS LIMITED				
Raw materials—Cotton	21.1	17.7	22.9	20.3
Raw materials—Other	22.0	25.2	17.6	21.7
Labour	28.6	27.6	33.2	29.9
Overhead	19.2	16.6	17.7	17.6
Operating income*	9.1	12.9	8.6	10.5
Sales dollar	$1.00	$1.00	$1.00	$1.00
CANADIAN COTTONS LIMITED				
Raw materials—Cotton	26.9	21.7	23.7	23.8
Raw materials—Other	18.7	19.2	20.2	19.4
Labour	29.0	27.2	33.1	29.8
Overhead	19.6	14.5	14.4	15.7
Operating income*	5.8	17.4	8.6	11.3
Sales dollar	$1.00	$1.00	$1.00	$1.00
WABASSO COTTONS LIMITED				
Raw materials—Cotton	37.2	35.5	36.2	36.2
Raw materials—Other	12.1	9.1	7.3	9.4
Labour	24.5	20.8	25.2	23.2
Overhead	18.5	16.2	20.1	18.0
Operating income*	7.7	18.4	11.2	13.2
Sales dollar	$1.00	$1.00	$1.00	$1.00

(*) Operating income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposals of investments and fixed assets.

SCHEDULE B4

TEXTILE ENQUIRY

SALES BY MONTHS (COTTON GROUP)
FOR THE 27 MONTHS FROM JANUARY, 1946 TO MARCH, 1948 INCLUSIVE

(Thousands of dollars)

—	5 special companies			14 other companies			3 subsidiaries of tire manufacturers		
	1946	1947	1948	1946	1947	1948	1946	1947	1948
Sales (Pro-rated where required) to the following calendar months:	$	$	$	$	$	$	$	$	$
January	6,454	7,307	11,473	1,535	1,707	2,709	775	945	1,334
February	6,354	7,334	9,559	1,361	1,859	2,570	815	998	1,187
March	5,875	6,652	8,408	1,628	2,260	2,758	971	989	1,329
April	7,867	11,278	....	1,532	2,105	....	772	1,072	....
May	7,481	9,710	....	1,496	2,202	....	861	1,209	....
June	5,062	8,316	....	1,374	2,029	....	695	1,008	....
July	4,438	7,983	....	1,340	1,856	....	684	1,001	....
August	4,851	8,431	....	1,447	1,738	....	718	995	....
September	5,626	8,568	....	1,383	1,995	....	673	986	....
October	6,353	10,189	....	1,534	2,253	....	554	1,342	....
November	5,946	8,325	....	1,369	2,171	....	844	1,277	....
December	5,886	8,159	....	1,344	2,016	....	756	1,120	....
Annual totals	72,193	102,252	29,440	17,343	24,191	8,037	9,118	12,942	3,850
Monthly average by classifications, for the 27 month period		7,551			1,836			960	

TEXTILE ENQUIRY — SCHEDULE B5

ANALYSIS OF OPERATIONS BY QUARTERS OF YEARS, ON A SALES DOLLAR BASIS, FOR THE FIVE SPECIAL COMPANIES INDIVIDUALLY (COTTON GROUP)

—	1946				1947				1948
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
DOMINION TEXTILE COMPANY LIMITED									
Raw materials—Cotton	0.300	0.378	0.233	0.294	0.327	0.335	0.298	0.342	0.325
Raw materials—Other	0.141	0.100	0.089	0.129	0.180	0.194	0.218	0.202	0.264
Labour	0.267	0.263	0.321	0.277	0.222	0.186	0.193	0.279	0.230
Overhead	0.189	0.177	0.223	0.195	0.174	0.119	0.133	0.170	0.172
Operating income*	0.103	0.082	0.134	0.105	0.097	0.166	0.158	0.007	0.009
Sales dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
DRUMMONDVILLE COTTON COMPANY LIMITED									
Raw materials—Cotton	0.236	0.315	0.375	0.341	0.430	0.382	0.437	0.325	0.357
Raw materials—Other	0.285	0.278	0.126	0.135	0.171	0.224	0.264	0.275	0.288
Labour	0.275	0.257	0.352	0.280	0.214	0.194	0.203	0.250	0.224
Overhead	0.137	0.098	0.144	0.140	0.107	0.087	0.099	0.103	0.098
Operating income*	0.067	0.052	0.003	0.104	0.078	0.113	(0.003)	0.047	0.033
Sales dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
THE MONTREAL COTTONS LIMITED									
Raw materials—Cotton	0.229	0.236		0.125	0.242	0.303	0.276	0.284	0.259
Raw materials—Other	0.213	0.148	Strike	0.175	0.227	0.159	0.150	0.137	0.150
Labour	0.312	0.333		0.379	0.305	0.317	0.328	0.309	0.288
Overhead	0.164	0.186	period	0.197	0.157	0.155	0.174	0.181	0.137
Operating income*	0.082	0.097		0.123	0.069	0.066	0.072	0.089	0.166
Sales dollar	1.00	1.00		1.00	1.00	1.00	1.00	1.00	1.00
CANADIAN COTTONS LIMITED									
Raw materials—Cotton	0.264	0.226	0.212	0.224	0.254	0.318	0.275	0.295	0.249
Raw materials—Other	0.168	0.193	0.181	0.206	0.219	0.133	0.125	0.158	0.144
Labour	0.338	0.320	0.333	0.337	0.379	0.312	0.283	0.324	0.302
Overhead	0.146	0.143	0.148	0.141	0.151	0.205	0.196	0.207	0.199
Operating income*	0.084	0.118	0.126	0.092	(0.003)	0.031	0.121	0.016	0.106
Sales dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
THE WABASSO COTTON COMPANY LIMITED									
Raw materials—Cotton	0.317	0.375	0.325	0.342	0.311	0.418	0.425	0.437	0.433
Raw materials—Other	0.072	0.069	0.076	0.074	0.079	0.062	0.060	0.048	0.062
Labour	0.279	0.246	0.280	0.274	0.264	0.263	0.220	0.242	0.232
Overhead	0.214	0.205	0.209	0.187	0.223	0.143	0.197	0.172	0.179
Operating income*	0.118	0.105	0.110	0.123	0.123	0.114	0.098	0.101	0.094
Sales dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

* Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

SCHEDULE B6

TEXTILE ENQUIRY

FINISHED GOODS INVENTORIES (COTTON GROUP), EXPRESSED IN TERMS OF QUANTITIES FOR THE PERIODS INDICATED

—	The Montreal Cottons Limited	Canadian Cottons Limited	The Wabasso Cottons Company Limited	Drummondville Cotton Company Limited	Dominion Textile Company Limited
	(Thousands of yards)	(Thousands of pounds)	(Thousands of yards)	(Thousands of pounds)	(Thousands of pounds)
Finished Goods Inventories expressed in Terms of Quantities, reported by Companies at the end of each fiscal period from 1939 to 1947 inclusive, grouped as follows for comparative purposes:					
As at 1939	6,259	6,084	16,131	448	6,457
Average for the pre-subsidy period 1940–1943	2,578	2,505	7,982	518	4,514
Average for the subsidy period 1944–1947	774	1,177	3,706	1,158	4,163
Reported by Companies in 1948	536	2,035	2,524	1,978	5,593
Finished Goods Inventories averaged by quarter year periods:					
1946					
1st quarter	971	1,127	2,445	1,527	1,748
2nd quarter	795	1,009	2,592	1,596	2,912
3rd quarter	668	953	2,745	1,280	1,067
4th quarter	674	1,013	2,943	1,009	1,207
1947					
1st quarter	512	1,234	3,015	1,289	1,413
2nd quarter	547	1,530	3,460	1,536	3,376
3rd quarter	830	1,598	2,276	1,867	3,155
4th quarter	789	1,787	2,467	2,013	3,651
1948					
1st quarter	536	1,860	2,524	1,902	3,941

SCHEDULE B7—(1)

TEXTILE ENQUIRY

UNIT SELLING PRICES AND COMPONENTS OF COST, OF ARTICLES REPORTED BY THE FIVE SPECIAL COMPANIES (COTTON GROUP) AS AT DATES INDICATED

—	As at January 1, 1942	As at September 15, 1947	As at April 1, 1948
	$ cts	$ cts.	$ cts.
DOMINION TEXTILE COMPANY LIMITED			
Unbleached bed sheeting—			
Components of selling price:			
Materials	0.1248	0.29820	0.3366
Labour	0.0573	0.09810	0.1080
Overhead	0.0569	0.08090	0.0817
Profit or (Loss)	0.0310	0.02155	0.0862
Selling price per yard	0.2700	0.49875	0.6125
Dyed drill—			
Components of selling price:			
Materials	0.1344	0.2845	0.3081
Labour	0.0527	0.0851	0.0875
Overhead	0.0737	0.1135	0.1142
Profit or (Loss)	0.0192	(0.0356)	(0.0123)
Selling price per yard	0.2800	0.4475	0.4975
Printed percale (Domestic manufactured)—			
Components of selling price:			
Materials	0.0539	0.0987	0.1129
Labour	0.0397	0.0636	0.0661
Overhead	0.0487	0.0802	0.0805
Profit or (Loss)	(0.0023)	(0.0250)	0.0005
Selling price per yard	0.1400	0.2175	0.2600
White flanelette—			
Components of selling price:			
Materials	0.0460	0.1047	0.1175
Labour	0.0315	0.0490	0.0505
Overhead	0.0373	0.0561	0.0563
Profit or (Loss)	(0.0073)	(0.0248)	0.0057
Selling price per yard	0.1075	0.1850	0.2300
DRUMMONDVILLE COTTON COMPANY LIMITED			
Cotton tire cord—			
Components of selling price:			
Materials	0.18420	0.4125	0.4939
Labour	0.06100	0.0912	0.1068
Overhead	0.05410	0.1072	0.1072
Profit or (Loss)	0.00714	(0.0253)	(0.0239)
Selling price per pound	0.30644	0.5856	0.6840
Rayon Tire Fabric—			
Components of selling price:			
Materials	Not	$0.72820	$0.72820
Labour	Manu-	0.01960	0.02290
Overhead	fac-	0.02900	0.02900
Profit or (Loss)	tured	0·02148	0·02518
Selling price per pound	....	$0.79828	$0.80528

NOTE.—The figures of Profit or (Loss) represent the difference between the selling price and components of cost reported.

SCHEDULE B7—*Continued*

TEXTILE ENQUIRY

UNIT SELLING PRICES AND COMPONENTS OF COST, OF ARTICLES REPORTED BY THE FIVE SPECIAL COMPANIES (COTTON GROUP) AS AT DATES INDICATED

—	As at January 1, 1942	As at September 15, 1947	As at April 1, 1948
DRUMMONDVILLE COTTON COMPANY LTD—*Con.*	$ cts	$ cts.	$ cts.
Belt Duck—			
Components of selling price:			
Materials	$0.1740	$0.4093	$0.4756
Labour	0.0587	0·0624	0.0731
Overhead	0·0448	0.0675	0.0675
Profit or (Loss)	0.0625	0.0283	0.0338
Selling price per pound	$0.3400	0.5675	0.6500
Fishing Twine—			
Components of selling price:			
Materials	$0·1740	$0.40930	$0.47560
Labour	0.0925	0.07310	0.08560
Overhead	0.0821	0.13590	0.13590
Profit or (Loss)	(0.0021)	0.06645	(0.01235
Selling price per pound	$0.3465	$0.68475	$0.68475
THE MONTREAL COTTONS LIMITED			
White Broadcloth, Sanforized Shrunk—			
Components of selling price:			
Materials	$0.0551	$0.12410	$0.1490
Labour	0.0735	0.11000	0.1286
Overhead	0.0749	0.09210	0.0943
Profit or (Loss)	(0.0385)	(0.05245)	(0.0019)
Selling price per yard to wholesalers	$0.1650	$0.27375	$0.3700
Dyed Pocketing—Light Shades (Direct), Not Mercerized—			
Components of selling price:			
Materials	$0.0645	$0.1465	$0.1631
Labour	0.0552	0.0828	0.0966
Overhead	0.0613	0.0760	0.0776
Profit or (Loss)	(0.0160)	(0.0328)	0.0002
Selling price per yard	$0.1650	$0.2725	$0.3375
Dyed Plain, Vicuna No. 13, Class 3 Colours (Direct)—			
Components of selling price:			
Materials	$0.0594	$0.1325	$0.1488
Labour	0·0584	0.0877	0.1022
Overhead	0.0647	0.0797	0.0812
Profit or (Loss)	0.0000	(0.0299)	(0.0022)
Selling price per yard	$0.1825	$0.2700	$0.3300
Dyed Satine (Dominion)—Class A Colours (Direct)			
Components of selling price:			
Materials	$0.0301	$0.0642	$0.0778
Labour	0·0483	0.0726	0.0847
Overhead	0.0548	0.0671	0.0684
Profit or (Loss)	(0.0132)	(0.0189)	(0.0009)
Selling price per yard	$0.1200	$0.1850	$0.2300
CANADIAN COTTONS LIMITED			
Denim			
Components of selling price:			
Materials	$0.0898	$0.1615	$0.1966
Labour	0.0529	0.0976	0.1022
Overhead	0.0425	0.0590	0.0691
Profit or (Loss)	(0.0002)	(0.0106)	0.0096
Selling price per yard	$0.1850	$0.3075	$0.3775

NOTE: The figures of Profit or (Loss) represent the difference between the selling price and components of cost reported.

SCHEDULE B7—*Concluded*

TEXTILE ENQUIRY

UNIT SELLING PRICES AND COMPONENTS OF COST, OF ARTICLES REPORTED BY THE FIVE SPECIAL COMPANIES (COTTON GROUP) AS AT DATES INDICATED

—	As at January 1, 1942	As at September 15, 1947	As at April 1, 1948
	$ cts	$ cts.	$ cts.
CANADIAN COTTON LIMITED—*Con.*			
Work Shirting—			
Components of selling price:			
Materials	$0.0627	$0.1137	$0.1453
Labour	0.0489	0.0812	0.0865
Overhead	0.0370	0.0539	0.0611
Profit or (Loss)	0.0264	0.0187	0.0271
Selling price per yard	$0.1750	$0.2675	$0.3200
Ticking—			
Components of selling price:			
Materials	$0.0843	$0.1529	$0.1861
Labour	0.0565	0.1044	0.1094
Overhead	0.0415	0.0586	0.0692
Profit or (Loss)	0.0252	0.0141	0.0403
Selling price per yard	$0.2075	$0.3300	$0.4050
Cotton Blanket—			
Components of selling price:			
Materials	$0.6052	$0.9429	$1.0502
Labour	0.6480	1.1547	1.2100
Overhead	0.3845	0.5020	0.5483
Profit or (Loss)	0.2873	0.2504	0.2415
Selling price per pair	$1.9250	$2.8500	$3.0500
THE WABASSO COTTON COMPANY LIMITED			
"Beresford" Printed Percale—			
Components of selling price:			
Materials	$0.07215	$0.11485	$0.12180
Labour	0.02140	0.04806	0.04984
Overhead	0.03681	0.07713	0.07506
Profit or (Loss)	(0.00786)	(0.04879)	0.00080
Selling price per yard	$0.12250	$0.19125	$0.24750
Unbleached Factory Cotton—			
Components of selling price:			
Materials	$0.05128	$0.09955	$0.11103
Labour	0.01852	0.04029	0.04274
Overhead	0.02752	0.06017	0.05955
Profit or (Loss)	0.00018	(0.03626)	0.02168
Selling price per yard	$0.09750	$0.16375	$0.23500
White Broadcloth—			
Components of selling price:			
Materials	$0.07047	$0.12910	$0.13743
Labour	0.03178	0.06470	0.06883
Overhead	0.05235	0.10935	0.10837
Profit or (Loss)	(0.00460)	(0.02065)	0.02537
Selling price per yard	$0.15000	$0.28250	$0.34000

NOTE: The figures of Profit or (Loss) represent the difference between the selling price and components of cost reported.

SCHEDULE B8

TEXTILE ENQUIRY

CAPITAL EMPLOYED AND EARNINGS OF THE FIVE SPECIAL COMPANIES (COTTON GROUP) FROM 1936 TO 1947 INCLUSIVE

(Thousands of dollars)

—	Reported on questionnaires			After adjustment of inventory reserves		
	Capital employed	Net profit after taxes	Percentage of profit to capital	Capital employed	Net profit after taxes	Percentage of profit to capital
	$	$	%	$	$	%
DOMINION TEXTILE COMPANY LIMITED						
1936	25,911	1,043	4·0	28,352	1,024	3·6
1937	25,858	1,432	5·5	28,775	1,908	6·6
1938	25,776	1,442	5·6	28,407	1,156	4·1
1939	25,289	999	4·0	27,951	1,030	3·7
1940	25,033	1,741	7·0	28,152	2,198	7·8
1941	25,481	1,934	7·6	29,222	2,555	8·7
1942	25,369	1,374	5·4	31,041	3,305	10·6
1943	25,949	1,517	5·8	33,181	3,077	9·3
1944	26,322	2,009	7·6	34,089	2,544	7·5
1945	26,665	2,788	10·5	33,751	2,107	6·2
1946	26,800	2,120	7·9	34,208	2,497	7·3
1947	26,820	1,729	6·4	35,174	2,675	7·6
Average for 1936 to 1947	25,939	1,677	6·5	31,025	2,173	7·0
DRUMMONDVILLE COTTON COMPANY LIMITED						
1936	2,376	324	13·6	2,528	336	13·3
1937	2,493	290	11·6	2,674	320	12·0
1938	2,487	166	6·7	2,644	142	5·4
1939	2,491	176	7·1	2,639	167	6·3
1940	2,757	381	13·8	2,958	434	14·7
1941	2,977	336	11·3	3,287	445	13·5
1942	2,997	134	4·5	3,487	314	9·0
1943	3,054	143	4·7	3,830	429	11·2
1944	3,109	169	5·4	4,002	286	7·1
1945	3,326	376	11·3	4,149	306	7·4
1946	3,369	202	6·0	4,334	344	7·9
1947	4,353	101	2·3	5,537	321	5·8
Average for 1936 to 1947	2,982	233	7·8	3,506	320	9·1
THE MONTREAL COTTONS LIMITED						
1936	6,728	349	5·2	7,471	493	6·6
1937	6,768	309	4·6	7,468	266	3·6
1938	6,780	282	4·2	7,463	266	3·6
1939	6,896	617	8·9	7,572	610	8·1
1940	6,841	275	4·0	7,919	677	8·5
1941	7,019	608	8·7	8,208	719	8·8
1942	7,487	848	11·3	8,770	941	10·7
1943	7,496	340	4·5	8,893	454	5·1
1944	7,465	399	5·3	8,854	391	4·4
1945	7,359	403	5·5	8,790	445	5·1
1946	7,348	407	5·5	8,890	518	5·8
1947	7,418	434	5·9	9,123	596	6·5
Average for 1936 to 1947	7,134	439	6·2	8,285	531	6·4

SCHEDULE B8—*Continued*

TEXTILE ENQUIRY

CAPITAL EMPLOYED AND EARNINGS OF THE FIVE SPECIAL COMPANIES (COTTON GROUP) FROM 1936 TO 1947 INCLUSIVE

(Thousands of dollars)

—	Reported on questionnaires			After adjustment of inventory reserves		
	Capital employed	Net profit after taxes	Percentage of profit to capital	Capital employed	Net profit after taxes	Percentage of profit to capital
	$	$	%	$	$	%
CANADIAN COTTONS LIMITED						
1936	8,223	144	1·8	10,363	340	3·3
1937	8,200	335	4·1	10,275	270	2·6
1938	8,172	277	3·4	10,007	37	0·4
1939	7,917	84	1·1	9,758	90	0·9
1940	8,546	882	10·3	10,516	1,001	9·6
1941	8,848	778	8·8	11,000	960	8·7
1942	8,695	644	7·4	11,246	1,043	9·3
1943	9,201	696	7·6	12,123	1,068	8·8
1944	10,130	670	6·6	13,052	670	5·1
1945	10,305	643	6·2	13,227	643	4·9
1946	11,253	759	6·7	14,175	759	5·4
1947	11,775	790	6·7	14,697	790	5·4
Average for 1936 to 1947	9,272	558	6·0	11,703	640	5·5
THE WABASSO COTTON COMPANY LIMITED						
1936	5,278	120	2·3	5,628	155	2·8
1937	5,478	255	4·7	5,928	355	6·0
1938	5,574	188	3·4	6,049	213	3·5
1939	3,471	158	4·6	4,171	383	9·2
1940	3,940	645	16·4	4,740	745	15·7
1941	4,286	487	11·4	5,217	756	14·5
1942	4,810	729	15·2	5,850	887	15·2
1943	4,913	289	5·9	6,343	630	9·9
1944	5,137	506	9·9	6,567	506	7·7
1945	4,262	555	13·0	5,527	390	7·1
1946	4,354	341	7·8	5,619	341	6·1
1947	4,479	386	8·6	5,744	386	6·7
Average for 1936 to 1947	4,665	388	8·3	5,615	479	8·5

Mr. DYDE: Now, Mr. Chairman, it is very near adjournment time; if we might perhaps have any general questions, I do not like to embark on special questions at this moment.

By Mr. Thatcher:

Q. On page 9, of this report, in the figures at the bottom of the page under 1947; the controls came off September 15, did you not say?

Mr. DYDE: Yes, generally speaking.

Mr. THATCHER: Which will be the inventory figure of 1947? Would it be the third quarter or the fourth quarter? Look at this $6,620,000 or so at September 30. Would that be the date then? I just do not understand the dates of the quarters.

The WITNESS: That is the average inventory reported to us during that quarter period.

By Mr. Fleming:

Q. With regard to the figures on the increase on the date the 10th and 17th, the increase in sales price, I imagine that depends on a variation in quality. I do not suppose the witness could give us any comparison of quality for that period?—A. No sir.

Q. Will there be any evidence later on, Mr. Dyde; to give these figures significance?

Mr. DYDE: I had not thought it would be possible to do that except by the companies themselves. However, if a better way appears we will certainly take it.

By Mr. Dyde:

Q. I was wondering if that had been covered in the questionnaire in the general answers?—A. No sir.

Mr. ZAPLITNY: May we take it to mean—

The VICE-CHAIRMAN: Just before you continue, Mr. Zaplitny, Mr. Wilson reminds us that in the questionnaire there were specifications which will give in part information dealing with the point raised by Mr. Fleming.

Mr. FLEMING: I presume there is a short answer to it and I thought we better have it.

The VICE-CHAIRMAN: As you might say, it is in the picture all right, in the questionnaire and that sort of thing; and it may very well be it will be sufficient as it is to get that evidence from the industry to make a comparison possible.

Mr. ZAPLITNY: I was going to ask where the term "subsidy period" in all cases is used is a parallel period to when price ceilings were in effect; whether we can take it to be understood that the subsidy period and price ceiling period are the same in all cases?

The VICE-CHAIRMAN: We better make sure of that. It strike me it is the same.

The WITNESS: I think there is a slight variation in dates, I believe—that may come out.

The VICE-CHAIRMAN: I think it is only slight, isn't it?

The WITNESS: Yes, I haven't got the full details.

Mr. ZAPLITNY: But as a general proposition it can be taken that the price control period and the subsidy period are the same in all cases?

The VICE-CHAIRMAN: Your question is really to make sure of fixing the term.

Mr. ZAPLITNY: That is right. You know what we mean by the subsidy period?

The WITNESS: Yes, you might take that.

Mr. FLEMING: There are some interesting samples coming around here.

The VICE-CHAIRMAN: I have been asked to say to you that these samples are not complete, that if any of you wish to carry away such things as lingerie, or aprons or anything like that, they could well be supplied.

Mr. FLEMING: May I ask another question, Mr. Chairman?

The VICE-CHAIRMAN: Yes

By Mr. Fleming:

Q. On page 9, the figures of average inventory indicate that in the two last periods there has been an increase in the average inventory measured in thousands of pounds and the increase measured in thousands of yards; does that indicate a change in the nature of the inventory carried? Are they carrying heavrier goods now on inventory, more than formerly?—A. No.

Q. What is the explanation of that apparent diversion or trend?—A. The explanation can be seen on schedule B-6, from which these figures have been taken. On page 9, of the report you have the total of the figures shown on schedule B-6.

Q. I do not think that quite answers my question, Mr. Knight. Table B-6, gives the total figures of page 9, but they both indicate that in the last two periods; that is to say 1944 to 1947, in the one case and 1948 in the other; and the inventory measured in thousands of pounds has increased but measured in thousands of yards it has decreased. What is the explanation of that; are they not carrying an inventory of heavier goods?—A. No. Some of the companies at that particular period had more pounds on hand and others had less yards on hand.

Q. Do the two columns apply to different companies?—A. Yes, they do.

Q. You mentioned earlier in your brief that some of the companies set their figures up on a pound basis while others set them up on a yard basis. Now, it would appear that the figures here do not apply to the same companies in all cases?—A. If you look at schedule B-6, you will see at the top of the page, Montreal Cottons Limited, and underneath that is the statement, thousands of yards. In other words, Montreal Cottons Limited reported their finished goods in thousand of yards. Running across the page you see that Wabasso Cotton Company, Limited also reported their inventories in thousands of yards. Now, these two companies together at that particular period reported less yards of finished goods inventories than for the previous periods reported, whereas the other three companies, Canadian Cottons Limited, Drummondville Cotton company, Limited and Dominion Textile Company, Limited all reported in thousands of pounds as having greater inventories on hand at that time than in the previous quarters shown on page 9.

Q. Then the two apply to entirely different companies?—A. Yes.

The VICE-CHAIRMAN: May I interject now? Are you through for the moment, Mr. Fleming? We have reached the time for adjournment and there are a couple of matters pressing for a decision arising out of the morning meeting, and this afternoon we will have an executive meeting.

We will adjourn now until 4 o'clock.

The committee adjourned to meet in executive session at 4 p.m.

APPENDIX "A"

KNIGHT & TRUDEL

CHARTERED ACCOUNTANTS

132 St. James Street, Montreal

April 3, 1948.

Dear Sirs:—We refer to the letter of April 1 which was sent to you by Counsel for the House of Commons Special Committee on Prices. The same letter was written to a large number of textile manufacturers in Canada.

In the case of your company, the Committee requires information in addition to the above. Accordingly, we now enclose a more detailed questionnaire and would ask you to complete the information by .... and return it to us in duplicate, together with a covering letter signed by the chief executive officer and the chief accounting officer of the company, certifying the accuracy of the information.

In order to clarify any questions that may arise as to the compilation and submission of this more detailed questionnaire, it has been suggested that a meeting be held of the Accounts Executives by groups, as indicated at the office of the Institute of Chartered Accountants of the Province of Quebec, Suite 430, Canada Cement Building, Montreal. The time allotted for the meeting of the Accounts Executives of your group will be from .... p.m. to .... p.m., Wednesday, April 7, 1948. It would be greatly appreciated if you would advise immediately if you intend to send a representative to this meeting.

WOULD YOU PLEASE CONFIRM IMMEDIATELY BY TELEPHONE OR WIRE.

Yours very truly,

EHK/JQ.—

(signed) KNIGHT & TRUDEL

Sent to: Ayers Limited
Bruck Mills Limited
Canadian Celanese Limited
Canadian Cottons Limited
Canadian Industries Limited—Nylon Division
Courtaulds (Canada) Limited
Dominion Textile Company, Limited
Dominion Woollens & Worsteds, Limited
Drummondville Cotton Company, Limited
Paton Manufacturing Company, Limited
The Montreal Cottons Limited
The Wabasso Cotton Company, Limited

Textile Enquiry

Special Preliminary Questionnaire

NOTES

Notes for guidance in the preparation of Statements 1 and 2.

1. Apply rebate on renegotiation of war contracts to sales of the year applicable.
2. Subsidies received and receivable should be shown in reduction of the cost of the applicable raw material in the period to which the subsidy applied.
3. Include in the Profit and Loss Statement under the appropriate fiscal year, subsequent years' surplus adjustments.
4. Apply variation in opening and closing inventories on a pro-rata basis to Raw Material, Labour and the various components of overhead where applicable. Prepare statements reconciling these adjusted figures of Raw Material, Labour and overhead with the company's records.
5. Show cash discounts as deductions from sales or purchases, as the case may be.
6. Dyestuffs, chemicals, starches and materials chiefly incorporated in the finished product should be shown as "Raw Materials, Other".
7. Additional depreciation to include that depreciation set up in the company's books in excess of the amount allowed by the income tax authorities.

Name of Company:

Name of Parent Company:
(if any)

Date of fiscal year end:

STATEMENT No. 1—PAGE 1

TEXTILE ENQUIRY

(Special preliminary questionnaire)

COMPARATIVE STATEMENT OF PROFIT AND LOSS, BY YEARS

(Omit cents)

	1936	1937	1938	1939	1940	1941
Sales—Domestic	$ %	$ %	$ %	$ %	$ %	$ %
Export						
Total	$	$	$	$	$	$
Miscellaneous operating income	$	$	$	$	$	$
LESS: *Cost of sales and expenses*						
Raw Materials:						
Principal raw material used (specify)						
Other						
Labour Costs:						
Factory wages						
Office salaries						
Selling salaries						
Executive salaries						
Depreciation						
Rent						
Advertising						
Other expenses: Manufacturing						
Selling						
Office						
Total costs and expenses	$	$	$	$	$	$
Operating Income before inventory reserves and taxes on income	$	$	$	$	$	$
Subsidies—						
Gross subsidies received and receivable	$	$	$	$	$	$
LESS: Subsidies refunded						
Net subsidies retained and applied in reduction of costs	$	$	$	$	$	$

TEXTILE ENQUIRY

(Special preliminary questionnaire)

COMPARATIVE STATEMENT OF PROFIT AND LOSS, BY YEARS

(Omit cents)

	1936	1937	1938	1939	1940	1941
Operating income before inventory reserves and taxes on income........	$	$	$	$	$	$
ADD: *Other income:*						
Dividends from subsidiary companies........						
Investment and other non-operating income......						
	$	$	$	$	$	$
LESS: *Other charges:*						
Interest on bank loans........						
Interest on bonds and debentures........						
Other financial and non-operating charges........						
Additional depreciation........						
Net income before provision for inventory reserves and taxes on income........	$	$	$	$	$	$
Provision for:						
Inventory reserves........						
Taxes on income........						
NET PROFIT........	$	$	$	$	$	$

TEXTILE ENQUIRY

(Special preliminary questionnaire)

COMPARATIVE STATEMENT OF PROFIT AND LOSS, BY YEARS
(Omit cents)

	1942		1943		1944		1945		1946		1947	
Sales—Domestic	$	%	$	%	$	%	$	%	$	%	$	%
Export												
Total	$		$		$		$		$		$	
Miscellaneous operating income	$		$		$		$		$		$	
LESS: *Cost of sales and expenses*												
Raw Materials:												
Principal raw material used (specify)												
Other												
Labour costs:												
Factory wages												
Office salaries												
Selling salaries												
Executive salaries												
Depreciation												
Rent												
Advertising												
Other Expenses: Manufacturing												
Selling												
Office												
Total costs and expenses	$		$		$		$		$		$	
Operating Income before inventory reserves and taxes on income	$		$		$		$		$		$	
Subsidies												
Gross subsidies received and receivable	$		$		$		$		$		$	
LESS: Subsidies refunded												
Net Subsidies retained and applied in reduction of costs	$		$		$		$		$		$	

TEXTILE ENQUIRY

(Special preliminary questionnaire)

COMPARATIVE STATEMENT OF PROFIT AND LOSS, BY YEARS

(Omit cents)

	1942	1943	1944	1945	1946	1947
Operating income before inventory reserves and taxes on income	$	$	$	$	$	$
ADD: *Other income:*						
Dividends from subsidiary companies						
Investment and other non-operating income						
	$	$	$	$	$	$
LESS: *Other charges:*						
Interest on bank loans						
Interest on bonds and debentures						
Other financial and non-operating charges						
Additional depreciation						
Net income before provision for inventory reserves and taxes on income	$	$	$	$	$	$
Provision for:						
Inventory reserves						
Taxes on income						
NET PROFIT	$	$	$	$	$	$

Name of Company:

Name of Parent Company:
(if any)

Date of fiscal year end:

TEXTILE ENQUIRY

STATEMENT No. 2—PAGE 1

(Special preliminary questionnaire)

COMPARATIVE STATEMENT OF PROFIT AND LOSS, BY MONTHS
(Omit cents)

1946

	Jan.		Feb.		March		April		May		June	
Sales—Domestic	$	%	$	%	$	%	$	%	$	%	$	%
Export												
Total	$		$		$		$		$		$	
Miscellaneous operating income	$		$		$		$		$		$	
LESS: *Cost of sales and expenses:*												
Raw Materials:												
Principal raw material used (specify)												
Other												
Labour costs:												
Factory wages												
Office salaries												
Selling salaries												
Executive salaries												
Depreciation												
Rent												
Advertising												
Other expenses: Manufacturing												
Selling												
Office												
Total costs and expenses	$		$		$		$		$		$	
Operating Income before inventory reserves and taxes on income	$		$		$		$		$		$	
Subsidies:												
Gross subsidies received and receivable	$		$		$		$		$		$	
LESS: Subsidies refunded												
Net subsidies retained and applied in reduction of costs	$		$		$		$		$		$	

TEXTILE ENQUIRY

(Special preliminary questionnaire)

Comparative Statenmet of Profit and Loss, by Months

(Omit cents)

	1946					
	January	February	March	April	May	June
Operating Income before inventory reserves and taxes on income	$	$	$	$	$	$
Add: *Other Income:*						
Dividends from subsidiary Companies						
Investment and other non-operating income						
	$	$	$	$	$	$
Less: *Other Charges:*						
Interest on bank loans						
Interest on bonds and debentures						
Other financial and non-operating charges						
Additional depreciation						
Net Income before provision for inventory reserves and taxes on income	$	$	$	$	$	$
Provision for:						
Inventory reserves						
Taxes on income						
Net Profit	$	$	$	$	$	$

TEXTILE ENQUIRY

(Special preliminary questionnaire)

COMPARATIVE STATEMENT OF PROFIT AND LOSS, BY MONTHS

(Omit cents)

	1946											
	July		Aug.		Sept.		Oct.		Nov.		Dec.	
Sales—Domestic	$	%	$	%	$	%	$	%	$	%	$	%
Export												
Total	$		$		$		$		$		$	
Miscellaneous operating income	$		$		$		$		$		$	
LESS: *Cost of sales and expenses*												
Raw materials:												
Principal raw material used (specify)												
Other												
Labour costs:												
Factory wages												
Office salaries												
Selling salaries												
Executive salaries												
Depreciation												
Rent												
Advertising												
Other expenses: Manufacturing												
Selling												
Office												
Total costs and expenses	$		$		$		$		$		$	
Operating income before inventory reserves and taxes on income	$		$		$		$		$		$	
Subsidies:												
Gross subsidies received and receivable			$		$		$		$		$	
LESS: Subsidies refunded	$											
Net subsidies retained and applied in reduction of costs	$		$		$		$		$		$	

TEXTILE ENQUIRY

(Special Preliminary Questionnaire)

Comparative Statement of Profit and Loss, by Months

(Omit cents)

	1946 July	Aug.	Sept.	Oct.	Nov.	Dec.
Operating Income before inventory reserves and taxes on income	$	$	$	$	$	$
Add: *Other Income:*						
Dividends from subsidiary Companies						
Investment and other non-operating income						
	$	$	$	$	$	$
Less: *Other charges:*						
Interest on bank loans						
Interest on bonds and debentures						
Other financial and non-operating charges						
Additional depreciation						
Net Income before provision for inventory reserves and taxes on income	$	$	$	$	$	$
Provision for:						
Inventory reserves						
Taxes on income						
Net Profit	$	$	$	$	$	$

TEXTILE ENQUIRY

(Special preliminary questionnaire)

COMPARATIVE STATEMENT OF PROFIT AND LOSS, BY MONTHS

(Omit cents)

	1947					
	Jan.	Feb.	March	April	May	June
Sales—Domestic	$ %	$ %	$ %	$ %	$ %	$ %
Export						
Total	$	$	$	$	$	$
Miscellaneous operating income	$	$	$	$	$	$
LESS: *Cost of sales and expenses*						
Raw materials:						
Principal raw material used (specify)						
Other						
Labour costs:						
Factory wages						
Office salaries						
Selling salaries						
Executive salaries						
Depreciation						
Rent						
Advertising						
Other expenses: Manufacturing						
Selling						
Office						
Total costs and expenses	$	$	$	$	$	$
Operating income before inventory reserves and taxes on income	$	$	$	$	$	$
Subsidies:						
Gross subsidies received and receivable	$	$	$	$	$	$
LESS: Subsidies refunded						
Net subsidies retained and applied in reduction of costs	$	$	$	$	$	$

13981—5

TEXTILE ENQUIRY

(Special Preliminary Questionnaire)

COMPARATIVE STATEMENT OF PROFIT AND LOSS, BY MONTHS

(Omit cents)

	1947					
	Jan.	Feb.	March	April	May	June
Operating Income before inventory reserves and taxes on income	$	$	$	$	$	$
ADD: *Other Income:*						
Dividends from subsidiary Companies						
Investment and other non-operating income						
	$	$	$	$	$	$
LESS: *Other charges:*						
Interest on bank loans						
Interest on bonds and debentures						
Other financial and non-operating charges						
Additional depreciation						
Net Income before provision for inventory reserves and taxes on income	$	$	$	$	$	$
Provision for:						
Inventory reserves						
Taxes on income						
NET PROFIT	$	$	$	$	$	$

TEXTILE ENQUIRY

(Special preliminary questionnaire)

Comparative Statement of Profit and Loss, by Months

(Omit cents

	1947					
	July	Aug.	Sept.	Oct.	Nov.	Dec.
Sales—Domestic	$ %	$ %	$ %	$ %	$ %	$ %
Export						
Total	$	$	$	$	$	$
Miscellaneous operating income	$	$	$	$	$	$
Less: *Cost of sales and expenses*						
Raw Materials:						
Principal raw material used (specify)						
Other						
Labour costs:						
Factory wages						
Office salaries						
Selling salaries						
Executive salaries						
Depreciation						
Rent						
Advertising						
Other Expenses: Manufacturing						
Selling						
Office						
Total costs and expenses	$	$	$	$	$	$
Operating Income before inventory reserves and taxes on income	$	$	$	$	$	$
Subsidies						
Gross subsidies received and receivable	$	$	$	$	$	$
Less: Subsidies refunded						
Net Subsidies retained and applied in reduction of costs	$	$	$	$	$	$

13881—5½

TEXTILE ENQUIRY

(Special preliminary questionnaire)

COMPARATIVE STATEMENT OF PROFIT AND LOSS, BY MONTHS

(Omit cents)

STATEMENT NO. 2—PAGE 8

	1947					
	July	Aug.	Sept.	Oct.	Nov.	Dec.
Operating Income before inventory reserves and taxes on income	$	$	$	$	$	$
ADD: *Other Income:*						
Dividends from subsidiary Companies						
Investment and other non-operating income						
	$	$	$	$	$	$
LESS: *Other charges:*						
Interest on bank loans						
Interest on bonds and debentures						
Other financial and non-operating charges						
Additional depreciation						
Net Income before provision for inventory reserves and taxes on income	$	$	$	$	$	$
Provision for:						
Inventory reserves						
Taxes on income						
NET PROFIT	$	$	$	$	$	$

TEXTILE ENQUIRY

(Special Preliminary Questionnaire)

COMPARATIVE STATEMENT OF PROFIT AND LOSS, BY MONTHS

(Omit cents)

	1948					
	Jan.		Feb.		March	
Sales—Domestic	$	%	$	%	$	%
Export						
Total	$		$		$	
Miscellaneous operating income						
LESS: *Cost of sales and espenses*						
Raw Materials:						
Principal raw material used (specify)						
Other						
Labour costs:						
Factory wages						
Office salaries						
Selling salaries						
Executive salaries						
Depreciation						
Rent						
Advertising						
Other Expenses: Manufacturing						
Selling						
Office						
Total cost and expenses	$		$		$	
Operating Income before inventory reserves and taxes on income	$		$		$	
Subsidies						
Gross subsidies received and receivable	$		$		$	
LESS: Subsidies refunded						
Net subsidies retained and applied in reduction of costs	$		$		$	

TEXTILE ENQUIRY

(Special Preliminary Questionnaire)

Comparative Statement of Profit and Loss, by Months

(Omit cents)

	1948 Jan.	Feb.	March
Operating Income before inventory reserves and taxes on income	$	$	$
Add: *Other Income:*			
Dividends from subsidiary Companies			
Investment and other non-operating income			
	$	$	$
Less: *Other charges:*			
Interest on bank loans			
Interest on bonds and debentures			
Other financial and non-operating charges			
Additional depreciation			
Net Income before provision for inventory reserves and taxes on income	$	$	$
Provision for:			
Inventory reserves			
Taxes on income			
Net Profit	$	$	$

Name of Company:

Name of Parent Company:
(if any)

Date of fiscal year end:

STATEMENT No. 3—PAGE 1

TEXTILE ENQUIRY

(Special Preliminary Questionnaire)

COMPARATIVE BALANCE SHEETS

	1936	1937	1938	1939	1940	1941
ASSETS—						
(Details)..	$	$	$	$	$	$
(Indicate basis of valuation of various categories of assets)..................................						
	$	$	$	$	$	$
LIABILITIES AND CAPITAL—						
(Details)..	$	$	$	$	$	$
(Differentiate between liabilites to third parties and free reserves, capital and surplus)..........						
	$	$	$	$	$	$

TEXTILE ENQUIRY
(Special preliminary questionnaire)
COMPARATIVE BALANCE SHEETS

	1942	1943	1944	1945	1946	1947
ASSETS—						
(Details)..	$	$	$	$	$	$
(Indicate basis of valuation of various categories of assets)						
	$	$	$	$	$	$
LIABILITIES AND CAPITAL—						
(Details)..	$	$	$	$	$	$
(Differentiate between liabilities to third parties and free reserves, capital and surplus)						
	$	$	$	$	$	$

NAME OF COMPANY:

NAME OF PARENT COMPANY (IF ANY):

DATE OF FISCAL YEAR END:

TEXTILE ENQUIRY
(Special preliminary questionnaire)

ANALYSIS OF SURPLUS ACCOUNTS

	1936	1937	1938	1939	1940	1941
Balance of Surplus Account at beginning of fiscal year.	$	$	$	$	$	$
Additions (Details)............................						
	$	$	$	$	$	$
Deductions (Details)...........................						
Balance of Surplus Account at end of fiscal year.......	$	$	$	$	$	$

NOTE.—The annual net profit shown should agree with Statement No. 1.

TEXTILE ENQUIRY

(Special preliminary questionnaire)

ANALYSIS OF SURPLUS ACCOUNTS

	1942	1943	1944	1945	1946	1947
Balance of Surplus Account at beginning of fiscal year	$	$	$	$	$	$
Additions (Details)................................						
	$	$	$	$	$	$
Deductions (Details................................						
Balance of Surplus Account at end of fiscal year.......	$	$	$	$	$	$

NOTE: The annual net profit shown should agree with Statement No. 1.

Name of Company:

Name of Parent Company:

(if any)

Date of fiscal

year end:

SPECIAL PRELIMINARY QUESTIONNAIRE—INVENTORIES BY QUANTITIES

Show in pounds, yards or some similar basis, the total quantities of finished goods on hand at the end of each fiscal year for the following periods:

1939
1940
1941
1942
1943
1944
1945
1946
1947

and by months as follows:

1946—January
February
March
April
May
June
July
August
September
October
November
December

1947—January
February
March
April
May
June
July
August
September
October
November
December

1948—January
February
March

STATEMENT NO. 6—PAGE 1

TEXTILE ENQUIRY

(Special Preliminary Questionnaire)

COMPARATIVE SELLING PRICES

DOMINION WOOLLENS & WORSTEDS LTD.

For *each* of the following articles manufactured by your Company,

YARNDYED WORSTED
PIECEDYED WORSTED
TWEED
OVERCOATING

choose the type producing the greatest sales volume and show on the dated indicated:

	As at Jan. 1, 1942	As at Sept. 15, 1947	As at April 1, 1948
YARNDYED WORSTED			
Style reference number, description and full specifications			
Unit Selling Price............................	$	$	$
Cost thereof, as per Company's records:			
Material......................................	$	$	$
Labour......................................			
Overhead......................................			

and Annual volume of Sales in *Dollars* and *Quantities*

	Dollars	Quantities
for the fiscal year 1942..	$	
for the fiscal year 1947..	$	

	As at Jan. 1, 1942	As at Sept. 15, 1947	As at April 1, 1948
PIECEDYED WORSTED			
Style reference number, description and full specifications			
Unit Selling Price................................	$	$	$
Cost thereof, as per Company's records:			
Material......................................	$	$	$
Labour......................................			
Overhead......................................			

and Annual volume of Sales in *Dollars* and *Quantities*

	Dollars	Quantities
for the fiscal year 1942..	$	
for the fiscal year 1947..	$	

STATEMENT No. 6—PAGE 2

TEXTILE ENQUIRY

(Special preliminary questionnaire)

COMPARATIVE SELLING PRICES

DOMINION WOOLLENS & WORSTEDS LTD.—

	As at Jan. 1, 1942	As at Sept. 15, 1947	As at April 1, 1948
TWEED—			
Style reference number, description and full specifications:			
Unit Selling Price............................	$	$	$
Cost thereof, as per Company's records:			
Material....................................	$	$	$
Labour....................................			
Overhead....................................			

and Annual Volume of Sales in *Dollars* and *Quantities*

for the fiscal year 1942...........$

for the fiscal year 1947...........$

	As at Jan. 1, 1942	As at Sept. 15, 1947	As at April 1, 1948
OVERCOATING—			
Style reference number, description and full specifications:			
Unit Selling Price............................	$	$	$
Cost thereof, as per Company's records:			
Material....................................	$	$	$
Labour....................................			
Overhead....................................			

and Annual Volume of Sales in *Dollars* and *Quantities*

for the fiscal year 1942...........$

for the fiscal year 1947...........$

APPENDIX "B"

HOUSE OF COMMONS

CANADA

Room 400, Elgin Bldg.,
Ottawa, April 1, 1948.

Dear SIRS,—By its terms of reference the House of Commons Special Committee on Prices is appointed to examine and report as to:

(*a*) the causes of the recent rise in the cost of living;
(*b*) prices which have been raised above levels justified by increased costs;
(*c*) rises in prices due to the acquiring, accumulating or withholding from sale by persons, firms or corporations of any goods beyond amounts reasonably required for the ordinary purposes of their businesses.

The Committee has decided to examine Textiles and it is expected that public hearings will take place at Ottawa at a date to be determined. If officers of your company are invited to give evidence you will be notified later as to the time at which they should come to Ottawa.

For the purposes of its examination the Committee has appointed Mr. Maurice Samson, C.A., as accountant to receive, summarize and report on questionnaires, and to examine the books and records of companies in the industry. Mr. Samson has advised us that Mr. Harry Knight, C.A., will be associated with him in this work and in direct charge of the examination.

In this connection we are now enclosing two copies of a questionnaire requesting certain information from your company. Please return one copy of the questionnaire duly completed to Mr. Harry Knight, c/o Knight & Trudel, 132 St. James St. W., Montreal, not later than 15th April, 1948.

If you have any questions in connection with the supplying of this information, would you please communicate directly with Mr. Knight at the above address, or he may be reached by telephone at Montreal, (Harbour 3239).

Yours very truly,

(signed) H. A. DYDE,
Counsel

FABIO MONET
Counsel
Special Committee on Prices

/AG

Sent to: 136 companies listed by the Dominion Bureau of Statistics in their 1945 Census of Industry Reports as being manufacturers of cotton yarn and cloth, woollen cloth and artificial silk and nylon.

Room 400, Elgin Bldg.,
Ottawa, April 1, 1948.

Dear SIRS,—A letter and questionnaire similar to the enclosed is being forwarded to all manufacturers of woollen cloths as listed in the 1945 Census of Industry Report. Your name is included in this list but we have been informed that your manufacturing activities are restricted to hand-weaving.

If this is the case would you please write to Mr. Harry Knight, C.A., c/o Knight & Trudel, 132 St. James Street, West, Montreal, advising him as to the nature of your operations and stating the total sales volume during your last fiscal year. If you are engaged only in hand-weaving, it will not be necessary for you to complete the attached questionnaire unless you hear further from Mr. Knight.

Yours very truly,

H. A. DYDE,
Counsel
Special Committee on Prices

W/MES.

Sent to: The Spider Looms, Ltd.
The Squier Studio
Island Weavers
Canadian Weave Craft Co.
Little Shop Inc.
Canadian Homespun Regd.

Room 400, Elgin Bldg.,

Ottawa, April 1, 1948.

Dear SIRS,—A letter and questionnaire similar to the enclosed is being forwarded to all manufacturers of woollen cloths as listed in the 1945 Census of Industry Report. Your name is included in this list but we have been informed that your activities are restricted to rabbit farming and the manufacture of angora wool.

If this is the case would you please write to Mr. Harry Knight, C.A., c/o Knight & Trudel, 132 St. James Street, West, Montreal, advising him as to the nature of your operations, in which event it will not be necessary for you to supply any further information at this time.

If, however, you are also engaged in the manufacture of woollen cloths, would you please complete and return the attached questionnaire.

Yours very truly,

H. A. DYDE,
Counsel
Special Committee on Prices

W/MES.

Sent to: The Angoras of Abercorn

Room 400, Elgin Bldg.,

Ottawa, April 1, 1948.

Dear Sirs: A letter and questionnaire similar to the enclosed is being forwarded to all manufacturers of woollen cloths as listed in the 1945 Census of Industry Report. Your name is included in this list but we have been informed that only a very small percentage of your activities are related to the manufacture of textiles.

If this is the case, would you please write to Mr. Harry Knight, C.A., c/o Knight & Trudel, 132 St. James Street, West, Montreal, advising him as to the extent of your operations and if you can show that less than 10 per cent of your total business is related to the manufacture of textile products, it will not be necessary for you to supply any further information at this time.

If, however, the manufacture of woollen fabrics constitutes a substantial portion of your total business, would you please complete and return the attached questionnaire.

Yours very truly,

H. A. DYDE,

W/MES. *Counsel, Special Committee on Prices.*

Sent to: Acme Glove Works Ltd.

Room 400, Elgin Bldg.,

Ottawa, April 1, 1948.

Dear Sirs: A letter and questionnaire similar to the enclosed is being forwarded to all manufacturers of rayon and nylon yarns and fabrics as listed in the 1945 Census of Industry Report. Your name is included in this list but we have been informed that it has been so included in error and that your manufacturing activities are restricted to the making of cotton thread.

If this is the case would you please write to Mr. Harry Knight, C.A., c/o Knight & Trudel, 132 St. James Street, West, Montreal, advising him as to the nature of your operations, in which event it will not be necessary for you to supply any further information at this time.

If, however, you are also engaged in the manufacture of cotton, rayon or nylon yarn or fabrics, would you please complete the attached questionnaire.

Yours very truly,

H. A. DYDE,

W/MES. *Counsel, Special Committee on Prices.*

Sent to: Dominion Thread Mills.

Room 400, Elgin Bldg.,

Ottawa, April 1, 1948.

Dear Sirs: A letter and questionnaire similar to the enclosed is being forwarded to all manufacturers of cotton yarns and fabrics as listed in the 1945 Census of Industry Report. Your name is included in this list but we have been informed that your manufacturing activities are restricted to the making of laundry nets.

If this is the case would you please write to Mr. Harry Knight, C.A., c/o Knight & Trudel, 132 St. James Street, West, Montreal, advising him as to the nature of your operations, in which event it will not be necessary for you to supply any further information at this time.

If, however, you are also engaged in the manufacture of cotton yarns or fabrics, would you please complete and return the attached questionnaire.

Yours very truly,

H. A. DYDE,

W/MES. *Counsel, Special Committee on Prices.*

Sent to: Messrs. Talbot & Talbot.

Chambre 400, Edifice Elgin,
Ottawa, Ont.
Le 2 avril 1948.

Cher Monsieur,

Une lettre et un questionnaire, semblable au questionnaire inclus, sont adressés à tous les manufacturiers de tissus de laine énumérés dans le rapport industriel de 1945. Votre nom est inclus dans ce rapport. Nous sommes toutefois informés que vos activités se limiteraient au tissage à la main.

Si vos activités se limitent au tissage à la main il ne vous sera pas nécessaire de remplir le questionnaire inclus à moins qu'il ne vous soit demandé plus tard. Il vous faudra cependant décrire à M. Harry Knight, comptable licencié, aux soins de Knight et Trudel, 132, rue St-Jacques ouest, Montréal, la nature de vos opérations en ayant le soin d'indiquer le volume total de vos ventes au cours de votre dernière année fiscale.

Votre bien dévoué,
FABIO MONET,
Avocat, Comité Spécial des Prix.

FM/GR

cc. à: Le Métier
Monsieur N. Poisson
Melle Carmen Poirier

(NOTE: *The above is a French translation of preceeding letter to The Spider Looms, Ltd.*)

Schedule "A"

Textile Enquiry
Preliminary Questionnaire

1. Name of company:
2. Date of incorporation:
3. Law under which incorporated:
4. Head Office address:
5. Phone number:
6. Name of chief executive officer:
7. Names of directors and other officers and positions held:
8. Nature of products manufactured and sold:
9. Date of fiscal year end:
10. Names of subsidiary companies engaged in the textile industry and extent of ownership:
11. Complete the attached schedules as to sales and profits of the company and each of its subsidiaries engaged in the textile industry.

In this connection, please note:—

1. If consolidated figures for sales and profits are shown it will not be necessary to submit information separately for the parent and each subsidiary.
2. Income from operations shown on the attached schedule should be the net income before deducting
   (*a*) provision for taxes on income,
   (*b*) bond interest, bank interest and interest on other borrowed money,
   (*c*) inventory reserves,
   (*d*) depreciation set up in the company's books in excess of the amount allowed by the income tax authorities

and should exclude investment income and profit or loss on disposal of investments and fixed assets.

NOTE: This questionnaire must be completed and returned to Mr. Harry Knight, C.A., c/o Knight and Trudel, 152 St. James St. W., Montreal, Que., on or before the 15th April, 1948, together with a covering letter signed by the chief executive officer and the chief accounting officer of the company certifying the accuracy of the information.

SCHEDULE "B"

TEXTILE ENQUIRY

Preliminary Questionnaire

SCHEDULE OF ANNUAL SALES AND PROFITS

Name of Company:
Address:

Fiscal Year ended in	Sales of cotton yarns and fabrics	Sales of woollen products	Sales of rayon and nylon yarns and fabrics	Sales of other products	Total Sales	Operating Income (as defined in attached Schedule A)	Net Profit after provision for taxes on income
	$	$	$	$	$	$	$
1936							
1937							
1938							
1939							
1940							
1941							
1942							
1943							
1944							
1945							
1946							
1947							

SCHEDULE "C"

TEXTILE ENQUIRY

Preliminary Questionnaire

SCHEDULE OF MONTHLY SALES AND OPERATING INCOME

Name of Company:
Address:

Month of	Total Sales	Operating Income (as defined in Schedule A attached)
	$	$
1946—January		
February		
March		
April		
May		
June		
July		
August		
September		
October		
November		
December		
TOTAL	$	$
1947—January	$	$
February		
March		
April		
May		
June		
July		
August		
September		
October		
November		
December		
TOTAL	$	$
1948—January	$	$
February		
March		
TOTAL	$	$

If March figures will not be available by April 15, 1948, do not delay returning this questionnaire by that date but submit the March figures separately as soon as possible.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 67

WEDNESDAY, JUNE 2, 1948

WITNESS:

Mr. E. H. Knight, of Knight & Trudel, Chartered Accountants, Quebec, P.Q.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

WEDNESDAY, June 2, 1948.

The Special Committee on Prices called for 4 p.m. met at 4.30 p.m. only, due to a division being called in the House. The Vice-Chairman, Mr. Maybank. presided.

Members present: Messrs. Beaudry, Fleming, Lesage, Maybank, Merritt, Thatcher, Winters, Zaplitny.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. Thatcher moved that representatives of at least two labour unions be called to appear before the committee, to give their viewpoint on prices and conditions in the textile industry.

The vice-chairman ruled the motion out of order on the ground that this had been dealt with in an executive session of the committee on June 1.

Mr. E. H. Knight, Chartered Accountant, was recalled and further examined.

During proceedings, Mr. Fleming occupied the chair in the temporary absence of the vice-chairman.

At 6 p.m. witness retired and the committee adjourned until Thursday, June 3, at 11 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 2, 1948.

The Special Committee on Prices met this day at 4.00 p.m. The Vice-Chairman, Mr. R. Maybank, presided.

The VICE-CHAIRMAN: Gentlemen, will you come to order please. The first matter of business is that I should put upon the record the telegram which you have all seen. There is no need to read it but it has been sent out to those several defaulting firms. The answers perhaps ought to go on the record although I do not suppose you want them read at the moment. There has been a number of replies which also ought to go on the record and be attended to. As an illustration one answer requests that forms be sent in French, another explains that there has been some misunderstanding, and there are some firms which have not answered at all. I think I can safely leave this matter in the hands of counsel. Actually, I suppose there is no particular reason why the demanding telegram should not go on the record. My reason for bringing this to your attention, Mr. Dyde, is to discover whether there are any firms continuing to be in default.

Mr. WINTERS: Were any forms sent in French?

The VICE-CHAIRMAN: Yes, one firm with a decidedly French name, and my pronounciation is not very good, Aux Tissages Français Limited received forms in French but they complained and insist that English forms be supplied. I think that you fellows from Quebec will have to get your people to make up their minds just what they want.

Mr. BEAUDRY: We will know that in about a month and a half.

The VICE-CHAIRMAN: The demanding telegram is as follows:

> The Special Committee on Prices of the House of Commons of Canada has received evidence from its auditors that information respecting your business has been requested of you by the committee's counsel and that you have failed to supply same stop The committee upon the presumption that such evidence is correct now requires that you explain immediately by telegram why you have thus failed to supply the information and that you indicate whether and how soon such information will be supplied by you and further that you proceed to supply same.
>
> RALPH MAYBANK,
>
> *Vice-Chairman of Committee.*

The VICE-CHAIRMAN: I think there are only two French-speaking members present at the moment but the English-speaking members will pass censure upon them. Perhaps we should also include French counsel. Will you check and let us have a continuing report in the morning, Mr. Dyde?

Mr. DYDE: Yes, Mr. Chairman.

Mr. THATCHER: Before you proceed, Mr. Chairman, at our meeting yesterday numerous matters were discussed one of which was the matter of subpoenaing one or two representatives of labour unions. Certain unions have indicated to me personally, and to the chair and others, that they would like to appear to give their side of the price question in connection with the textile matters. I think, in view of the fact that we are hearing anywhere from five to twenty more companies we should decide at this time to bring one or two labour organizations. It has been suggested that the Catholic Syndicate and the C.C.L. would be good unions to call. I do not know which unions would best qualify for appearance but I think that we should give them some time to prepare their briefs. The companies which are appearing have had some weeks notice and therefore I think that we should decide to call these union witnesses and give them an opportunity to present their side or else now we should decide not to call them. If we decide to allow them to come we can give them proper notice. I would move, seconded by Mr. Zaplitny, that this committee subpoena two members from two unions.

Mr. LESAGE: Who is going to decide which ones they will be?

Mr. THATCHER: I would leave that to counsel. I am sure that no member of the committee would like to deny the right of those unions to give information on the price question. I think they could give us information which would be valuable and I think in fairness we ought to give them an opportunity to make their presentation. I would make that motion.

The VICE-CHAIRMAN: I am afraid that I will have to rule that out of order.

Mr. THATCHER: On what grounds?

The VICE-CHAIRMAN: On the ground that it was discussed yesterday and you and Mr. Lesage were to constitute a committee of two—

Mr. THATCHER: With a reservation—

The VICE-CHAIRMAN: I will come to the reservation in a moment. You and Mr. Lesage were appointed a committee of two to watch the evidence and see whether you could conclude that there would be any value in calling the labour representatives.

Mr. THATCHER: I concluded that there would be—

The VICE-CHAIRMAN: Just a moment. You expressed the reservation at that time that you would still be free to bring the matter up at this meeting in case there could not be an agreement after consideration of the matter by yourself and Mr. Lesage, particularly if the matter was not satisfactory to yourself. You are free to bring in a motion but not at the present time, nor until there has been something in the way of an observation by that committee of two which was appointed yesterday. I think it is clear that as far as today is concerned the motion is out of order and I so rule.

Mr. THATCHER: Mr. Chairman, on what grounds do you rule that?

The VICE-CHAIRMAN: I have just stated the grounds. The matter was discussed yesterday—

Mr. THATCHER: In secret session.

The VICE-CHAIRMAN: There was nothing of the nature of a secret session about it.

Mr. THATCHER: I have been asked by the group to which I belong to make that motion.

The VICE-CHAIRMAN: You have made the motion and it has been ruled out of order.

Mr. THATCHER: I appeal your ruling.

Mr. LESAGE: There is no appeal.

Mr. THATCHER: My goodness, Mr. Chairman—

The VICE-CHAIRMAN: I do not know whether there is an appeal but there is no use arguing after the fact.

Mr. THATCHER: Are you ruling a time when I can make the motion?

The VICE-CHAIRMAN: I am not ruling that any specific time will be appropriate.

Mr. THATCHER: You mean to say that after it is too late to let these unions know about appearing you will allow me to make the motion. You have given the companies weeks to prepare but you do not want to give the unions a chance to prepare their briefs.

The VICE-CHAIRMAN: I realize you are saying that for a particular reason.

Mr. THATCHER: You may realize what you like.

The VICE-CHAIRMAN: In any event the motion is clearly out of order in the light of the arrangement made yesterday wherein you yourself had an opportunity of saying something on the matter but you did not say it.

Mr. THATCHER: Are there any minutes of our meeting yesterday? How can you rule me out of order if there are no minutes?

The VICE-CHAIRMAN: I am taking the responsibility of ruling the motion out of order and have done so.

Mr. LESAGE: Mr. Thatcher has not called a meeting of the subcommittee of two.

Mr. THATCHER: How could I?

Mr. LESAGE: Mr. Thatcher was so busy preparing a little speech in French that he could not talk to me.

The VICE-CHAIRMAN: Let us get on with the meeting.

Mr. THATCHER: You have ruled very arbitrarily.

The VICE-CHAIRMAN: There is no use arguing about a ruling after it has been made.

Mr. ZAPLITNY: May I raise a point of order?

The VICE-CHAIRMAN: Yes, will you state it?

Mr. ZAPLITNY: The motion may or may not be out of order but it is certainly out of order to impute motives to members, either in this meeting or elsewhere. It is worse still for the chairman of this committee to say that someone is making a statement for a particular reason—the gentleman on my left having supplied the reason.

The VICE-CHAIRMAN: Any imputation of motives by the chair is withdrawn. Any imputation of motives by anyone else is withdrawn. Is that agreed, Mr. Lesage?

Mr. LESAGE: Definitely.

The VICE-CHAIRMAN: All right, we will go on with the meeting.

Mr. DYDE: Our procedure today will be to start at the beginning of Report B and Mr. Knight is here to answer questions. I suggest that we start at page 2 which is headed schedule B1 and while I may have some questions we might go over the schedule and I will ask certain questions and try to cover it schedule by schedule. Of course that will not prevent us going back to an earlier schedule that we may have left. My purpose is really to make sure that we understand the report.

E. Harry Knight, C.A., 17 Peter Avenue, Pte. Claire, Quebec, recalled:

By Mr. Dyde:

Q. Mr. Knight, the first question I have is with respect to schedule B4 and it is this. I note in the second paragraph you have used the phrase "operating income" and not "net profit"? Would you explain your reason, please?—A. "Operating income" has been used as the measure of earnings instead of "net profit" because "operating income" is the difference between sales and all costs pertaining to those sales, with the exception of income tax and financial expense.

"Operating income" is not the "net profit" available to the shareholders. "Operating income" may be more or may be less than net profit to the company available to the shareholders, as "operating income" may be increased, or reduced by other income and other charges which have no direct relation to the manufacture of textile products.

Q. The sense in which you have used that phrase is invariable throughout report B?—A. It is invariable.

Q. So that on every schedule where we find the words "operating income" they are to be taken as being defined in accordance with this paragraph on page 2 of your report?—A. That is so.

Q. I come to the next paragraph after that starting with the words "average annual sales" and it is not a question which I have at this point, Mr. Knight, but I think perhaps it would be useful for the members of the committee to look at the actual schedule. The figures as quoted in that paragraph are apparent at the bottom of schedule B1. The figures are there and are explained in the actual schedule itself. Then there is one other remark which I would like to make for the benefit of the committee, Mr. Chairman. The last three paragraphs on page 2 are paragraphs dealing with the cotton subsidy and I want to inform the members that Mr. Knight's remarks in this case are largely explanatory and that following Mr. Knight's evidence I have arranged that an officer of the Commodity Prices Stablization Corporation should appear before the committee to give a further explanation with regard to the working of the cotton subsidy. Then turning to page 3, I think, Mr. Knight, it might be useful if on this page we were to make a note somewhere opposite the page (for our own benefit), of the ends of the fiscal years of the five important cotton companies. I think I am accurate but you can check with me. Dominion Textile's fiscal year ends March 31 in each year, is not that correct?—A. That is correct.

Q. March 31 of each year. Drummondville Cotton Company fiscal year ends March 31 also?—A. That is correct.

Q. Montreal Cotton Company fiscal year ends December 31?—A. That is correct.

Q. Canadian Cottons Company fiscal year ends on March 31 of each year?—A. That is correct.

Q. Wabasso Company fiscal year ends on the Saturday nearest to April 30?—A. That is correct.

Q. I think I have no other questions with regard to schedule B1.

Mr. ZAPLITNY: Mr. Chairman, as a matter of information, may I ask this? It seems to me in replying to the first question about operating income Mr. Knight said "operating income" may be increased or may be reduced by other income. We can understand how it might be increased but not how it could be reduced.

The VICE-CHAIRMAN: He said it might be increased or reduced by other income and in the next sentence he included the words "and other expenses," and he might have added the word "respectively" but he did not do so. He left it open to us to think it out and I was for a moment in the same confusion of mind as you are now.

Mr. ZAPLITNY: The record will show it.

The VICE-CHAIRMAN: Yes, you will find it on the record and we will continue, Mr. Dyde.

By Mr. Dyde:

Q. If there are no other questions with regard to that schedule we will go to schedule B2 which starts on page 3 and I would turn to page 4. I think when you were reading this yesterday, Mr. Knight, you referred, with respect to subparagraph (b), to exhibit B3. I may be wrong but I think you read it as exhibit B3. I want to make quite sure that we are referring to exhibit 3 which, as I understand it, consists of the last pages of your report A?—A. That is correct.

Q. Then in the total which appears on page 4 I would like to have you check some figures which I have worked out so that we may, if we wish, have a table which excludes the three subsidiaries of the tire and rubber manufacturers. Under the heading "average annual sales" I have made a table of the first two figures which are—$66,248,000, and $15,790,000, and my total is $82,038,000, for that. Then in the average annual operating income column the total of those two items is $9,714,000?—A. Yes.

Q. And the percentage of operating income to sales is 11·8 per cent?—A. That is correct.

Q. The only reason that I did that is that I note further down on the page that over 90 per cent of the production of the three subsidiaries, according to your report, is disposed of to the parent companies and that the amount which goes out to the public directly is very small?—A. That is correct.

Q. I have no further questions at the moment.

Mr. Fleming: Why were these five special companies selected? Was it because they were the largest producers in the field or what was the reason?

The Vice-Chairman: I imagine Mr. Knight was not responsible for the selection.

The Witness: No.

The Vice-Chairman: What is the answer, Mr. Wilson?

Mr. Wilson: Three companies were selected because they were the largest producers and the other two were selected because they were subsidiaries of one of the three.

Mr. Thatcher: Mr. Dyde, on this B2 schedule with the five special companies, may we conclude that the operating income of the five companies was only half, during the subsidy period, of what it was in the four years preceding the subsidy period? In other words while subsidies were on they made $27,000,000 but in the four years preceding the subsidy period they made $56,000,000?

Mr. Dyde: May I ask if you are referring to the actual total?

Mr. Thatcher: Schedule B2—

Mr. Dyde: You are referring to the actual schedule, are you not?

Mr. Thatcher: Yes.

Mr. Dyde: Not the narrative covering it?

The Vice-Chairman: What page is that?

Mr. Dyde: At the back, B2.

The Vice-Chairman: I wonder if you would deal with that when we come to it, Mr. Thatcher? Would you hold your question? It does not refer to the narrative over which Mr. Dyde is going.

Mr. Thatcher: I thought he was going to try and relate the two.

The Vice-Chairman: I suppose there is no objection to having the question asked.

Mr. Dyde: No, I have no objection to the question being asked at this time and, as a matter of fact, we might find it advantageous, Mr. Chairman, to make sure that we have knowledge of the schedules at the same time that we are looking at the narrative. I think the question might be directed to Mr. Knight?

Mr. Thatcher: Did you understand the question, Mr. Knight?

The Witness: Yes.

Mr. Thatcher: What is the reason?

The WITNESS: It appears to be on account of the profit limitations of the subsidy agreements.

The VICE-CHAIRMAN: Have you finished?

The WITNESS: Yes.

Mr. THATCHER: Would it be fair to assume with the subsidies and ceilings removed that these companies are liable once again to start making profits which are about double what they made while the subsidy was in effect?

The WITNESS: That is a matter of opinion, Mr. Thatcher, and I just have facts and figures before me.

By Mr. Zaplitny:

Q. As a matter of clarification is the term "limitation of profits" synonymous with the term "price ceiling"?—A. No.

Q. Would you give the distinction between the two?—A. Those subsidy agreements were quite complicated and as I said in the report I did not study them but I believe counsel intends to bring witnesses to explain this to you. I imagine the significance will be explained.

Mr. DYDE: If there is nothing else on this schedule I would like to turn to schedule B3. I am not particular whether you look at the table or at the narrative. The question I will ask covers both and I see, Mr. Knight, that there is an item which is referred to in the second part of your narrative on page 5, which is referred to throughout on schedule B3, namely the item of overhead. I am referring now to page 5 of your narrative and I note, for instance, that you have prepared a table which shows the twelve year average for the five companies and you show raw materials—cotton, 29·6 cents under the dollar sales, and then after naming raw materials—other, and labour, you have an item there of overhead of 16·3 cents?

By Mr. Dyde:

Q. Would you please inform the committee what items are included in overhead?—A. Yes. Generally speaking in overhead is included depreciation, supplies and manufacturing expense, selling salaries, office salaries, selling expense, office expense, all commodities, advertising, rent.

Q. When the returns were made by the companies from which you asked the material, I assume I am right, I assume that they were detailed?—A. That is right.

Q. And when you were making up your totals you have simply taken these items and are they all in under the heading of overhead?—A. That is right.

Q. On page 6, of your narrative, Mr. Knight, and still dealing with schedule B-3, I notice in the last sentence of your narrative on schedule B-3, you say: Figures shown on schedule B-3, vary from one company to another for reasons peculiar to each company. Could you elaborate that for the committee, please?—A. Well, the overhead of one company might vary with the overhead of another company. One company might rent a building, another company might own it and not have to pay rent. And the policies of manufacturing might vary. I have not detailed all the numerous variations that could occur, if I had I imagine it would be a long list; but it did vary from one company to another because no company is identically the same either as to location or machinery or capital structure.

Q. Do we have to take account of any external situation such as strikes or things of that kind, in connection with any of these companies?—A. Yes, that would have to be taken into account over these periods when that contingency arose.

Q. In the periods you have taken are there such situations as that, or have you come across them?—A. Yes, on this special preliminary questionnaire returned by the Dominion Textile Company Limited it stated that the operating income for the last quarter of 1947, and the first quarter of 1948, was due to the importation of gray cloth at higher cost without benefit of subsidy; and they also refer to a retroactive wage adjustment. Montreal Cottons in the third quarter of 1946, noted a strike at that time.

Mr. DYDE: I have nothing else, gentlemen, with regard to schedule B-3.

By Mr. Beaudry:

Q. Mr. Dyde, do we have a breakdown either for each company or overall of the percentage of each item of overhead as against 100 per cent?

Mr. DYDE: What was that, Mr. Beaudry?

Mr. BEAUDRY: Of each item of overhead against 100 per cent?

Mr. DYDE: No, I do not think we have, have we, Mr. Knight?

The WITNESS: We haven't had that prepared.

Mr. BEAUDRY: Is it very difficult to secure? I would not require it now but I might, that is why I would like to know whether it is feasible to obtain it.

Mr. DYDE: It is feasible to obtain. I would like to know for what period, and if you want it for all the five companies or not ?

Mr. BEAUDRY: That would have to develop I think with the progress of the inquiry itself.

Mr. DYDE: I see.

Mr. BEAUDRY: I do not think I would be in a position to tell you now if I would want it from all of them.

(Mr. Fleming assumed the chair).

The ACTING CHAIRMAN: If you care to raise that later then, Mr. Beaudry.

Mr. BEAUDRY: I wanted to have some information as to whether it could be got if it became necessary.

The ACTING CHAIRMAN: You are not asking for it now?

Mr. BEAUDRY: No.

Mr. THATCHER: On page 6, I notice labour and overhead are combined, the percentage which labour forms in the consumer's dollar, and I notice that that has dropped from what it was before the war. I see you have labour and overhead combined. Would that apply to labour by itself?

Mr. BEAUDRY: You have that in the previous paragraph, Mr. Thatcher, I think; where you have labour quoted on page 5, by itself.

Mr. THATCHER: Then, for the most part it is just about the same as it was, it went down a little in between.

The WITNESSS That is only reported on a percentage basis.

Mr. THATCHER: Yes. I wonder if you could give some indication of how you found wages to be in the textile industry; are they higher, lower, or better than they were? Just what is the general picture as far as wages are concerned?

Mr. BEAUDRY: On a point of order, Mr. Chairman; is that relevant?

The ACTING CHAIRMAN: Well, Mr. Knight may or may not have knowledge of that; or he may or may not be in a position or qualified to comment on it.

Mr. THATCHER: Schedule B-3, gives labour all the way through, and the fact that it is there I must submit would make it relevant.

Mr. WINTERS: Schedule B-7 sets it out in detail. That might give you the answer to your question.

The ACTING-CHAIRMAN: Were you asking about specific rates or a proposition of the sales dollar represented by labour costs?

Mr. THATCHER: No, I wanted to be a little more specific.

Mr. WINTERS: I think the answer will be found in schedule B-7.

Mr. LESAGE: Yes, I think the answer is in B-7.

Mr. THATCHER: No, that is not the information I wanted. I wonder if I could get an answer from the witness, if you don't mind.

Mr. LESAGE: It is just a question of whether we should go into that.

Mr. THATCHER: It is material, whether you say so or not.

The ACTING CHAIRMAN: Mr. Lesage has taken exception to your question. Would you please put your question again?

Mr. THATCHER: On schedule B-3, Dominion Textile Company Limited, we have an item there which shows the proportion—with respect to this particular company and it shows the proportion of the consumer's dollar as being 26·4 in pre-war days and 24·7 now, that is during the period 1944 to 1947. Well now, is that tendency continuing?

The ACTING CHAIRMAN: You mean in 1948?

Mr. THATCHER: Yes.

Mr. WINTERS: On a point of order, Mr. Chairman; if we are going to this I think Mr. Knight should explain very carefully just what these figures represent.

The ACTING CHAIRMAN: Well, Mr. Knight, have you any figures for 1948? The question relates to the 1948 period as to whether the trend continued into 1948. Have you any figures on 1948, or have you just figures up to and including the last quarter of 1947?

The WITNESS: No, sir. We have figures on 1948, and you will see the figures on schedulee B-5, gives you the first quarter of 1948.

Mr. THATCHER: Well then, in the first quarter of 1948, labour is going down even lower.

Mr. WINTERS: That is not lower, that is the proportion.

Mr. THATCHER: That 23·06 is in proportion. Can you give us the same detail as to specific dollars and cents in wages for the same period?

Mr. WINTERS: Why don't you look at B-7.

Mr. LESAGE: I think if Mr. Thatcher will turn over to schedule B-7, just for a moment he will find his anwser there.

Mr. THATCHER: I would be very glad to have you point that out to me.

Mr. LESAGE: You will find it just about line 5.

Mr. THATCHER: I do not know what the government members are so touchy about.

Mr. BEAUDRY: We are not here as government members, Mr. Thatcher; we are here as members of the committee the same as you are.

Mr. THATCHER: Then, let me get a little information.

The ACTING CHAIRMAN: Has anyone else any questions to ask in the meantime, while Mr. Knight is looking that up?

Mr. WINTERS: I have a question in connection with overhead which I would like to ask Mr. Knight; are operating items such as plant maintenance, machine maintenance and so on included in overhead?

The WITNESS: The answer is yes.

The ACTING CHAIRMAN: Are there any other questions?

Mr. THATCHER: Maybe I am a little off the bit or something, but I cannot see how schedule B-7, gives the information I want. I would like to know from Mr. Knight, he can tell me whichever item it is, I want to know what wages are paid in these Quebec mills. The new wage scales do not answer my point. Where can I get this information if this is not the right place to ask it, I will ask it later.

Mr. BEAUDRY: In the Industrial Relations Committee.

Mr. THATCHER: No.

The ACTING CHAIRMAN: Order. Have you such information?

Mr. LESAGE: There is a minimum wage law in Quebec.

Mr. THATCHER: You always pay minimum wages.

The ACTING CHAIRMAN: This witness has not got the information so let us not waste any more time on it.

Mr. THATCHER: Just a moment, Mr. Chairman; these things would have something to do with setting the price so if we haven't got it would I be out of order to suggest that we get it?

The ACTING CHAIRMAN: Yes, I think so. This witness is giving us information in a particular field. Witnesses from the company will be here next week and I would suggest that they will then be able to answer your question.

Mr. THATCHER: Then would you mind explaining to me why if it has nothing to do with it, wage figures should appear in this document?

The ACTING CHAIRMAN: You have been asking about the details of minimum wages. Mr. Knight has been taking figures and from them has worked out this particular statement.

Mr. DYDE: There are statistics for the various industries which can be obtained through the Dominion Bureau of Statistics.

The ACTING CHAIRMAN: Just continue Mr. Dyde, please.

Mr. ZAPLITNY: We are referring to schedule B-3, now?

Mr. DYDE: Yes.

Mr. ZAPLITNY: I had a matter I wanted to ask about but I will wait until later.

The ACTING CHAIRMAN: We have just finished schedule B-3, and we are about to begin on schedule B-4, on page 6, of the narrative. We have reached the middle of page 6, of the narrative, Mr. Zaplitny, and that brings us up to the end of schedule B-3.

Mr. ZAPLITNY: I am sorry, I will wait until we reach schedule B-7.

The ACTING CHAIRMAN: All rigth, Mr. Dyde.

By Mr. Dyde:

Q. Mr. Knight, I have no questions at the moment on schedule B-4, until you come to the last paragraph which is at the foot of page 7; and I would be glad if you would amplify the remarks that you make in that paragraph with regard to reporting of sales, and I would like to understand as well as possible the significance of your statement there?—A. Well, it would be very difficult to compare the volume of production in a company that is making a number of articles from one year to the next when possibly the process of manufacturing might change for that article or any one of those articles. Also, it is not customary for companies that are making a number of lines to keep complete accounting by interim periods of the volume of the articles sold as such, and it is for those reasons that I made these remarks.

Mr. DYDE: I have no other questions, Mr. Chairman, with regard to schedule B-4.

By Mr. Zaplitny:

Q. Did I understand you to say that the companies concerned did not keep a record of the volume of articles sold?—A. That is not applicable to every company. There are some who do, but when you have a company which has a multiplicity of lines, they would probably keep a record of the volume of sales on each line by the process of taking their production records, going into the plant and adjusting their turnover to closing inventories. But there are some of these companies who haven't got the elaborate accounting system that will enable them to do that. Some of them have. So, in order to show those figures you would have to have it from every last reporting company in order to be able to make your comparison.

Q. In order to arrive at the selling cost you would necessarily have to have a volume of goods and the total cost in order to arrive at the unit cost, would you not? I mean you would have to have the number of articles involved and the total cost of producing those articles before you could arrive at the cost of producing any one article?—A. We have not done that with respect to all of these.

The ACTING CHAIRMAN: Are there any more questions with regard to schedule B-4? Then we will turn to page 8, schedule B-5.

Mr. DYDE: I have no questions at all, Mr. Chairman, on schedule B-5.

The ACTING CHAIRMAN: Are there any questions on schedule B-5 on page 8? Then we will turn to page 9, schedule B-6.

By Mr. Dyde:

Q. On schedule B-6, Mr. Knight, page 9 of the narrative, I would like you to turn to that schedule please for a moment and just make sure that in looking at the schedule we have a complete understanding of what this schedule tells us. I notice in the right-hand column at the right-hand side of the page you have the expression "finished goods inventories (cotton group), expressed in terms of quantities for the prices indicated." Now then, under that you have first 1,939,000—and I am assuming that that means as at the end of the fiscal year 1939?—A. That is right.

Q. Now for the years 1940 to 1943, you have taken an average of the four years involved, it is not at any one point?—A. No, it is the average of the inventories at the end of the fiscal year terminating in each of those four years. That is averaging the four figures.

Q. Yes, and the same remark applied to your next in line; you have indicated the average for the subsidy period, 1944 to 1947; is that it?—A. Yes, that is right.

Q. Then in the next group is the report by companies for 1948. Now, at what date of the year would that be?

(Mr. Maybank resumed the chair.)

The WITNESS: Starting with the first one, the figure of 536,000 yards is the figure reported at the end of the first quarter which would be the 31st of March, by Montreal Cottons.

Q. Would you go across that page 6, and can you give us the same dates for the other companies?—A. Yes. Canadian Cottons—31st of March—2,035,000 yards.

Q. As at the 31st of March?—A. As at the 31st of March.

Q. Well then, the figures across that page are at the end of the fiscal years of the companies involved; is that right?—A. No.

Q. No?—A. No.

Q. All right; in Wabasso Cotton Company, the last reporting date?—A. It was the 31st of January. There you have 2,524,000 pounds, which was at the 31st of January.

Q. Then the amount of 1,974,000 under Drummondville Cottons.—A. Drummondville is at the 31st of March.

Q. And Dominion Textile Company Limited?—A. That also is the 31st of March.

Q. Now, would you drop down to the last row of figures on this same page and there I see in 1948, first quarter, there are figures which in some cases correspond and in other cases do not with the figures that we have just gone over. Montreal Cottons Limited, there is 536,000 pounds in each case. That is the total reported by companies in 1948, and also it shows the first quarter of 1948; and then, there is a difference under the heading "Canadian Cottons Limited," there is a difference reported by companies in 1948, and the figure for the first quarter of 1948; what is the explanation of that?—A. Well, Montreal Cottons only reported at the end of their first quarter. They did not have an interim monthly reporting of these inventories, so the figure is not in that case the same; and the next figure over is the average figure.

Q. You refer me to the exact figures you are talking about when you say average figure, please.—A. The figure 1,860,000 pounds for Canadian Cottons is the average of three figures; January 31, February 29, and March 31.

By the Vice-Chairman:

Q. Is that 1,860,000 pounds a monthly figure or the quarterly figure?—A. That is the average for the quarter, sir.

Q. Then there is a monthly figure?—A. All three are month-end figures.

Q. Is a figure resulting from a division by three?—A. That is it, sir.

Q. I see; and, what is the 2,035 reported in 1948?—A. That is the actual inventory they had on hand at the 31st of March.

Q. Oh, it is one of the figures then which entered into the addition which divided by three became the average of 1,860?—A. That is correct.

Q. I see, so that at the end of February, and at the end of January last year, both of them would be a figure very much lower than 2,035 in order to arrive at the average which itself is lower than 2,035?—A. Of necessity.

Q. Yes, all right.

By Mr. Dyde:

Q. Now, if I move to the right-hand column, there we have under Dominion Textile Company Limited, reported by companies in 1948, 5,593,000; and, for the first quarter of 1948, which is again an average figure, 3,941,000; now, the same remark which the chairman just made would apply in that case also, would it not?—A. Yes, it would.

Q. And in order to arrive at that average there were figures considerably below 5,593,000 for one or two months?—A. That is right.

Q. Now, is that a result of increasing production or a drop in sales?

Mr. THATCHER: Or hoarding.

The WITNESS: Well, sales declined—production, I have not investigated.

Mr. DYDE: All right, but rather than—

Mr. FLEMING: Before you leave that, you heard Mr. Thatcher's inquiry about hoarding. It seemed to me I heard that. Does the witness want to comment on that? I think if the witness' investigation extended that far he should tell us. Have you any evidence of hoarding on the part of these companies listed here?

The WITNESS: I did not find such evidence.

Mr. THATCHER: Now, just a moment. There is one thing that strikes me as significant on this sheet as far as inventories are concerned. The Dominion Textile Company, I believe, also owns the Drummondville Cotton and Montreal Cotton; is that not correct, they are subsidiaries?

The WITNESS: That is right, yes.

Mr. THATCHER: In the first quarter of the year in each case the inventories are very considerably less than their standard—I mean, it goes up. For instance, Montreal Cottons was 512, as compared to 830, in the third quarter. Drummond went from 9 to 1867; that is 100 per cent; and Dominion Textiles went from 1413 to 3135 total, and that would be about 221 per cent I suppose. Now, I am just wondering whether the fact that price ceilings came off on September 15—is there any evidence that the company were storing up merchandise until the ceilings came off in order to take advantage of higher prices, or would that be out of your realm of investigation. Certainly it is significant, because Wabasso Cottons in the same period show a drop in their entire inventories; and Canadian Cotton went up a little, but all Dominion Textiles show their inventories increasing very considerably. It may be there is a reason for that; if there is, I wonder if you could give us any suggestion as to what it is? Would it indicate that there is a decline in the volume of sales of merchandise; or, would the evidence show that they might have been holding it until ceilings came off to get a higher price?

The WITNESS: I did not have any evidence of their holding it back until the ceilings came off to get a higher price.

The VICE-CHAIRMAN: Did production increase? Was it because of production increasing for that year, 1947?

Mr. FLEMING: Are you speaking now of the one company?

Mr. THATCHER: No, of the three companies.

The VICE-CHAIRMAN: I happened at the moment I asked that question to be looking at Dominion Textiles—Wabasso—Drummondville—it might be the same.

Mr. THATCHER: Ordinarily we would expect high inventories to send prices down a little but the price is still going up, yet the inventories are considerably larger. There must be an answer somewhere.

The WITNESS: I think if you look on page 7, Mr. Thatcher, you will see—

By Mr. Thatcher:

Q. Are you referring to schedule B-7 or page 7?—A. Page 7, of my report. There is a table on that page which shows the total sales of the five special companies for the seven months following decontrol of prices as being 64,681,000 as compared with the previous year where the sales were 45.

Q. That is after decontrol?—A. Yes.

Q. Would it not emphasize the point I was making—that they had quite a bit of merchandise on hand which they did not sell until the ceilings came off?—A. Not in the case of the Dominion Textile Company, their inventory as of December 27, 1947, was 3,260,000 pounds.

Q. Which was more than double what they had in the first quarter of the year, and I am just wondering why the inventories have gone up so much when prices are going up?

By Mr. Dyde:

Q. I think it would be fair for me to ask you this question, Mr. Knight. Would you look at schedule B6 and the average for the pre-subsidy period and compare it with the average for the subsidy period, and do we not find the average for the pre-subsidy period is quite a little higher in most cases than for the subsidy period?—A. That is true.

Q. It is not uniformly higher, but in most cases it is higher?—A. Yes.

By Mr. Fleming:

Q. May I ask a question on page 7 with reference to the allusion which has just been made? We see the increase in the total value of sales for the seven months following the removal of subsidies as compared with the same seven months of the previous year, but what proportion of that increase is reflected by increase in prices and what proportion is increased volume?—A. I have not worked that out, Mr. Fleming.

Q. Just taking it on the dollar basis it might not have the significance suggested by Mr. Thatcher a moment ago?—A. We have not got that information figured out.

The VICE-CHAIRMAN: You have that information?

The WITNESS: No.

Mr. THATCHER: This is in thousands of pounds.

The VICE-CHAIRMAN: That is something to which the attention of the later witnesses should be directed. As an accountant Mr. Knight will be almost entirely dealing with dollars and cents but other witnesses will be able to deal with the volume.

Mr. FLEMING: I do not want any inferences drawn unless they are proper inferences. It appears that we cannot draw inferences until we know what proportion of the dollar increase represents price and what proportion represents increased volume of goods.

The VICE-CHAIRMAN: That is clearly true.

By Mr. Dyde:

Q. Will you turn to schedule B7, Mr. Knight, and refer to page 10 of the narrative. In the first sentence of your narrative you use the phrase "components of cost". You show unit selling prices and the components of cost of articles producing a significant sales volume—would you elaborate on that particular phrase—"components of cost"?—A. The components of cost consist of materials, labour, overhead, and the difference represents all the other items between the total selling price and those figures. For example if you take the selling price and deduct your labour, material, and overhead, then the difference is represented in certain instances by operating income and in other instances by variations of that figure.

Q. You are referring to the schedule and you are speaking of or using the phrase "profit or loss". Perhaps you had better define that a little more clearly because at this stage I think we have been talking about operating income throughout?—A. We requested the companies to give us the components of cost in detail and the selling price of certain of their more important lines. When we received those figures they were summarized on this schedule. We put the selling price down and we detailed the materials, labour, and overhead, and we put this terminology "profit or loss" in brackets, and made a footnote to the schedule showing the figures of profit or loss representing the difference between the selling price and the component cost. On page 10 of your report I said that "in reporting the components of cost, the companies have followed their usual methods of costing for purposes of determining selling prices and have used replacement prices of raw materials and current labour and overhead rates. I was informed that this system of costing is general in the industry and that, cost being maintained on a process basis, figures were not available to reflect the cost of manufacture of the various articles reported on schedule B7".

Q. Then yesterday, when the committee met, I think it was Mr. Fleming who asked some questions with regard to an actual item.

Mr. FLEMING: I was particularly interested in the fourth item under the Drummondville Cotton Company Limited, fishing twine.

By Mr. Dyde:

Q. I will have to leave Mr. Fleming to ask the particular questions with respect to that item as my questions are not to be directed towards it. I understand, Mr. Knight, that when the questionnaire went out there was a request made that when replies were made by the companies they should furnish specifications of the various articles so that we would have some idea of their being comparative when we came to discuss prices. Now did the companies furnish the specifications?—A. Yes, the companies did, but I think I might have misled Mr. Fleming yesterday on that. They did furnish the specifications and I had a list prepared of the various specifications that were furnished for each of the items detailed on page 10 and 11 of my report. I have 50 copies of this list.

Mr. DYDE: I think under the circumstances we should submit the list as a supplement to schedule B7, the specifications as supplied by the companies for the various items which are set out in this schedule and, although it is rather lengthy, I think it would be well to have it read into the evidence at this point.

Supplement to Schedule B7 of Report "B"

SPECIFICATIONS AS SUPPLIED BY THE REPORTING COMPANIES OF THE VARIOUS ARTICLES ON SCHEDULE B7

DOMINION TEXTILE COMPANY LIMITED

Unbleached Bed Sheeting
Style S.49—73″ Width
Construction: Warp ends per inch—56
Picks per inch—50
Warp yarns—20.50
Weft Yarn—10.25
Yards per pound—1.39
Weave—1 x 1

This fabric is sold by the yard over the counter for use in the home and in institutions. It readily bleaches white. This is one of the Dominion Textile's seven qualities of sheeting.

Dyed Drill
NN.33 (MD99—31F) Sanforized Blue
31″ Width
Warp ends per inch—95
Picks per inch—40
Warp Yarn—12.00
Weft Yarn—10.00
Yards per pound—1·90
Weave—3 x 1

This fabric is used in the shoe trade, and by manufacturers of overall, pants, and all types of utility and work garments used by the work-man and farmer. It is also sold in a range of colours for use in sports garments, such as summer slacks; also for children's shorts, white and coloured.

Printed Percale (Domestic Manufactured)
Style M.S. 248—Glenwood
Warp end per inch—60
Picks per inch—60
Warp Yarn—32.00
Weft Yarn—34.00
Yards per pound 5·42
Weave—1 x 1

This is the popular priced printed dress goods line comprising a very large percentage of the total sales by Dominion Textile Company Limited to manufacturers of women's and children's dresses, smocks, housecoats, aprons. It is also used in novelties such as oven mitts, dolls' clothing, cotton comforters, and many other articles.

White Flannelette
Style MF 51 Angola—White Flannelette
Warp ends per inch—42
Picks per inch—50
Warp Yarn—28.00
Weft Yarn—15.00
Yards per pound 4·11
Weave—1 x 1

A popular priced white flannelette used for children's sleeping wear, women's pyjamas and night-gowns, baby napkins; also sold over the counter by the yard for home sewing.

DRUMMONDVILLE COTTON COMPANY LIMITED

Cotton Tire Cord
Style 990—Cotton Tire Cord on Cones
Cord Construction—
12 Single Yarn
4 Ply
2 Cable

End Use: Used by Rubber Companies in the manufacture of tires for passenger cars.

Rayon Tire Cord Fabric
Style RX 944 Rayon Tire Cord Fabric —60″ Width
Cord Construction—
1100 denier filament
2 ply
2 cable
Warp ends per inch—20.00
Picks per inch—1.25

End Use: Used by Rubber Companies in the manufacture of tires for trucks.

Supplement to Schedule B7 of Report "B"—*Con.*

Belt Duck
Style 6732—50″ Width 32 oz. Soft Belt Duck
Warp ends per inch—23.00
Picks per inch—13.00
Warp Yarn—6·75/7
Weft Yarn—6·75/6
Weave—1 x 1

End Use: Used by Rubber Companies in the manufacture of industrial conveyor belts.

Fishing Twine
15 Medium Seine Twine
Twine Construction: 10 single yarn
5 Ply
3 Cable

End Use: Used principally by commercial fishermen for repairing and making up nets.

The Montreal Cottons Limited

White Broadcloth, Sanforized Shrunk
JC 41—Grey Width 38″
Ends—115
Picks 62
Counts—Warp—32K
Selvedge—2/60c
Weft—32K

Yards per pound—3·49

Weave—Plain

Dyed Pocketing—Light Shades (Direct) Not Mercerized
VO 10 Grey Width—39½″
Ends—49
Picks—48
Counts—Warp—16K
Selvedge—2/32K
Weft—12K

Yards per pound 2·74

Weave—Plain

Dyed Plain, Vicuna No. 13, Class 3 Colours (Direct)
VP 13 Grey Width 40″
Ends—48
Picks—46
Counts—Warp—20K
Selvedge—2/40K
Weft—12K

Yards per pound 3·04

Weave—Plain

Dyed Satine (Dominion)—Class A Colour (Direct)
VS 5 Grey Width—28¾″
Ends—70
Picks—76
Counts—Warp—40K
Selvedge—2/60c
Weft—32K

Yards per pound 6·50

Weave—1 x 4 Satine

Canadian Cottons, Limited

Denim

100 per cent cotton, yarn-dyed work clothing fabrics, for which the major end use is heavy work garments, such as overalls, coveralls, work pants and jackets. Heaviest volume sale is on standard 2·20 yd. unsanforized quality, our Style 144, of which the construction details are—

Finished Width—28″
Finished Weight—2·20 yds. per lb.
Finished ends per inch—67

Finished picks per inch—43
Warp Yarn Count—8.45s
Weft Yarn Count—12.00s

Work Shirting

100 per cent cotton, yarn-dyed work clothing fabric, for which the major end use is work shirts. There are other varied uses for work shirting material such as children's clothing, smocks, caps, luggage lining, etc., but work shirts would represent at least 75 per cent of total volume. Heaviest volume range is our Style C36 Covert, of which construction details are—

Finished Width—36″
Finished Weight—2·90 yds. per lb.
Finished ends per inch—53

Finished picks per inch—46
Warp Yarn Count—14s
Weft Yarn Count—16s

Ticking

100 per cent cotton, yarn-dyed fabric for which the major end use is mattresses. A small volume is also used for pillow covering. There are no other recognized end uses for this fabric and for the most part the mattresses made are types used by institutions, hospitals, etc. Heaviest volume range is our Style ACB for which the construction details are as follows—

Finished Width—32″
Finished Weight—2·25 yds. per lb.
Finished ends per inch—79

Finished picks per inch—54
Warp Yarn Count—14s
Weft Yarn Count—12s

Cotton Blanket

100 per cent cotton, yarn-dyed borders, whipped ends. Napped cotton sheeting might be the more correct name for this item, although used both as bed sheets and blankets in homes, institutions, lumber camps, etc. There is no other major end use, although similar quality sheeting is sold by the yard for varied uses. The volume sold by the yard is limited. Our heaviest volume range is Kingcot bordered size 70 x 90, whipped, for which the construction details are as follows—

Finished Size—70 x 90
Finished Weight (lbs. per pair)—3·69
Finished ends per inch—39

Finished picks per inch—31
Warp Yarn Count—22s
Weft Yarn Count—4.85s

Supplement to Schedule B7 of Report "B"—*Con.*

THE WABASSO COTTON COMPANY LIMITED

"Beresford" Printed Percale
36" Finished 60 ends per inch
48 picks per inch 30s Warp
34s Weft 5·92 yds. per lb.
Grey Count—Mill Style No. 2078

This cloth is sold in volume to manufacturers of women's and children's dresses and aprons, to the wholesale drygoods trade, departmental stores and to the retail trade.

Unbleached Factory Cotton
Style No. GC-2 Grey Cotton
36" 64 ends per inch
52 picks per inch 30s Warp
19s Weft 4·06 yds. per lb.
Mill Style No. 1625U

This cloth is sold in volume to the clothing trade for use as pocketing, to manufacturers of oiled clothing, to the wholesale drygoods trade, departmental stores and to the retail trade.

White Broadcloth
Broadcloth
36" 118 ends per inch
60 picks per inch 32s Warp
34s Weft 3·47 yds. per lb.
Grey Count—Mill Style No. B277

This cloth is sold in volume to the shirt, dress, children's wear and uniform trades, to the wholesale drygoods trade, departmental stores and to the retail trade.

Mr. FLEMING: Mr. Dyde, in order to perhaps save some time, the point here I take it is the comparability of the figures with these three columns, in the light of the specifications? Has there been any change in the specifications at these various dates or are the specifications uniform at the three dates in all cases?

Mr. DYDE: The request was made in such a way that the specifications that came back to us were to be uniform specifications but on the other hand I think there are, in certain cases, some alterations and I am going to have to pursue that matter further, even with the additional material. Mr. Knight has got some information on the point which he can give us now.

The WITNESS: We did not observe, on the returns from the five companies, any change in the specifications of the material that has been reported here from one period to another.

By Mr. Fleming:

Q. You have not noticed any change?—A. No.

Q. May we assume the quality is uniform for the three dates given?—A. In view of the fact that there has been no notification to the contrary the answer is yes, because they were asked to indicate that fact.

Q. As of what date are these specifications effective?—A. As of the date of the report; it is a supplement to the report.

Q. 1948?—A. Yes.

By Mr. Dyde:

Q. Mr. Knight, also in that connection, have you made any inquiries as to whether those prices as set out in schedule B7 have been subject to any alterations either up or down since your report was made?—A. I have made inquiries and I will be pleased to reply as follows:

Q. Would you give your reply in such a way that those who are interested may make notes?—A. None of the prices of the Dominion Textile Company, as of the 1st of April, 1948, had been changed as evidenced by this schedule. With respect to the Drummondville Cotton Company Limited, fishing twine has gone from ·68475 to ·70950.

Q. Have you got the date?—A. May 3, 1948. The other items shown there remain the same. The figures for the Montreal Cottons Limited remain the same.

By Mr. Fleming:

Q. The same as of what date?—A. As of the 1st of April, 1948.

Q. This is the 1st of June?—A. Yes, this is June 2, but I sent out the letter asking these questions on the 21st of May.

Q. On May 21st?—A. Yes. If you wish, I will read you the letter.

> On schedule 6 of your return, you have set forth, as of January 1, 1942, September 15, 1947 and April 1, 1948, the selling price of the following products:—

Then I have listed the products and of course they vary with each firm.

> Would you please advise me by return mail of the date and amount of each change in selling price for each of these commodities from January 1, 1942, to the date of this letter.
>
> Yours very truly,

From the replies, I received the information which I have given you now. The Wabasso Cotton Company Limited "Beresford" printed percale has changed to 26 cents at May 14. Apart from that there are no other changes in the prices shown.

Mr. THATCHER: Does this table indicate the prices on those items have gone up in six years to two and a half or three times from the level at which they were six years ago?

The WITNESS: I have not made that calculation.

Mr. THATCHER: Perhaps that tariff concession of a few days ago may bring prices down after all.

Mr. FLEMING: There are a couple of questions which I would like to interject at this point, if it is convenient.

Mr. DYDE: Yes.

By Mr. Fleming:

Q. The second column gives the prices as of September 15, 1947, which I understand is the date on which the subsidies were removed?—A. Yes.

Q. Does this figure represent the figure of the free market after the removal of subsidies or on the last day when the subsidies were in effect?—A. May I take that question under advisement and give you a reply at a later date?

Q. Then can you give us a little more information on the last sentence of the narrative preceding the table on page 10 regarding selling prices? Are those wholesale selling prices?—A. Not necessarily.

The VICE-CHAIRMAN: Selling prices of the manufacturing companies? Is your point that they are uniform?

By Mr. Fleming:

Q. What does the expression "selling price" mean?—A. In some cases you have two prices. In the trade you have the varying prices for the jobber and the wholesaler and in some instances we have had varying prices for the different groups depending upon who they were.

Q. Which price have you taken here?—A. I think we invariably took the manufacturer's price to make a uniform presentation, but if you wish me to answer I will check back into my papers.

The VICE-CHAIRMAN: I think it would be well to make sure of the meaning of that term.

Mr. FLEMING: It goes to the question of the comparability of the three columns and also to any comparison of the three companies.

The WITNESS: I will supply that information.

Mr. DYDE: Mr. Knight, would you turn to schedule B8.

Mr. ZAPLITNY: Before we leave B7 on page 10 of the table showing the actual selling price, I notice that it starts on January 1, 1942. If we look on page 12 and B8 we find a note regarding percentage of net profit to capital employed as calculated for the three companies for the periods 1936-39, 1940-43, and 1944-47. For the purpose of comparison I wonder if the actual prices are available from 1936 to 1939, and so on? Have you figures further back than 1942?

The WITNESS: Not on unit prices. Those are the only three dates on which we obtained details of the unit prices.

By Mr. Dyde:

Q. Would you go to schedule B8, please, Mr. Knight, and refer to the schedule rather than to the narrative. I would be glad if you would explain to the committee exactly what you did here. Just as an example, let us take the Dominion Textile Company and follow the figures across the page opposite the year 1936. The first column is "capital employed"?—A. Yes.

Q. Your second column is "net profit after taxes" and the third column is "percentage of profit to capital". Those three columns are headed by the statement "reported on questionnaires"?—A. Yes.

Q. At the top of the next three columns you have "after adjustment of inventory reserves". Are we to understand that the companies reported the figures which you show under "reported on questionnaires" and that then you entered into a calculation of some kind to give the last three columns on the page, and if so would you say what you did?—A. We asked the companies to tell us what their inventory reserves were for each year and those were reported on a special preliminary questionnaire. When they were additions to the reserve we added them back to the capital employed and also to the net profit. When they were deductions from the inventory reserves we deducted them from the capital employed and from the net profit.

Q. Now would you, as I suggested a moment ago, look at schedule B8 and just follow that exercise across the page for this sample I have taken, namely 1936? I refer to the first row of figures on the page.—A. Yes.

Q. Would you show exactly how you arrived at those various figures, where you got them, and how you arrived at them?—A. Capital employed, $25,911,000 consists of capital stock of $20,316,000 surplus of $5,328,000 and reserve for contingencies of $267,000 making a total of $25,911,000. The net profit reported after taxes was $1,043,000. The inventory reserve at that time was $2,441,000 and that was at the beginning of 1936.

Mr. WINTERS: It must have been at the end of 1936.

The WITNESS: There was $19,000 reduction in the inventory reserves that year.

By Mr. Fleming:

Q. The date would be the end of the fiscal year, in the case of the Dominion Textile Company it would be March 31? You are dealing with the year end?—A. Yes, I think we are, but I just wish to check on that. The figure is at the end of the year, yes.

Q. The end of the fiscal year, which is March 31?—A. That is correct.

By Mr. Dyde:

Q. And then you worked out a percentage of profit to capital and you put down 4 per cent?—A. That is correct.

Q. Now then in your next row of columns you have a different figure for capital employed and would you just say what you did there?—A. We added the inventory reserve at the end of the year to the capital employed, which I have defined, and we added the adjustment of the reserve which had taken place during the year; in this case it was a deduction of $19,000.

Q. The net profit after taxes, which is a different figure from that shown in the previous set of columns is arrived at in what manner?—A. By taking the adjusted profit after deducting $19,000 and taking it as a percentage of capital employed after adding back to capital employed the accumulated inventory reserves.

By Mr. Winters:

Q. What is the $19,000?—A. It is a reduction of inventory reserves which took place in the year.

Q. Why did they not charge that against the inventory reserve instead of against profit?—A. It is for the purpose of making this percentage here that we deducted that from the net profit.

By Mr. Fleming:

Q. According to sound accounting practice which is the proper basis upon which to calculate the percentage of profit? Is it calculated on the figure before or after the adjustment of inventory reserves?—A. I would say according to sound accounting practice you would calculate your net profit after adjusting your inventory reserves.

Q. After the adjustment?—A. Yes.

Q. So that the better figure for us to follow is the one in the right hand column on schedule B-8?—A. I misunderstood your question. Sound accounting practice is to take the net profit after taxes as reported by the company and compare it with the capital employed, that is after all charges and credits have gone through for reserves and other items.

Q. Let us get at it this way? When these companies were assessed for income tax purposes which basis was applied?—A. There were certain inventory reserves which were taken in accordance with section 61 (b) of the Income Tax Act but other inventory reserves not having been taken in accordance with that section would be adjusted, added to the net profit, and then the income tax calculated.

Mr. THATCHER: Is that section still in effect or was it taken out?

The WITNESS: It is a section of the Excess Profits Tax Act, I am sorry. It is section 61 (b) of the Excess Profits Tax Act.

Mr. LESAGE: There is no excess profits tax any more.

Mr. FLEMING: I am not quite clear yet as to which is the better guide for this committee to follow if anything turns on it? Later on, if anything is said about the trend of profit and percentage of profit of these companies, which is the better basis for us to proceed upon? Is it column 3 or is it the last column?

Mr. LESAGE: After all, inventory reserves are not profit.

Mr. FLEMING: Let Mr. Knight answer.

The VICE-CHAIRMAN: Would you care to turn that over in your mind to-night, Mr. Knight?

The WITNESS: I would very much.

The VICE-CHAIRMAN: Then perhaps this is a good spot to adjourn.

The meeting adjourned to meet Thursday June 3, 1948, at 11.00 a.m.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 68

THURSDAY, JUNE 3, 1948

WITNESSES:

Mr. E. H. Knight, of Knight & Trudel, Chartered Accountants, Quebec, P.Q.

Mr. G. H. Glass, Vice-President, Commodity Prices Stabilization Corporation Limited.

Mr. A. G. S. Griffin, Secretary, Wartime Prices and Trade Board.

Mr. F. W. Hughes, Chief Clerk, Import Section, External Trade Branch, Dominion Bureau of Statistics.

Mr. F. J. Rashley, Assistant Chief, Manufacturing Statistics Branch, Dominion Bureau of Statistics.

Mr. G. B. Gordon, President and Managing Director, Dominion Textile Co., Ltd., and Drummondville Cotton Co., Ltd., and President, Montreal Cottons Ltd., Montreal.

Mr. N. E. Kendrick, Comptroller, Dominion Textile Co., Ltd., Montreal.

Mr. L. P. Webster, Secretary and Executive Assistant, Dominion Textile Co., Ltd., and Drummondville Cotton Co., Ltd., Montreal.

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CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

Thursday, June 3, 1948.

The Special Committee on Prices met at 11.00 a.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudry, Fleming, Harkness, Maybank, Merritt, Pinard, Thatcher, Winters, Zaplitny.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

The Vice-Chairman submitted a list of the companies from whom replies were received to the telegram forwarded on June 1 requesting that they file returns in answer to Accountants' questionnaire.

Mr. E. H. Knight, C.A., was recalled and further examined.

Witness stood aside.

At this stage Mr. Fleming took the Chair in the temporary absence of the Vice-Chairman.

Mr. G. H. Glass, Vice-President, Commodity Prices Stabilization Corporation Limited, was called, sworn and examined.

Witness retired.

Mr. A. G. S. Griffin, Secretary, Wartime Prices and Trade Board, was called, sworn and examined.

Witness retired.

Mr. F. W. Hughes, Chief Clerk, Import Section, External Trade Branch, Dominion Bureau of Statistics, was called, sworn and examined.

Witness retired.

Mr. F. J. Rashley, Assistant Chief, Manufacturing Statistics Branch, Dominion Bureau of Statistics, was called, sworn and examined.

At 1.00 p.m. witness retired and the Committee adjourned until 4.00 p.m.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudry, Harkness, Maybank, Merritt, Pinard, Thatcher, Winters, Zaplitny.

Mr. H. A. Dyde, K.C., and Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. G. B. Gordon, President and Managing Director, Dominion Textile Company Limited and Drummondville Cotton Company Limited, and President, Montreal Cottons Limited, Montreal; Mr. N. E. Kendrick, Comptroller, Dominion Textile Company Limited, and Mr. L. P. Webster, Secretary and Executive Assistant, Dominion Textile Company Limited and Drummondville Cotton Company Limited, were called, sworn, and Mr. Gordon was examined.

The following documents were produced by Mr. Gordon and supplied to members of the Committee, viz:

1. Answers to special preliminary questionnaire, by Dominion Textile Company Limited.
2. Answers to special preliminary questionnaire, by The Montreal Cottons Limited.
3. Answers to special preliminary questionnaire, by Drummondville Cotton Company Limited.
4. Financial Statements, 31st March, 1947, Drummondville Cotton Co. Ltd.
5. Dominion Textile Company Limited Annual Report for the year ended 31st March, 1947.
6. The Montreal Cotton Limited Report to Shareholders for the year ended December 31, 1947.

During proceedings, Mr. Beaudry occupied the Chair in the temporary absence of the Vice-Chairman.

At 6.00 p.m. witnesses retired and the Committee adjourned until Tuesday, June 8, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 3, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Vice-Chairman, Mr. R. Maybank, presided.

E. H. Knight, 11 Cedar Avenue, Pointe Claire, Quebec, recalled:

The VICE-CHAIRMAN: Come to order, gentlemen.

Before we proceed with our further examination of Mr. Knight I should report regarding these replies to telegrams. There have been replies which are satisfactory in their nature from a number of companies, eight I think it is, and another one which is satisfactory in a way—it states they are out of business and that is the reason they have sent nothing in; another one reports that the request had not been received, and so that has been taken care of by the request again being sent; another one that the forms had been mislaid and they requested duplicates, and they have been sent. Of the three others, one of them replied this morning and said they are sending in some information but they are an extremely small bill, I understand; then two others have not replied but they are very small operations; and it is suggested that in all probability they are closed seasonally; and these last three I have mentioned would almost certainly be in the class that the secretariat would have excused anyway if their situation had been given at that time, or if what is known now had been known then. Counsel and accountant are following up in all of these cases and I should think that it could be said that as far as we have gone replies are satisfactory and we can safely leave the matter in the hands of counsel and accountant now. A list of the telegrams received with a short note as to what is said in the telegrams is here, and I would suggest that I place it with the reporter to appear in the record. Is that agreeable?

Some HON. MEMBERS: Agreed.

SPECIAL COMMITTEE ON PRICES

Replies to telegrams sent on 1st June, 1948 to textile manufacturers who had not filed returns.

Replies received

1. State report mailed or being mailed forthwith.
   - Anderson Spider Looms Limited, Vancouver, B.C.
   - Arnprior Mill Stock Co., Arnprior, Ont.
   - Aux Tisages Français Ltee., Arnprior, Ont.
   - Consolidated Textiles Ltd., St. Hyacinthe, P.Q.
   - Duplex Textiles Ltd., St. Hyacinthe, P.Q.
   - Fairfield and Sons Ltd., Winnipeg, Man.
   - Iberville Drapery Mills Ltd., Iberville, P.Q.
   - La Filature de l'Isle Verte Enrg., Isle-Verte, P.Q.
   - Maritime Textiles Ltd., Truro, N.S.

Out of business
Nap. Paquin, St. Gabriel de Brandon, P.Q.
2. State request not received
Duval & Raymond, Princeville, P.Q.
3. State forms mislaid and request duplicate.
Shefford Woollens Ltd., Granby, P.Q.

No reply to telegram
Cookshire Woollen Mill, Cookshire, Que.
Trenholmville Woollen Mills, Trenholm, P.Q.

The VICE-CHAIRMAN: All right, Mr. Dyde.

By Mr. Dyde:

Q. Mr. Knight, there were one or two questions which were asked yesterday on which information was to be obtained and supplied, and I think you now have that?—A. Yes.

Q. A question yesterday referred to page 10 of your report under the heading "schedule B-7", and with reference to the date, September 15, 1947, which appears above the column of prices. You were asked yesterday whether that figure represented the figure after the removal of subsidies or on the last day that subsidies were in force. Will you now tell the committee what that price column represents?—A. That price column represents the prices approved by the Wartime Prices and Trade Board as they were immediately before removal of controls.

Q. Then further with regard to the same table of prices the question arose yesterday as to what those prices were and you said then that you thought that you had invariably taken the manufacturer's price to make a uniform representation. Have you anything further to add to that?—A. The prices shown on pages 10 and 11, of my report are in all but one case the only price reported from the companies and may be presumed to be the price to all purchasers. However, Montreal Cottons Limited have also reported their price on wide woven fabric or broadcloth to shirt manufacturers. We have only reported the prices to the wholesalers in schedule B-7.

By Mr. Fleming:

Q. What are the other prices in the case of that company; what are the other prices—you say those prices you have used are the ones quoted to the wholesalers?—A. That is right.

Q. What are the other prices?—A. The other prices were those quoted to shirt manufacturers.

Mr. DYDE: Do you want the actual prices?

Mr. FLEMING: I want to make clear as to whether or not the shirt manufacturers were buying from the wholesalers. Do you know whether they were doing that, or were they buying direct?

The WITNESS: I presume they were buying direct from the Montreal Cottons Limited in this instance, as per their report to us, do you see.

By the Vice-Chairman:

Q. And they have two classes or more of purchasers of whom wholesalers were one?—A. That is correct, sir.

Q. And that which you have set down here is the price to the wholesalers?—A. That is correct, sir.

Q. And that price is the proper one to be compared with any other of the other prices given by the other reporting companies; is that right?—A. I consider that, sir; yes.

Q. So you have then what you believe is the comparable prices from the Montreal Cottons Limited?—A. Yes, sir.

The VICE-CHAIRMAN: All right. I do not think there will be any doubt of that, Mr. Fleming. Mr. Knight would have that in mind when he was reporting, but if there should be any doubt as to the Montreal Cottons or any other company in this report we have not secured that which is comparable they will have an opportunity of setting us right on that point now, won't they?

Mr. DYDE: I would like to turn now to schedule B-8, the actual schedule itself, Mr. Knight, to deal with the last question which was raised in our yesterday meeting, and I propose not to refer to the question in full again, but it was a question by Mr. Fleming in which he asked whether in accordance with sound accounting practice it was better for us to look at one of these special columns rather than the other. Would you have now the answer to that question, please?

The WITNESS: My personal opinion on that is that it would be advisable to look at the first three columns as being the basis for comparative purposes. The other three columns were added to enable the committee to see the signficance of inventory reserves. The figures have been shown on a comparable basis and if you care to refer to them you can readily see the signficance for each of the companies over the twelve years and also the average of the twelve years in one figure there.

By Mr. Thatcher:

Q. And in order to get the inventory reserves of the company do you subtract the one column from the other, is that it?—A. Yes, you would subtract number 1 column which is called "capital employed" from number 4 column.

Q. That means the Dominion Textile Company inventory reserve in 1947 would be $35,174,000, less $26,820,000.—A. That is right.

Q. Which would be $8,354,000?

The VICE-CHAIRMAN: Is that the first line for the year?

Mr. THATCHER: No, that would be for 1947.

The VICE-CHAIRMAN: You get that by subtracting $26,820,000 from $35,174,000?

Mr. THATCHER: Yes.

Mr. FLEMING: Just in the interest of accuracy and uniformity in future, are we to take it that in your opinion the proper figure for reference in relation to the percentage of profit to capital is that in the third column and not that in the last column?

The WITNESS: Yes, Mr. Fleming, I say that is my personal opinion.

By Mr. Dyde:

Q. I think you might still explain, Mr. Knight, so that the committee will understand completely, the figure for 1937. We went over those figures yesterday for 1936 and I want to make sure that we understand the process that is followed by you. Let us take 1937 under the heading of Dominion Textile Company and follow the figure across the page so that we will know exactly what your procedure is?—A. Yes, sir. The first figure in the first column for 1937 is $25,858,000 of capital employed. In the next column—

Q. Just a moment, that figure is supplied to you by the companies themselves?—A. That figure is compiled from figures supplied to us by the companies themselves, according to the explanation that we have given in the written report so that the committee would understand how we had compiled the figure.

Q. All right.—A. The next figure is the net profit after tax as reported by the company. The third column is the percentage of the one to the other. In the fourth column I have the figure of $28,775,000. That figure represents inventory reserve added to the $25,858,000 which, in this instance, is $2,917,000. In other words the inventory reserve that I noted yesterday was $2,441,000 at the end of 1936 and it is now $2,917,000 at the end of 1937 which is a difference of—

The VICE-CHAIRMAN: Do you—

The WITNESS: That is a difference—I am sorry, you were going to ask me something?

By the Vice-Chairman:

Q. I was on the point of saying then that it would appear that the inventory reserve increased from 1936 to 1937?—A. Yes, sir, that is correct.

Q. All right, go ahead, please?—A. That increase to which you refer amounted to $476,000 in that year.

Q. Yes?—A. And that figure was added to the capital employed which is in column 1, being $25,858,000.

Q. Yes?—A. And it was also added to the net profit reported after taxes of $1,432,000 and that is how you get the $28,775,000 and the $1,908,000 after adjustment, and the resulting percentage is shown as 6·6 per cent.

Q. You have treated the assignment of a certain sum of money to inventory reserve as a profit and have so recorded it because, while they decided to put that money into the reserve they could have used it to buy lollipops or anything else? It is money which they could have used?—A. That is correct.

Q. Having treated it as profit you say, since they have it and since it is not distributed, it is capital that is being used and it will be treated as operating capital or at any rate as capital?—A. It is capital.

Q. That is the way it is treated?—A. Yes.

By Mr. Thatcher:

Q. Are these inventory reserves. reserves which are more or less bookkeeping entries, or are they reserves which the government allows when the corporation tax is being computed?—A. They are bookkeeping entries in that they go through the books.

Q. Yes, I realize that. For instance each year does the government allow the whole amount for the purpose of corporation tax? I remember that when we had Canada Packers here they indicated that they were allowed half of the figure only, but the company for its own purposes put the whole amount through its books?—A. I think the best answer will be when the executives of the companies come forward. They will be familiar with the assessments made by the tax department in each of the years and they will be able to give the amounts. In certain instances those amounts are allowed. As I explained yesterday under section 61 (*b*) of the Excess Profits Tax Act certain figures were taken, but as these inventory reserves are a matter of company policy and are decided after careful consideration by the executive it is very difficult for me to tell you the answer because I was not present at the time the decision was taken.

By the Vice-Chairman:

Q. The fact is there is some inventory reserve allowed for the purpose of computation of income tax? There is some inventory reserve allowed?—A. Yes.

Q. That may be, in any given case, the inventory reserve which the company sets up for itself or it may not be the same figure?—A. Yes.

Q. In the case of Canada Packers the total figure was $750,000 I think and for example they were allowed—

Mr. THATCHER: $500,000.

The VICE-CHAIRMAN: I do not remember the exact sum they were allowed but they said that for their own purposes and what they considered to be good business they set aside $750,000. That is the way the story went.

Mr. THATCHER: That is right. I do not know whether Mr. Knight can give the answer to this question but Dominion Textile Company 1947 figures on schedule B show inventory reserve as $8,354,000 which is just about one-third of the capital employed. Why would such large reserves be needed?

The WITNESS: I would prefer the company to answer that question because as you may well imagine the cotton industry is a specialized industry and as a result it has special problems.

Mr. THATCHER: That is fine.

Mr. FLEMING: I think we may say from looking at schedule B8 that the tendency over the past twelve years has been to increase inventory reserves. That is no doubt a matter of policy on the part of the companies and on which they are best qualified to give the answer.

By Mr. Dyde:

Q. I have a further question Mr. Knight so that we may clarify this position. The 1947 figure is a cumulative figure is it not?—A. Yes, sir.

Q. You have taken the history of these figures and by the time we reach 1947 we have accumulated a figure for capital employed, in the fourth column—it is cumulative as far as the inventory reserve is concerned?—A. I will say that figure in the fourth column represents capital employed, computed in the manner which we explained in our report, to which has been added any existing inventory reserves at the end of any one of those given periods.

By Mr. Pinard:

Q. Have you added the net profit for every year in that cumulative figure, in addition to the inventory reserves?—A. Yes, the inventory reserve in the fifth column has been added to the net profit.

Q. In each case?—A. Yes, or deducted from the net profit if the reverse is true.

Q. Yes, of course.

By the Vice-Chairman:

Q. Just on this point, in the net profit after taxes, inventory reserve may to some extent already be reflected? Is that correct? If some inventory reserve has been allowed before making the tax assessment then it would be reflected there would it not?—A. I do not quite understand the question, sir.

Q. We have said that the tax office policy is to allow some inventory reserve?—A. Yes.

Q. And the net profit here is shown in the second column, after taxes?—A. Yes.

Q. Does not that itself reflect some inventory reserve taken into consideration already?—A. From a taxation point of view. In other words, if the inventory reserve had been taxed by the department then that tax would have been deducted from the net profit before those figures were shown.

Q. All right, thanks.

Mr. DYDE: Now, Mr. Chairman, as far as I am concerned I have finished going over the report with Mr. Knight. I think we might pause for the moment and perhaps go on with another witness unless there are further questions of Mr. Knight. You will understand, Mr. Chairman, that Mr. Knight will be with us throughout the succeeding days, and if it turns out to be useful we can ask him to return to the stand at any time.

The VICE-CHAIRMAN: Yes, with respect to this report or any of the succeeding reports with which we may be dealing.

Mr. DYDE: Yes, and as far as I am concerned I would be ready to go on with another witness at this stage unless someone wishes to keep Mr. Knight on the stand longer.

The VICE-CHAIRMAN: I think we may have Mr. Knight stand down now. Who will be the next witness?

Mr. DYDE: It will be Mr. Glass. I would like to call Mr. Glass and I would like to have the memorandum which he has prepared distributed to the members of the committee.

The VICE-CHAIRMAN: While Mr. Glass is reading the brief perhaps Mr. Fleming would take the chair. I understand, Mr. Fleming, that you got along all right with the boys yesterday and they have requested, by petition, that you be used as our chairman.

Mr. FLEMING: I think it is just a means of silencing me.

The VICE-CHAIRMAN: I do not know whether that is true.

(Mr. Fleming took the chair.)

Mr. George Herbert Glass, Vice-President, Commodity Prices Stabilization Corporation, Ltd., called and sworn:

By Mr. Dyde:

Q. Would you please give the committee your full name?—A. George Herbert Glass.

Q. What is your address?—A. 29 Imperial Avenue.

Q. Ottawa?—A. Ottawa.

Q. What is your post or office?—A. I am vice-president of the Commodity Prices Stabilization Corporation.

Q. I have asked you to prepare and bring with you a memorandum which you are now prepared to read?—A. That is right.

Q. Would you please do so?—A. Mr. Chairman:

STATEMENT BY COMMODITY PRICES STABILIZATION CORPORATION LIMITED RESPECTING RAW COTTON SUBSIDIES PRESENTED TO THE PRICES COMMITTEE

In connection with this Committee's enquiry I have been asked to present a statement concerning the operation of the Commodity Prices Stabilization Corporation Ltd., in so far as cotton, particularly raw cotton, is concerned.

Before dealing with the raw cotton subsidy it might be helpful to review briefly the general operations of C.P.S.C. Ltd. In spite of the overall price ceiling which came into effect on December 1, 1941, many producers and manufacturers faced rising costs. Some of the causes of higher costs were higher prices in the country of export, higher shipping costs and, in some instances, higher operating costs due to reduced production.

The first method of dealing with these increased costs was to have producers and distributors share the increased costs, in other words, their margins were reduced. The second method was to reduce costs by simplification and standardization of production, but in many cases these two methods proved insufficient to take care of the full increase in cost and, where continued supply of the commodity was considered necessary, subsidies were paid, duties were remitted or modified, or commodities were purchased in bulk by Crown companies.

While the real beneficiary of any subsidy was the consumer, for the sake of convenience, economy and ease of administration, the general policy was to pay subsidies at the level of trade at which there were the fewest firms. This level was usually the importing or primary processing or manufacturing level. The maximum subsidy payable was defined in the board's statement of import policy as the amount by which the laid-down cost of the goods imported exceeded the laid-down cost of similar goods entered for consumption during the basic period, or at such other time, or exceeded such other cost as was appropriate having regard to the maximum selling price. It was further provided that subsidies might be paid under either of two methods:—

1. The individual import basis
2. The industry or commodity formula basis.

It will be appreciated that a basic formula which provides adequate returns for one manufacturer may allow greater than normal profits to another operating under different conditions. Furthermore, a subsidy fomula based on normal operations may result in large profits should conditions allow better than normal operations, or losses should conditions allow only sub-normal operations.

Consequently, a number of industries agreed with Commodity Prices Stabilization Corporation Ltd., on a scheme of subsidy limitation or profit control.

Generally speaking, profit control provided that all subsidies calculated on the basic formula, to the extent that they contributed to profits taxable at the rate of 100 per cent, under the Excess Profits Tax Act, either would not be paid or would be refunded to the Corporation if already paid.

The formula for the limitation of subsidies, usually called "Profit-Control", had a number of minor variations to fit different industries, but in principle provided that subsidies paid to any person or corporation during any year were refundable to Commodity Prices Stabilization Corporation, Ltd., to the extent that the recipients' net taxable income exceeded 116⅔ per cent of its standard profits as determined under the Excess Profits Tax Act. The 116⅔ was the point at which under the Act the 100 per cent rate of tax became effective, (subsequent to June 30, 1942). The adoption of this formula made it much simpler to arrive at appropriate rates of subsidy in an industry where there were wide variations in rates of profit between firms, where the full subsidy was required to keep marginal firms in business but little or no subsidy required at the other end of the scale; or where the prospects of an industry under war conditions were extremely difficult to predict.

Applications for subsidy were submitted to the corporation and subjected to a careful check. They were then forwarded to the appropriate administrators for further examination of the amount of subsidy claimed, especially in respect to how much of the increased cost a trade might reasonably be expected to absorb.

Dealing with subsidies on imported goods, the principles in accordance with which subsidies were payable were set forth in a series of statements of import policy. Subsidy payable was limited to the excess of actual laid-down costs over the laid-down cost appropriate to ceiling prices. It was further limited to the extent that the increase in laid-down costs could reasonably be expected to be absorbed by the trade.

Subsidies on domestic products were payable only on such goods for civilian consumption in Canada as the Wartime Prices and Trade Board specified. The formula in each case was designed to provide such assistance as was considered necessary to maintain an adequate supply of a product at ceiling prices.

The subsidy limitation scheme was applied in both import and domestic subsidies where considered necessary and practicable.

Turning now to the subsidy in the cotton field, the basic subsidy here was the import subsidy on raw cotton, which was administered on a formula basis.

There were pecularities in the cotton situation which made the formula treatment desirable. Had raw cotton been subsidized on an individual import basis, on account of the wide variety of grades, staples and end uses, it would have been impossible to fix a single appropriate basic price for subsidy purposes. It would have been necessary to compute appropriate base prices for each end use, which could not have been done at time of importation. Consequently, the Standard Raw Cotton Agreement was drawn up and all the primary processors operated under this agreement; spinners, knitters and converters operated under substantially the same agreement with changes to suit their conditions.

The Standard Raw Cotton Agreement provided that with respect to cotton products invoiced at ceiling prices, the corporation would pay a subsidy on the raw cotton going into production thereof, at the difference between the actual laid-in cost of such raw cotton and a schedule of fixed basic prices. These basic prices represented raw cotton costs appropriate to February 1941 fabric prices, which generally speaking governed consumer prices of the finished products in the basic period, September 15 to October 11, 1941. The subsidy limitation scheme outlined above restricting profits to 116⅔ per cent of standard profits was incorporated in the Raw Cotton Agreement.

When the overall price ceiling was imposed in 1941 the prices of cotton fabrics had advanced more or less in line with the rising American raw cotton quotations, while the retail prices of finished cotton goods were generally related to the lower prices of primary textiles which prevailed some months earlier. The board was therefore faced with the alternative of either allowing a general increase in the prices of cotton textiles at the retail levels or of reducing the prices of fabrics. The latter course was chosen and the fabric ceilings were "rolled back" to the level prevailing in February 1941. While this action did not involve the immediate payment of subsidies on raw cotton, it was recognized that, as inventories purchased at a lower level were used up and replaced in a rising market, subsidies would become necessary.

During November and December of 1941, at the suggestion of the corporation and the Wartime Prices and Trade Board, very heavy supplies of raw cotton were accumulated by the trade at most advantageous prices and because of these large low-cost inventories and the fact that profits were generally such as to preclude subsidy claims under the limitation of subsidies clause, no substantial subsidy payments were required until the year 1944. (See Schedule 1 attached.)

Looking at that schedule, now, you can see that the subsidies paid on raw cotton and cotton linters, under tariff item 520, from April 1 to December 31, 1942, amounted to only $174,000; in 1943, $917,000, but in 1944, it increased to practically $9,000,000. In 1945, it amounted to $12,000,000 and in 1946 to $13,000,000, but in 1947, it dropped to something under $6,000,000.

By Mr. Thatcher:

Q. What was the reason for that drop, Mr. Glass, do you know?—A. We will come to that later on, Mr. Thatcher.

By that time, that is, the year 1944, the low cost inventories had been used up and in 1945 profits were further affected by the reduction in war contracts.

The schedule of fixed prices forming part of the Raw Cotton Agreement covered the majority of the grades and staples of United States cotton as well as cotton from several other countries. To indicate the changes in these fixed prices, I will use the fixed price 15/16 middling, which is the staple and grade on which standard cotton quotations are based. The original fixed price for subsidy purposes was 11·4 cents per pound for United States cotton. Effective March 1, 1946, this price was increased to 15·4 cents per pound. Effective February 1, 1947, it was increased to 24·4 cents per pound and effective June 2, 1947, it was increased to 27·2 cents per pound.

Early in 1946 the price of raw cotton in the United States had risen to nearly double our basic price of 11·4 cents per pound. On the 1st of March, 1946, the first step was taken to bring the Canadian price level for cotton goods more in line with actual raw material costs when the fixed prices were increased by 4 cents per pound. This advance in the cost of raw cotton involved a general increase in the ceiling prices of cotton yarns and fabrics. In most cases the secondary manufacturers using cotton yarns and fabrics were permitted to add the increased cost to their ceiling prices. These price increases were in turn controlled down to the retail level by the use of specified mark-ups.

Soon after this increase in the fixed prices, a sharp increase in raw cotton prices in the United States took place and in October, 1946, cotton reached 40 cents per pound. Thus the anticipated saving in subsidy by the increase in the fixed prices was completely wiped out and in fact the cost of subsidies increased in 1946 as compared with 1945.

While the price of cotton decreased from its high of 40 cents per pound in October, 1946, it was still approximately double the fixed price of 15·4 cents at the first of 1947, and there seemed little prospect, if any, of the market falling to this level in the reasonably near future. The United States support price was over 24 cents and with these factors in mind, the base price for subsidy purposes was raised 9 cents, that is to 24·4 cents per pound effective February 1, 1947. As in the case of the previous increase, general increases in the whole ceiling price structure for cotton products were necessitated.

On June 2, 1947, the fixed price of raw cotton was raised again by 2·8 cents per pound to 27·2 cents. Raw cotton prices in the United States had commenced to rise, reaching 36 cents in May and, moreover, the United States export subsidy which had the effect of holding costs to Canadian buyers below the market level had been reduced from 2 to ½ cent per pound on May 13, 1947.

At this time, that is June, 1947, an adjustment in the base price for raw cotton was combined with a revision of the domestic price structure. The basic period price structure for cotton fabrics had contained certain anomalies which had persisted under price control and other anomalies had developed in the course of subsequent adjustments which, being based primarily on the increased cost of the cotton content, had tended to discriminate against the finer fabrics in which costs other than the raw material are a more important factor than in the cheaper quality fabrics.

The Standard Cotton Agreements were terminated by the Corporation as at September 15, 1947, at which time cotton products were completely decontrolled.

SCHEDULE I

SUBSIDIES PAID ON RAW COTTON AND COTTON LINTERS
TARIFF ITEM 520

Paid by Years		Cumulative
April 1 to Dec. 31, 1942	$ 174,786.29	$ 174,786.29
Jan. 1 to Dec. 31, 1943	917,681.92	1,092,468.21
Jan. 1 to Dec. 31, 1944	8,857,330.47	9,949,798.68
Jan. 1 to Dec. 31, 1945	12,742,425.05	22,692,223.73
Jan. 1 to Dec. 31, 1946	13,487,233.90	36,179,457.63
Jan. 1 to Dec. 31, 1947	5,826,312.30	42,005,769.93

Mr. DYDE: Mr. Chairman, Mr. Glass is now available for questioning by the committee. Before doing so, it occurs to me it might be appropriate if I provide the committee with a table showing the United States raw cotton prices. I have not called a witness for this purpose. The primary textile institute was kind enough to refer me to trade papers in which I could find the raw cotton prices in the United States. I have extracted the raw cotton prices covering the years from 1940 to 1947 inclusive and for the first four months of 1948 from those trade papers. These prices appear in a document which is expressed as being quotations compiled by the United States department of Agriculture. I think it might be useful for the committee to have those prices. It is the type of table we have occasionally put in before without specifically calling a witness because I think the table is self-evident.

Added to that is, of course, the difficulty of calling somebody from the United States Department of Agriculture.

The ACTING CHAIRMAN: The institute to which you referred is the Canadian Institute?

Mr. DYDE: Yes, Mr. Chairman.

The ACTING CHAIRMAN: Has anyone any objection to this table going in? It will go into the record at this point.

RAW COTTON PRICES

UNITED STATES

The following prices are in cents per pound and are quotations compiled by U.S. Department of Agriculture and reproduced in trade publications, the quotations being the average for spot middling 15/16-inch cotton at ten market centres in Southern U.S.A.

1940	
January	10·8c
February	10·8c
March	10·6c
April	10·6c
May	10·1c
June	10·5c
July	10·4c
August	9·9c
September	9·5c
October	9·4c
November	9·7c
December	9·9c
Average	10·2c

1941	
January	10·1c
February	10·1c
March	10·6c
April	11·1c
May	12·4c
June	13·8c
July	15·6c
August	16·1c
September	17·1c
October	16·5c
November	16·4c
December	17·3c
Average	13·9c

1942	
January	19·0c
February	19·2c
March	19·6c
April	20·2c
May	20·0c
June	19·0c
July	19·4c
August	18·6c
September	18·8c
October	18·9c
November	19·3c
December	19·7c
Average	19·3c

1943	
January	20·5c
February	20·7c
March	21·2c
April	21·2c
May	21·1c
June	21·1c
July	20·9c
August	20·4c
September	20·4c
October	20·3c
November	19·7c
December	19·7c
Average	20·6c

1944	
January	20·2c
February	20·8c
March	21·1c
April	21·0c
May	21·0c
June	21·5c
July	21·6c
August	21·4c
September	21·4c
October	21·6c
November	21·4c
December	21·5c
Average	21·2c

1945	
January	21·7c
February	21·6c
March	21·8c
April	22·1c
May	22·6c
June	22·7c
July	22·6c
August	22·4c
September	22·5c
October	23·1c
November	24·0c
December	24·5c
Average	22·6c

1946	
January	24·7c
February	25·8c
March	26·8c
April	27·7c
May	27·4c
June	29·2c
July	33·4c
August	35·5c
September	36·9c
October	36·1c
November	30·9c
December	32·4c
Average	30·6c

1947	
January	31·9c
February	33·3c
March	35·2c
April	35·1c
May	36·0c
June	37·2c
July	37·5c
August	34·3c
September	31·6c
October	31·7c
November	33·6c
December	35·8c
Average	34·4c

1948	
January	35·15c
February	32·76c
March	34·19c
April	37·22c

Mr. THATCHER: I still do not understand—

The ACTING CHAIRMAN: Mr. Dyde has a few more questions, I think, and then there will be an opportunity for questions by the committee.

Mr. THATCHER: All right.

By Mr. Dyde:

Q. While the price list is being distributed, I note that in your memorandum you have dealt with the subsidy on raw cotton. Is there any difference between the raw cotton subsidy, in principle, and the subsidy on grey cloth?—A. No, in principle there is not any difference. The manner in which it was handled was just the same. The difference, in fact, was that whereas on the raw cotton we established a schedule on fixed prices for the various grades and staples of raw cotton, in the case of grey cloth, we established a schedule of fixed prices for the different types of grey cloth.

Q. Now, on this list which I think you have not seen, Mr. Glass, this list of raw cotton prices which has just been distributed to the committee, I notice that the quotations are for spot middling, 15-16 inch cotton. Would you say to the committee whether that is the normal way of quoting cotton? There are other types of cotton, I understand, but the one that is used for the basic quotations is the 15-16 inch?—A. That is my understanding.

Mr. DYDE: I have no further questions.

The ACTING CHAIRMAN: I do not appreciate the significance of this reference to grey cloth. Was it referred to here?

Mr. DYDE: No, we will be referring to it in one or two cases later and I thought I would have it on the record.

The ACTING CHAIRMAN: You have a question, Mr. Thatcher?

Mr. THATCHER: Mr. Beaudry cleared it up for me.

The ACTING CHAIRMAN: Are there any other questions to be asked of Mr. Glass?

Very well; thank you, Mr. Glass.

Mr. DYDE: I should like to call Mr. Griffin, Mr. Chairman.

A. G. S. Griffin, Secretary, The Wartime Prices and Trade Board, called and sworn:

By Mr. Dyde:

Q. Mr. Griffin, would give the committee your full name?—A. Anthony George Stock Griffin.

Q. Your address?—A. 140 Howick Place, Rockcliffe, Ottawa.

Q. Mr. Griffin, I understand that while, at the present moment you have changed your department, you were, on May 31, 1948, secretary of the Wartime Prices and Trade Board. That is correct, is it not?—A. That is correct.

Q. Is it in that capacity you have prepared memorandum for the committee?—A. That is correct.

Q. Would you please proceed to read your memorandum?—A.

Mr. Chairman, I understand the committee has decided to investigate the textile industry by examining separately and in the following order the primary divisions of cotton, rayon, and wool before turning to the garment and other secondary trades. I shall therefore deal now with yarns and fabrics of cotton and try to give you a picture of our pattern of trade in that field so that you may have a background against which your examination of prices will perhaps be facilitated.

Canada's primary cotton industry produces about ninety-five per cent of the cotton yarns which it requires for weaving into fabrics. The five per cent by volume in which we are deficient represents, however, an importance out of all proportion to the size; we are almost wholly dependent on outside sources for the finer qualities of yarns used in the manufacture of such essential products as knitted hosiery, underwear, and thread.

Our domestic primary industry has never produced sufficient cotton fabrics either by types or by volume to take care of home consumption. Production has varied between seventy-two per cent of supply (1938) and just under fifty per cent (1947). I have submitted an outline of domestic production and imports to which I draw your attention. It is designated table 1.

Would you just look at that table? You will see that, during the war, our cotton industry increased in production.

The ACTING CHAIRMAN: Do you want us to look at this table 1 now?

The WITNESS: Just have it beside you, I think.

By Mr. Dyde:

Q. I think, Mr. Griffin, you may direct your attention to table 1 for a moment and interrupt your reading of your report. We might look at table 1 just to understand what table 1 says, if you do not mind. I do this merely to assist you in reading your own memorandum. I notice you have taken, in the left hand column, the years from 1935 forward and you have ended with the first quarter of 1948. In the next column, you show domestic production and that is all of the cotton, broad woven?—A. Cotton broad woven fabrics.

Q. And the domestic production is shown in millions of pounds, so that the 228, the top figure in that column, is 228,000,000 pounds, is it not?—A. That is correct.

Q. Then, in your next column, you show imports from the United Kingdom and that, again, is in millions of pounds?—A. Yes.

Q. And imports from the United States in millions of pounds?—A. Yes.

Q. It is easy to see, as one runs one's eye down those two columns, that the imports from the United Kingdom have fallen off to a very small figure, while the imports from the United States have risen from a comparatively small figure to a very considerable figure?—A. Yes, that is brought out later in my memorandum.

Q. Then, the next column is exports, still of cotton broad woven fabric?—A. Yes.

Q. And the last column is the net between domestic production plus imports less exports?

By the Acting Chairman:

Q. Just one question on that table. Is that a table of the disappearance of cotton by years?—A. That is the total supply. You are referring now to the total at the end?

Q. Yes, the last column which is headed, "apparent supply".—A. Yes, that is the total supply of cotton broad woven fabrics available to users in those years.

Q. It is not necessarily the disappearance of cotton from the market?—A. No, it is the amount available to users.

You will see that during the war our cotton industry notably increased its production. The average for the years 1935-39 was about 250 million yards; in 1942 the record figure of 369 million yards was reached. The reasons for this increase were several and varied. The industry was operating long military runs involving the minimum of disturbance to production schedules; the atmosphere of war had stimulated individual effort to a high degree; hours per week had greatly increased; and finally the government had contributed as it could towards overcoming the special handicaps of wartime operation. When the war ended, production slipped off sharply and now looks as if it is settling down slightly above the pre-war level. Table No. 2 will show you that Canadian fabric manufacture covers a very wide range of cotton uses though as previously mentioned there has always been a deficiency both in volume and types.

I suggest we might just look at table 2, which I think is self-explanatory.

Mr. DYDE: I think you might as well explain it to us.

The WITNESS: On the left-hand column you will see it shows the type of fabrics that are produced in Canadian mills. The next column is the various descriptions of the type of end products which are made up from these fabrics. Then the subsequent columns show the figures for the years 1943 to 1947, inclusive, the actual yardage production of each individual type for each year concerned.

The VICE-CHAIRMAN: And is grey cotton the same as grey cloth?

The WITNESS: Yes.

Prior to the second war, the bulk of our imports came from the United Kingdom, the United States supplying only certain of the coarser fabrics which we have taken from them traditionally for many years; before the war these consisted mainly of canvas, bag cloths and tire cord fabric.

In 1943, in the interests of conservation of shipping space, Canada agreed reluctantly to adopt a plan worked out as a part of overall war strategy whereby, although the many types of cotton yarns for which we are dependent upon the United Kingdom would continue to be provided, the responsibility for supplying fabric import requirements would temporarily be transferred to the United States.

For the remainder of the war and for some time thereafter the United States continued to supply us. Our representatives met theirs each quarter to negotiate, fabric by fabric, for our requirements. These included, insofar as imports are concerned, many of the types of cloth we had previously obtained almost exclusively from Great Britain such as medium shirtings, surgical gauze, flannelettes and dress and household prints. Meanwhile fabric imports from the United Kingdom tapered off almost to nothing; only highly essential specialty fabrics continued to be sent to us. Table No. 3 illustrates what took place.

Table No. 3 is really a digest of table No. 1. It shows perhaps a little more accurately what took place in the way of a shifting of import emphasis from the United States to the United Kingdom.

(Mr. Maybank resumes the chair.)

The system of wartime allocations to Canada by the United States came to an end at the close of 1946 and at that time there was some uneasiness whether, through ordinary commercial channels, Canada's import requirements would continue to be met from the United States. The British cotton industry had suffered greatly during the war; fully one third of the mills had been shut down and there was a very real possibility that Canada would be caught between U.S. reluctance to supply a customer with no traditional position in the market, one whose permanence as a customer was at least questionable, and the physical inability of Britain to resume the pre-war relationship. The 1947 figures in table No. 3 show what happened. Proximity of the market, facility in the execution of business, natural commercial affinities and an import subsidy policy designed to maintain prices at a level quite well below world prices combined to bring about in a period of acute world shortage the importation of an unprecedented yardage from the United States.

Early in 1947, the Wartime Prices and Trade Board, recognizing that public expenditure on cotton fabric import subsidies was beginning to outrun its value as a price stabilizing medium and that the long awaited correction in U.S. prices had showed no signs of setting in, made an overall reduction of subsidy and authorized a commensurate increase in domestic prices. This, combined with the final termination of price control in September, 1947, and of the import subsidy plan later in the autumn, had the effect of moderating the flow of goods into Canada as the year came to an end, but the yardage of 276 million imported from the United States during 1947 still represents by far the heaviest figure in any calendar year on record.

The position at present is that the exchange conservation measures adopted in November last have restricted sharply the flow of fabrics from the United

States. I would estimate, under existing restrictions, we would import about 80 to 85 million yards from there in 1948. Meanwhile, the United Kindom, which needs dollars as badly as we need fabrics, is trying hard to boost its exports to us from 8 million yards in 1947 to 80 million in 1948. Based on 1947 standards of supply, that will leave a substantial gap. But the combined effect of much higher import prices and no import subsidies has unquestionably mitigated the demand. Moreover, it can reasonably be assumed that the heavy 1947 figure resulted in part from depleted wartime inventories which have now been largely rebuilt. Assuming 85 million yards from the United States, that the United Kingdom reaches its target of 80 million and that domestic production equals last year's of 265 million, the total of 430 million would be about 25 per cent over the 1935-39 average but about 22 per cent under last year's figure.

That, Mr. Chairman, concludes this brief outline of the position and recent history of the primary cotton industry. I have submitted as table No. 4 some comparative prices of fabrics both domestic and imported. May I utter a word of warning about this table. These prices have been obtained from reliable importers most of whom served in the Prices Board textile administrations during the war. But each quotation shown is only one importer's experience; there may be wide discrepancies when comparing with the experiences of other importers. Furthermore, it is virtually impossible accurately to compare ostensibly identical cloths produced in different countries. There are differences in finishing, for example, which differentiate costs and therefore prices irrespective of the fact that thread and yarn counts, widths and weights may be all the same. In short, within the above quite serious limitations, table No. 4 is intended only to convey an impression.

My only comment on prices is to draw attention to the fact that, to the best of my knowledge, the prices of Canadian made cotton fabrics are generally lower than those in the United States and substantially lower than British prices.

TABLE 1.—APPARENT SUPPLY OF COTTON BROADWOVEN FABRICS 1935-1948
(Unit-millions of yards)

—	Domestic production	Imports from U.K.	Imports from U.S.	Exports	Total
1935	228	60	12	1	299
1936	245	74	16	1	334
1937	266	76	21	1	362
1938	236	64	26	1	325
1939	279	76	45	3	397
1935-39 average	251	70	24	1	344
1937-39 average	260	72	31	1	362
1940	327	29	94	10	440
1941	366	44	110	17	503
1942	369	39	178	18	568
1943	318	27	195	11	529
1944	296	10	225	7	524
1945	277	8	196	11	470
1946	268	5	213	13	473
1947	265	8	276	*16	533
1st quarter	73	2	82	2	155
2nd quarter	72	2	73	6	141
3rd quarter	†59	1	62	3	119
4th quarter	†61	3	59	5	118
1948 1st quarter	†67	4	‡30	3	98

* No deductions made for tire fabrics—approximately 2·6 million.
† Estimated on basis of bale openings.
‡ Month of March estimated.

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TABLE 2.—DOMESTIC PRODUCTION OF COTTON FABRICS AND WOVEN GOODS

(Unit-millions of yards)

Type of fabric	Use	1943	1944	1945	1946	*1947
Bag cloths	Agricultural, etc. bags	32	40	37	37	31
Blankets		8	8	8	8	8
Decorative fabrics	Draperies, etc.	10	11	11	10	14
Drills and twills	Work clothing, children's wear	39	25	25	21	22
Ducks	Industrial	26	22	20	18	18
Fine yarn fabrics	Shirts, dresses, household prints	6	4	4	3	3
Flannels and flanelettes	Diapers, children's wear, pyjamas, interlinings	29	31	29	27	30
Gray cotton	Industrial, tobacco and cheese cloth	38	35	32	31	30
Print cloths	Dresses, shirts, percales	67	61	55	57	52
Sheeting, pillow cotton and ticking	Mattresses	20	11	9	10	10
Towelling		16	18	18	17	19
Work clothing fabrics	Overalls, etc.	19	21	19	19	18
Sundry (includes yarn dyed fabrics)	Dresses, women's suits, etc.	8	9	10	10	10
Total (yards)		318	296	277	268	265
Narrow fabrics	Braids, ribbons, tapes, (yds.)	90	77	84	84	90
Tire fabrics	" " (lbs.)	18	13	12	14	17

* Last quarter estimated.

May 31, 1948.

TABLE 3.—COTTON BROADWOVEN FABRIC IMPORTS

(Millions of yards)

	From U.K.	From U.S.
1938	64	26
1939	76	45
1935–1939 average	70	24
1940	29	94
1943	27	195
1944	10	225
1945	8	196
1946	5	213
1947	8	276

May 31, 1948.

TABLE 4.—COMPARATIVE PRICES OF COTTON FABRICS

(Prices are in cents per yard laid down in Canada, prior to tariff changes, May 19, 1948)
(Weights are shown thus: e.g. 4:00 yard which means 4 yards to the lb.)

Type	Canadian		United States		United Kingdom	
1. Mattress Coverings						
Damask, low grade 56″ both panel and all over designs		.89		.90		·95
Damask, heavy woven, 56″ both panel and all over designs		1.20		1.25		1.55
Ticking, woven, yarn dyed 56″ approx. 4.00 yd		.59		.63		.75
Ticking, woven, medium grade, yarn dyed 56″ 3.00 yd		.65		.72		.94
Sheeting, printed 5.50 yd		.23½		.29		.35
2. Work Shirtings						
Chambray	blue, sanforized 36″ 3.50 yd.	.33	36″ 3.60 yd.	.42		....
	blue, sanforized 36″ 2.90 yd.	.37½	36″ 2.90	.49½		....
Covert	sanforized 36″ 2.98 yd.	.36	36″ 2.90 yd.	.50		....
Doeskin, napped, piece dyed, not sanforized	36″ 3.20 yd.	.35	36″ 3.00 yd.	.51¾-64½		....
	36″ 2.66 yd.	.39½	(price varies with colour)			
Flannel, plaid, napped, not sanforized	36″ 3.90 yd.	.32			36″ 3.89 yd.	.47
	36″ 3.35 yd.	.34½				
Denim 28/29″ 8 oz. sanforized blue		.43		.48		.53
Drill	28/30″ 8 oz. sanforized 29 blue	.49¾	30″ 8 oz.	.49		.56
3. Shirtings						
Lower grade						
80 x 80 sanforized, printed	(price varies with colour)	.35½-.36½		.44		.47½
68 x 64 sanforized, printed		.33¾		.36-.37		....
136 x 60 combed, white		.40¼		.55		....
Higher grade						
100 x 60 printed		.35⅞		.52¾-56½		....
Higher grade		....		....		....
124 x 76 singles		....		....		.80—1.20
144 x 76 2 ply, white		....		....		1.09
144 x 76 2 ply, coloured		....		....		1.23¾—1.32½
144 x 76 singles, white		....		.72—.78		.90
144 x 76 Singles, coloured		....		....		1.06
128 x 68 combed, white		.40½		.60—.66		.72

4. Duck 29″ 8 oz.		*.33*		*.36½*		....
5. Bag cloths—						
36″ 48 x 44 (used for sugar and export flour)	*2.78 yd.*	.28¼	*2.85 yd.*	.29		....
4.00 yd. 48 x 44 (used for 98 lb. domestic flour)	*36″*	.21¼	*37″*	.22½		....
Osnaburgs 3.50 yd. (flour mill middlings)		.18⅝		.22¼—.23½		....
6. Bed sheeting 81″		1.00		1.02		1.21
7. Dress goods, children's wear—						
Gingham, average quality		.40		.44		.58
Cambric, average quality		.30		.40		.45
Chambray, average quality 4.04 yd.		.33		.40		.50
4.04 yd.		.34½		.42¾		....
Poplins and gabardines		....		1.65		1.85
Broadcloth 36″ 64 x 60		.26		.35½		....
80 x 60		.25⅞		.33		....
Broadcloth 80 x 80		.35		.45		.55
100 x 60		.29		.50		....
Sateens (linings) 54″		.44		.65		.85
Kasha (linings) 4.00 yd.		.26		.44		....
Corduroy—fine		....		1.15		1.40
coarse		....		.99		1.15
Flannelette, white, 30″	3.84 yd.	.26		....	4.40 yd.	.33
4.75 yd.		.23		.28¾		....
napped, plaid flannel	3.90 yd.	.32		....	3.89 yd.	.47⅓
napped, flannel pce. dyed, 3.00 yd.		.35½		....		.64

By Mr. Dyde:

Q. Now, would you look at table 4, and go over that with us explaining what it is?—A. Yes. Table No. 4, provides the comparable prices of Canadian fabrics in so far as possible. The table has been standardized to show a fair comparison within the limits I have described in my memorandum. The prices are given in cents per yard laid down in Canada; that is prior to the tariff changes announced by the minister in his budget address; but the weights are shown at a figure of yards per pound. I show in column 1 there in the units—the types are given in the left-hand column, and the Canadian, United States and United Kingdom prices are shown in the following three columns.

Q. Can you pick out and give us an example of this yards per pound?—A. Yes, I can. Example No. 1, you will see, in the third example down—ticking, woven, yarn dyed; 56 inches approximately, $4 a yard. That 56 inches indicates the width, and the approximate yardage per pound there is 4 yards to the pound. Then you will see following across the Canadian price for that quality has been given to me as 69 cents a yard laid down; the United States price as 63 cents a yard laid down and the United Kingdom price as 75 cents a yard laid down.

Mr. THATCHER: I wonder if the witness could say what part the tariff plays in say the American price; would you know that off hand?

The WITNESS: It varies, of course. I am not an authority on tariffs.

Mr. THATCHER: Could you give us just a round figure?

The WITNESS: Yes, I would say the American tariff, purely as a round figure, is about 17½ per cent plus 3 cents per pound.

The VICE-CHAIRMAN: You mean the Canadian tariff against the United States?

The WITNESS: That is it.

By Mr. Thatcher:

Q. What is it now? Has it been completely taken off?—A. That is correct.

Q. So that the British price will be lower?—A. Yes, but there has been also a scaling, a necessary scaling down of tariffs against the United States; that is, assuming the tariff against Great Britain was 17½ per cent and that the tariff against the United States was 17½ per cent plus the 3 cents a pound, then the United States tariff now becomes 3 cents per pound.

Q. I see; well then, temporarily these American prices will be lower?—A. That is correct.

The VICE-CHAIRMAN: You are describing there the operation of the most favoured nation clause?

The WITNESS: That is right.

By Mr. Thatcher:

Q. Do you know if that would have any effect in bringing prices down in Canada?—A. It is too soon to say.

Q. It is too soon to say yet?—A. I think it is.

Q. But probably it would?—A. We hope it will.

By Mr. Fleming:

Q. You were with the Wartime Prices and Trade Board for some considerable time, weren't you?—A. Yes, two years roughly.

Q. As such you had occasion to be closely in contact with both prevailing prices and supply conditions in the cotton textile industry?—A. The functions of the secretary of the Prices Board has been largely to look after supplies. As you know, the Prices Board had a prices division which looked after all matters, under the chairman of course, all matters which had to do with prices, whereas the secretary of the Board concerned himself more with supply. That is why this report is mainly on the supply position.

Q. We are interested in this committee under our terms of reference in two questions, and if you can help us out on either of them I am sure we will be glad to have your assistance. One is prices and the other is possible hoarding of supplies. Had you up until the time you left the Board on May 31, any knowledge of any hoarding or undue accumulation of supplies in the cotton textile industry?—A. No, I had not.

Q. Then, on the question of prices—

The VICE-CHAIRMAN: That would be rather more particularly out of your province, would it not? You say you were more interested in supply than prices?

The WITNESS: Yes; well, we were more interested in facilitating supply, that is in order to maintain the price ceilings, and in doing that one has to pay close attention to the volume of supply obviously, and it was that particular field which concerned us.

The VICE-CHAIRMAN: I was just thinking in that connection that it will be a matter of particular interest to your department if there were any withholdings from the market?

The WITNESS: Yes.

The VICE-CHAIRMAN: Would that be right?

The WITNESS: Yes, that would be correct.

By Mr. Fleming:

Q. You indicated that you have not any evidence of any attempt at any time of the accumulation or hoarding of supplies?—A. Certainly not in the field of primary textiles.

Q. That is what we are discussing here now. On the subject of prices, if your knowledge does not qualify you to answer fully I am sure you will tell us, have you found in the period you were connected with the Wartime Prices and Trade Board down to May 31 of this year any attempt of unduly high prices in the cotton textiles industry?—A. No, I have not. On the other hand, I would say that the primary cotton industry had gone a long way towards preserving as closely as possible the relationship with the ceiling price which obtained at the time of decontrol.

Q. In saying that I take it that you are speaking with particular reference to the period since September 15, 1947?—A. That is correct.

Mr. THATCHER: In the passing of this new tariff, that is once where I think government is taking a right step in keeping prices down; and that is about the first time since I have been on this committee that I have said anything like that. I am pleased to notice that.

The VICE-CHAIRMAN: I think that should probably be printed in the report in capital letters.

By Mr. Dyde:

Q. Mr. Griffin, you have said that you are closely connected with supply. Is it possible for you to give the committee any information with regard to supplies from the United Kingdom? I mean, I happen to know that you have been there lately. Can you give the committee any information with regard to that, is there any information available?—A. Yes, Mr. Chairman; the United Kingdom government is taking every effort possible to recapture the Canadian market in cotton fabrics. They have taken certain steps to bring about that shift. One of them was some time ago that a certain proportion of all exports from the United Kingdom would have to be sent to hard currency countries, and as it happens Canada is the only hard currency country Britain has at the moment on that quota. The Argentine, for example, which formerly had been a good market for British cottons has restricted the imports of cotton from the United Kingdom. The United States, as you know, has a very large domestic industry of its own as well as a very high tariff schedule, have never taken very much from Great Britain except for fine goods of very fine quality fabric; therefore, Canada provides the best potential market at the moment.

Q. Would you venture to say whether the proposed program is within the possibility of the United Kingdom; is it likely that they are going to be able to live up to their suggested program, or can you say anything about that?—A. Yes. When I was there last March I was fairly optimistic, but the one factor which may interfere is the current United Kingdom price, which as you will see on table 4, is still much out of line with our domestic price here and considerably higher than the United States price.

Q. With the reduction of the tariff rate a person like myself would say that those United Kingdom prices will go down by the amount by which the tariff is reduced; but are there other factors which have to be considered before one can just jump to that conclusion?—A. Yes, I think there are. One is the very heavy increase in Egyptian cotton.

Q. What effect does that have?—A. That increases the cost of production in Great Britain and presumably therefore an increase in the price to Canadian producers.

Q. Do you know of any other factors?—A. Well, there is of course the fact that there is no system of control of export prices in Great Britain and there is nothing to stop the exporter in Great Britain from simply adding to his price the decrease which would otherwise have taken place through a reduction of our tariff.

Q. But you say it is too soon for us to be able to assess the action of the United Kingdom producer?—A. My feeling is that the reduction of tariffs is going to be more a stabilizing factor than actually a medium for a reduction of price; but those factors which I have mentioned will possibly stave off a rise in prices and may very well stabilize the price level as it stands now.

By Mr. Thatcher:

Q. On page 2, you make the statement: "When the war ended, production slipped off sharply and now looks as if it is settling down slightly above the pre-war level." I wonder if you would clarify that a bit, would you express the reason for that?—A. I think perhaps it can best be explained by a reversal of the reasons given in the preceding paragraph, the reasons for the increase. You will notice there where the industry was operating along military lines, and that ceased when the war ended; and the general atmosphere of the war which also came to an end. I think perhaps the most important factor was the reduction in the hours per week.

Q. Was there much of an increase in point of fact during the war in Canada?—A. I would think it would be better for me to leave that for the industry to say.

Mr. DYDE: You would not like to say there was a reversal of all those factors, because one of the factors was that the government contributed towards the overcoming of special handicaps.

The WITNESS: The government has retired to the sidelines as you know.

Mr. DYDE: I have no further questions, Mr. Chairman.

The VICE-CHAIRMAN: Any other questions, gentlemen? If not; thank you Mr. Griffin.

Mr. DYDE: I would like to call Mr. Hughes of the Dominion Bureau of Statistics.

Frederick William Hughes, Chief Clerk, Import Section, External Trade Branch, Dominion Bureau of Statistics, called and sworn:

By Mr. Dyde:

Q. Would you give the committee your full name?—A. Frederick William Hughes.

Q. Your address?—A. 20 Middleton Drive.

Q. And your capacity with the Dominion Bureau of Statistics?—A. Chief Clerk, Import Section, External Trade Branch.

Q. I have asked you, Mr. Hughes, to bring with you a table which is I understand produced by the Dominion Bureau of Statistics covering imports for consumption of textile products. Before asking you to look at this table I might perhaps say for the benefit of members of the committee that while we are dealing with cotton I felt that it would be useful to have this table which covers all textile products, and you will see therefore as you look at it that it covers more than cotton. But would you please explain, Mr. Hughes, the significance of this table. I mean, would you tell us what it is; for instance, I see at the top the phrase, "imports for consumption, from all countries, from the United Kingdom and from the United States, years ended December 31, 1947 and 1947 (excluding gold)—continued". What does that mean?—A. That is excluding gold bullion which is looked after by the Bank of Canada.

Q. Well then the words of the heading; imports for consumption is a long table of which we have only one page; is that not correct?—A. These are the group totals of the fibre and textile section only.

Mr. DYDE: I think that should be taken into the record at this point.

No. 35—Imports for consumption, from all countries, fom the United Kingdom and from the United States, years ended December 31, 1946 and 1947 (excluding gold)

Item	From all countries		From United Kingdom		From United States	
	1946	1947	1946	1947	1946	1947
	$	$	$	$	$	$
FIBRES, TEXTILES AND TEXTILE PRODUCTS						
Cotton—						
Raw and unmanufactured	44,657,276	60,815,782	3,365	9,809	37,593,554	45,821,125
Yarn, thread and cordage	9,197,478	16,608,358	5,456,632	6,265,641	3,726,522	10,294,766
Piece goods (fabrics)	54,163,285	82,573,765	1,948,250	4,002,465	51,892,222	77,590,922
Lace and embrodieries	2,204,692	3,132,447	740,797	1,608,484	1,279,370	972,093
Clothing and wearing apparel	1,421,884	6,509,695	1,144,708	1,855,919	197,528	4,371,246
Cotton manufactures, n.o.p.	7,513,051	10,253,630	918,711	2,028,790	6,082,446	7,213,940
Flax, hemp and jute—						
Raw and unmanufactured	1,287,479	1,484,783	431	1,009	293,872	320,814
Yarn, thread and twine	1,470,671	1,517,608	790,033	964,740	304,750	260,895
Piece goods (fabrics)	14,473,654	25,853,936	2,283,260	3,148,904	632,466	1,099,854
Clothing and wearing apparel	34,586	62,955	14,297	15,613	13,083	38,520
Manufactures of flax, hemp and jute, n.o.p.	5,875,396	8,953,337	3,751,880	5,094,739	1,541,696	2,220,971
Silk—						
Raw and unmanufactured	190,828	344,506	....	....	190,826	344,506
Yarn, twist and thread	50,314	66,299	1,391	2,925	48,923	42,081
Piece goods (fabrics)	3,393,770	5,470,140	267,068	303,964	2,731,497	4,451,305
Clothing and wearing apparel	381,795	1,510,381	149,036	204,727	164,937	1,152,255
Silk manufactures, n.o.p.	24,527	29,766	17,200	16,613	3,748	7,708
Wool—						
Raw and unmanufactured	29,824,538	30,069,562	5,742,739	8,599,713	1,273,061	3,968,407
Yarns and warps	6,109,192	7,826,942	5,367,322	5,566,481	692,326	1,927,639
Piece goods (fabrics)	20,114,640	29,663,026	17,733,388	21,381,614	2,060,849	7,310,954
Carpets and rugs	4,551,153	9,032,717	1,954,998	4,902,061	328,152	423,615
Clothing and wearing apparel	2,956,780	6,365,492	1,886,928	4,460,308	895,153	1,477,989
Wool manufactures, n.o.p.	1,011,861	1,505,244	589,370	1,009,988	385,791	417,421
Artificial silk (rayon)—						
Unmanufactured artificial silk	2,975,080	4,269,142	2,133,239	2,323,953	528,730	328,202
Yarn, twist and thread	6,544,745	7,759,970	4,066,418	3,913,254	2,392,589	3,541,816
Piece goods (fabrics)	9,832,671	16,144,868	2,915,169	4,433,546	6,498,216	10,767,143
Clothing and wearing apparel	1,774,779	5,296,808	325,616	615,630	1,371,246	4,443,310
Artificial silk manufactures, n.o.p.	975,919	1,021,746	91,644	247,649	645,325	674,351
Hair cloth and filter press cloth	26,472	13,558	26,242	12,464	230	1,094
Kapok, manila fibre, sisal, istle and tampico fibres; and other vegetable fibres; not coloured nor further manufactured than dried, cleaned, cut to size, ground and sifted	8,805,609	12,188,582	....	11,203	863,277	1,934,360

Binder twine	*170*	*152*			*170*	*152*
Grasses and vegetable fibres and manufactures of, n.o.p.	*711,912*	*698,572*	*1,135*	*11,501*	*227,556*	*177,799*
Mixed textile products—						
Rags and waste	*6,037,194*	*7,053,807*	*430,900*	*68,125*	*5,097,480*	*6,688,793*
Cordage, rope, twine, threads, fish nets and nettings, and fish lines, n.o.p.	1,957,742	2,826,744	1,680,028	2,135,785	270,433	562,210
Oilcloths and other coated or impregnated cloth	4,273,519	9,327,842	749,638	2,201,913	3,519,153	7,070,268
Lace and embroideries, n.o.p.	1,437,719	1,676,024	523,599	925,514	480,964	261,057
Hats, caps, bonnets and berets	530,074	753,655	175,712	266,794	323,417	415,023
Clothing and wearing apparel, n.o.p.	2,967,727	4,966,296	1,010,222	2,455,304	1,889,495	2,376,534
Hat braids, hat sweats, etc., for hats and caps	1,339,484	1,083,648	11,446	3,990	1,086,401	741,414
Hoods and shapes	403,384	400,690	6,294	5,630	171,500	199,505
Other mixed textile products	2,617,478	5,456,495	82,944	159,047	2,466,429	5,113,723
Recapitulation, Fibres, Textiles and Textile Products	264,120,526	390,589,069	64,992,050	91,235,809	140,165,403	217,025,780

By Mr. Dyde:

Q. Yes, but the table covering imports for consumption covers a great many pages in your whole report of which you have extracted one page?—A. Yes.

Q. So that the unit imports for consumption is a heading which appears also on a number of other pages of the report?—A. That is right.

Q. But you have here given us all the fibres, textiles and textile products on this page?—A. That is right.

Q. Then, you have given under the first column the totals from all countries for 1946 and 1947, with the two columns in dollars?—A. That is right.

Q. Will you explain what that amount of dollars represent? Is that amount the laid down cost in Canada?—A. These dollars represent the figures on customs import entries. The Department of National Revenue lays down the value of goods entering this country shall not be less than the firm market value of the goods at the time and place of shipment, but not less than the invoiced value; that is, the value of the goods can be shown higher but not lower than the invoiced value.

By Mr. Fleming:

Q. That is to prevent dumping?—A. Well, if the price of the goods goes up from the time a man orders his goods and before they are shipped, the price at the time of shipment is taken instead of the price the man actually pays for the goods.

By the Vice-Chairman:

Q. Does that mean that these prices are the prices in the country from which the goods were shipped, or does it mean the prices are the laid down costs in Canada?—A. Well, it means both.

Q. Well, the one figure cannot mean both, can it?—A. In some cases; a man may pay a dollar for goods. When he gets them shipped to him they are still worth only the dollar and the dollar is charged as the value for duty. However, if he orders goods and gets delivery, say three months later, and the value of the goods at that time amounts to a dollar and a half, for duty purposes, the dollar and a half is used.

Q. But that is a change in the price of the goods some time between order and receipt. Still, in both of those cases this question is proper; is it not; does the price represent the cost to the man here in Canada or does it represent the cost of the goods in the country from which they are exported?—A. If the man orders a dollar's worth of goods and there is no change in the market value at the time he gets the goods, he pays one dollar. If there is a change in the market value of the goods, he still pays a dollar all right, but we put down the actual price of the goods at the time and place of shipment; that is, the increased value is shown in our figures, despite the fact the importer himself only pays a dollar.

Q. Then, you are endeavouring to arrive at the actual value of the goods? —A. The current value of the goods.

Q. You get your figures from the customs department?—A. We take them off the customs import entry.

Q. Do you take the price of the goods as valued for duty purposes? —A. Yes.

Q. And, in looking at these figures, then, we are to realize that the tariff is not in these figures?—A. The tariff?

Q. The customs that the man has to pay, that figure is not in this?—A. No, the customs duty is not in those figures.

Q. So that, in looking at the first figure—I happen to be looking at a figure of 44,000,000—we should understand that represents raw and manufactured cotton which will cost the first person who uses it in Canada considerably more by reason of the tariff impost?—A. Yes, there is a duty to be added to that.

Mr. DYDE: Mr. Chairman, in that connection I asked Mr. Hughes—I am not sure of the importance of it—to bring forward a table of the import duties. It is a very long table and I have not got many copies of it but I still could put it on the record if you so wished.

The VICE-CHAIRMAN: It is just one sheet. It is not too big for printing. If it is of any value, and it might be—

Mr. FLEMING: Has there been any change in the duties within the last two years?

The VICE-CHAIRMAN: No, but this is worked out in dollars. This is not just a table of the duties charged, taking them by percentages; this is the amount of money. If we are estimating the cost to a person who is going to use some of these things dealt with on the imports for consumption table, these amounts would be added to the figures that are there. It is in dollars, not in percentages, you see.

Mr. FLEMING: I was just wondering about the relevancy. Has it any great materiality for our purposes?

The VICE-CHAIRMAN: It may not have great value, but it does show the figures which one would have to take into consideration if he were thinking about the costs of these things that have been brought into the country for our use.

Mr. FLEMING: Well, I suppose there is no harm in putting it on the record.

Mr. DYDE: There is no harm, I think, Mr. Chairman, in putting it on the record. It explains and adds a little to this table and, for the purposes of the record, it is perhaps a useful document.

It might go into the record at this point.

Mr. FLEMING: Agreed.

TRADE OF CANADA

Duty collected on fibres and textiles for the years ended December 31st, 1946 and 1947

Articles imported	All countries		United Kingdom		United States	
	1946	1947	1946	1947	1946	1947
	$	$	$	$	$	$
Cotton—						
Raw and unmanufactured	56,807	73,892	...	...	56,807	73,892
Yarn, thread and cordage	775,491	1,933,805	...	...	772,519	1,923,843
Piece goods (fabrics)	11,410,053	15,731,075	...	189	11,337,690	15,513,137
Lace and embroideries	289,440	261,578	555	...	250,047	150,533
Clothing and wearing apparel	89,836	1,883,990	2,307	5,878	63,562	1,793,675
Other cotton manufactures, n.o.p	1,882,408	2,365,019	837	1,512	1,723,495	2,064,158
Flax, kemp and jute—						
Raw and unmanufactured	72	110	...	...	72	111
Yarn, thread and twine	113,200	87,366	6,988	14,458	46,858	39,136
Piece goods (fabrics)	212,057	417,162	31,423	82,163	172,020	294,535
Clothing and wearing apparel	6,115	14,198	...	...	3,925	11,556
Other manufactures of flax, kemp and jute, n.o.p	519,860	943,569	8,024	55,180	379,084	563,979
Silk—						
Raw and unmanufactured	15	157	...	...	15	157
Yarn, twist and thread	7,012	9,655	194	439	6,818	7,599
Piece goods (fabrics)	620,617	1,107,058	28,335	14,429	505,911	948,597
Clothing and wearing apparel	95,351	453,023	25,913	49,377	44,897	357,043
Other silk manufactures, n.o.p	7,189	8,967	4,255	4,115	1,568	3,108
Wool—						
Raw and unmanufactured	25,316	69,450	...	...	6,330	23,839
Yarns and warps	741,248	1,106,857	539,790	550,336	190,667	474,126
Piece goods (fabrics)	3,949,663	7,002,326	2,934,347	3,419,694	909,629	3,224,244
Carpets and rugs	1,116,263	2,018,238	309,376	747,946	161,390	204,877
Clothing and wearing apparel	752,147	1,557,798	392,299	877,110	310,891	568,704
Other wool and manufactures of, n.o.p	316,540	409,526	107,260	186,636	194,936	202,604
Artificial silk—						
Unmanufactured artificial silk	66,223	148,154	...	...	42,303	24,617
Yarn, twist and thread	709,801	1,093,704	...	...	682,754	1,002,234
Piece goods (fabrics)	2,963,335	5,200,640	1,096	1,018	2,810,926	4,847,347
Clothing and wearing apparel	473,929	1,663,887	...	41	448,497	1,581,068
Other artificial silk manufactures, n.o.p	378,932	360,548	...	208	292,304	320,935

Duty collected on fibres and textiles for the years ended December 31st, 1946 and 1947

Articles imported	All countries		United Kingdom		United States	
	1946	1947	1946	1947	1946	1947
	$	$	$	$	$	$
Hair cloth and filter press cloth	2,387	1,391	2,323	1,091	63	300
Kapok: manila fibre, sisal, istle and tampico fibres; and other vegetable fibres; not coloured nor further manufactured than dried, cleaned, cut to size, ground and sifted	...	...	...	...	...	...
Binder twine	...	...	...	...	...	...
Grasses and vegetable fibres and mfrs, of, no.p	55,742	51,226	16	442	11,598	11,884
Mixed textile products—						
Rags ans waste	42,918	32,495	...	10	38,784	30,519
Cordage, rope, twine, threads, fish nets and lines, n.o.p	15,248	39,749	5,926	24,748	9,322	14,970
Oilcloths and other coated cloth	1,080,939	2,109,120	31,409	130,403	1,048,160	1,962,488
Lace and embroideries, n.o.p	263,890	215,707	2,924	6,737	134,420	73,030
Hats, caps, bonnets and berets	132,445	187,510	20,026	30,550	103,429	134,662
Clothing and wearing apparel, n.o.p	780,051	1,163,390	132,201	326,676	627,627	795,338
Hat braids, hat sweats, etc., for hats and caps	...	...	...	...	...	...
Hoods and shapes	66,158	78,796	708	633	36,732	46,100
Other mixed textile products	389,440	487,388	4,190	6,186	348,613	407,641
Total fibres and textiles	30,408,138	50,288,524	4,592,722	6,538,205	23,774,663	39,696,586
RECAPITULATION:						
Cotton	14,504,035	22,249,359	3,699	7,579	14,204,120	21,519,238
Flax, hemp and jute	851,304	1,462,405	46,435	151,801	601,959	909,317
Silk	730,184	1,578,860	58,697	68,360	559,209	1,316,504
Wool	6,901,177	12,164,195	4,283,072	5,781,722	1,773,843	4,698,394
Artificial silk	4,592,220	8,466,933	1,096	1,267	4,276,784	7,776,201
All other fibres and textiles	2,829,218	4,366,772	199,723	527,476	2,358,748	3,476,932

Mr. DYDE: I have no further questions, Mr. Hughes, but you might perhaps pause for a moment in case the members of the committee have questions with regard to the last table.

Mr. FLEMING: There is one small matter. I noticed on the sheet showing the duty collected which is just being distributed we have, at the bottom, a recapitulation of the figures by the various classes of textiles. In the printed sheet which was filed by Mr. Hughes, we have not got that recapitulation by the individual textiles. It might be helpful to us if that could be prepared and added to Mr. Hughes list.

The WITNESS: Yes, we could do that.

By Mr. Fleming:

Q. It would not be very difficult?—A. No, it is just the totals of these individual groups, here.

By Mr. Dyde:

Q. Will you prepare that, Mr. Hughes?—A. I will see that those are prepared and forwarded.

Mr. FLEMING: They could go on the record later without any further evidence.

The VICE-CHAIRMAN: That is all, gentlemen. Thank you, Mr. Hughes.

I should like to suggest to the committee that the next witness be sworn and, if there are any documents to be distributed they might be distributed before we adjourn. Then, perhaps we could adjourn. Oh, I said that, gentlemen, believing it would be Mr. Blair Gordon. However, we have another Bureau witness.

Frederick J. Rashley, Assistant Chief, Manufacturing Statistics, Dominion Bureau of Statistics, called and sworn:

By Mr. Dyde:

Q. Would you give the committee your full name?—A. Frederick John Rashley.

Your address?—A. 111 Hopewell.

Q. What is your occupation?—A. Assistant chief, manufacturing statistics, Bureau of Statistics.

Q. I have asked you to bring, for the information of the committee, certain tables. You have prepared certain tables? Which one are you wishing to produce first, Mr. Rashley?—A. Well, I think we have made a composite table covering part of it, have we not?

Q. Yes. Are you not also producing a table out of the statistical review or do you think the one table will be sufficient?—A. One table.

By the Vice-Chairman:

Q. That is the big, typewritten table?—A. Yes.

By Mr. Dyde:

Q. So, the big typewritten table is the one you are now producing?—A. Yes.

Mr. DYDE: I think, Mr. Chairman, it might go into the record at this point.

The VICE-CHAIRMAN: Yes.

14336—3½

COTTON INDUSTRIES[1]

Inventory Index—Cotton Yarn and Cloth Industry

Production 1938–1948

Year	Raw cotton			Cotton yarn production	Broad woven cotton fabric production	Gross value of production		Index of physical volume of production[4]		Value of ship-ments	Inventory			
	Imports	Bale	Openings			Cotton yarn and cloth industry	All cotton textile industries	Cotton yarn and cloth industry	All cotton textile industries		Total	Raw material	Goods in process	Finished products
	Pounds	Number[2]	Pounds[3]	'000 pounds	'000 yards	$	$							
1938	134,760,525	282,322	141,157,483	118,050	218,556	57,055,615	67,205,182	89.3	90.7					
1939	159,532,357	340,900	171,674,285	140,982	263,695	70,385,460	81,229,698	112.4	111.7					
1940	216,626,942	455,165	254,101,509	192,987	309,288	103,389,868	115,559,067	137.0	132.1					
1941	257,298,237	491,410	240,050,323	210,282	351,047	128,421,012	146,120,232	155.9	152.8					
1942	276,410,568	496,102	246,768,980	210,929	334,349	141,899,520	164,448,498	156.8	156.0					
1943	143,017,950	425,107	211,841,023	183,495	277,340	126,879,874	149,919,820	132.8	134.3					
1944	171,617,178	375,835	187,497,692	166,465	263,902	116,707,311	140,059,844	126.4	128.4					
1945	189,534,652	362,740	181,185,914	162,048	245,300	114,682,802	139,430,423	120.8	123.5					
1946	176,734,699	360,198	180,017,799	160,512	237,000	109,828,450	140,822,004	....	....	100	100	100	100	100
1947	190,197,565	363,262	179,887,478	168,216	254,283	....	....	....	....	150.4	136.5	116.6	149.9	211.7
1948	23,935,484	30,944	15,172,987							188.6	147.8	136.8	156.3	186.8
February	9,599,622	31,847	15,602,242	44,812	67,458	....	....	....	....	164.6	140.5	128.0	128.2	235.3
March	16,277,962	33,578	16,362,310							....	....	....	....	....

(1) Comprised of five Industries—1. Cotton Yarn and Cloth. 2. Cotton Thread. 3. Cotton and Wool Waste. 4. Cotton Batting and Wadding. 5. Miscellaneous Cotton Goods.
(2) Bales of 500 pounds gross weight.
(3) Invoice weights.
(4) 1935–1939=100.

By Mr. Dyde:

Q. Would you look at that table and explain to us what it is?—A. Well, the import figures, of course, need no explanation. So far as the second column is concerned, under the heading, "Raw Cotton", this represents the bale openings in the mills.

By the Vice-Chairman:

Q. Your voice is hardly loud enough.—A. I am sorry, I just cannot make it loud enough.

Q. Pretend your boy is down at the bottom of the garden and you will have to make him hear.—A. I will try again. On this large table, the first column covers the imports of raw cotton. This, of course, is simply taken from our import statistics section.

Now, the second and third columns represent the openings of cotton bales in the mills. In themselves, they give you a good indication of the activity of the mills. As a matter of fact, if you know the number of bales opened, you actually know what is going on in the cotton industry. So, that is an activity factor.

By Mr. Dyde:

Q. Before you leave that, I notice the No. 2 footnote under bale openings at the foot of the page shows that the bales are of 500 pounds gross weight.

Then, would you go on, Mr. Rashley?—A. Yes. The next column is simply the pounds. The first column shows the number of bales opened and the second column is the pounds. The chief interest in the bale openings figure is that it tells you the activity.

I think the cotton yarn production figures are quite clear as they stand. I do not see what comment I could make on them.

Q. This is the cotton yarn production in Canada?—A. That is right.

Q. And they are expressed in thousands of pounds?—A. Yes. Then, we come to cotton fabric production, that is the next column. This covers all broad woven cotton fabrics. It does not include the narrow fabrics. It does not include what could be called cotton goods; that is, anything which is manufactured to a complete state such as a blanket. It covers the manufacture of fabric which you would normally think of as such. The information is secured from the firms themselves and some minor adjustments have been made which bring the figures in line with what the industry, itself, uses. I do not think there would ever be any argument over those particular figures.

Q. The next column is gross value of production. Perhaps you could explain how the value is arrived at, valued where and at what point?—A. Well, the gross value of production is the value at the factory. However, when considering these columns, we have to bear in mind that this is not the gross value of the production of broad woven cotton fabrics. Your previous column gave you the production of fabric, but when we come to the gross value we are dealing with the gross value of all products produced by these weavers; that is, the gross value of the cotton yarn and cloth industry. It is the sum value at the factory.

I might add to that that all firms do not always understand selling value at the factory to mean the same thing, but they will understand their own interpretation from year to year. So, it might not be quite accurate to say that in 1939 there was exactly $53,055,000 gross value. It might be slightly more or less if all firms were reporting on the same basis. Nevertheless, the method of reporting remains the same and, therefore, the change from year to year is accurate.

By the Vice-Chairman:

Q. These firms, I suppose, report their gross value and that might be made up by listing a number of things which were sold at what might be called wholesale prices and another amount which is sold at some different price. They have different prices. However, they would simply all be added up and report the total amount of money they got?—A. That is roughly what it amounts to, but that does not change the value of the figures from year to year.

Q. Not for comparative purposes, no?—A. The next column simply gives the gross value of production in all cotton textile industries.

Until that point, we had been dealing with the cotton yarn and cloth industry. However, there are certain related operations which do not, of course, include the secondary textiles which are manufactured cloth and so on. There are certain primary operations which do not belong in the cotton yarn and cloth industry and those are reported and included in this gross value given under the heading of cotton textile industries.

By Mr. Dyde:

Q. Would you give us an example, Mr. Rashley, of some of the things that are included in this column which are not included in the previous?—A. One of the industries there, to make it very simple, is cotton thread.

Q. But you are not in the secondary field at all in the all cotton textiles industries column?—A. That would be rather hard to define. You are pretty well out of the spinners and weavers, but you are not up into what is normally called the secondary.

Q. Would you go on to the next series of columns?—A. The index of physical volume of production; these indexes were prepared every year by taking into account a number of factors which will indicate the volume. I do not think the technique of that index could be explained. It consists of a small volume in itself. It is simply an attempt to value the employment, materials used and any available factors and convert those into a volume figure as differing from a value figure.

By Mr. Pinard:

Q. You could not give a figure for 1946 in that table?—A. We could not give one for 1946, no.

Q. It has decreased since 1942. Do you think there was a decrease in 1946, too?—A. I imagine, yes, there would be a slight decrease. It has been following the decrease in gross value fairly closely.

If you go down the column headed, "gross value of production, cotton yarn and cloth," you will notice the change in values and you will find the index changes do not differ too widely from that. For example, in 1944, you have $116,000,000 value and 126·40 was the index. The next year shows a drop of approximately $6,000,000 and the index dropped. In 1946, you have a drop of a little less than $15,000,000, so I think you would be quite safe in saying there would be some drop in the volume.

By Mr. Dyde:

Q. Then, would you move to the next part of your table which is headed, "Inventory index, cotton yarn and cloth industry." Will you please tell us what that consists of and what is the meaning of that table?—A. That is a set of figures which it is very hard to value at present. We have a number of studies which are devoted chiefly to the national income figures; that is, we want to know what income is available from all sources. We also want to know what are the charges against that income. One of those charges is inventory.

Therefore, in the fall of 1946, we commenced this index and it has no roots in the past. We do not know how it relates to past years and we do not know what it represents in terms of volume. It is a dollar value report and contains all price changes. What this index really means is that there is an increased dollar value charged against national income represented by inventory.

By Mr. Thatcher:

Q. When prices have gone up, it would not necessarily mean that inventories have gone up?—A. Not volume, no. The charge against national income is greater and that is the meaning of this index. Perhaps it should not have been put in this table.

Q. You would not have the same figures in poundage or something of that kind?—A. No, I do not know if you want an opinion on the meaning of it?

Q. Yes.—A. I do not believe it shows any abnormal condition; at the same time taking into account general conditions of inventory it is not abnormal.

Q. When you look at the first column under the heading "volume of shipments" I do not think I understand what you mean by volume of shipments exactly. What does that mean?—A. That is the phraseology of statistics. The exact meaning is not easily understood. This is textiles, as you know.

Q. You try it and see if we can't understand you.

The VICE-CHAIRMAN: So far there is no argument.

The WITNESS: No, but perhaps we are only scratching the surface so far, you know. Well, we take each important firm in this industry. It happens to be 91 per cent of the firms that report to us each month the various inventory figures in dollar values, and who report their shipments; by which we mean goods leaving their plants. Now, contained in this 91 per cent will be plants which do not manufacture any products for the consumer, but nevertheless they have their shipments; and these are the reductions of inventories shown by such plants. If we were to eliminate their shipments you would have no explanation as to where these plants' inventories are diverted; so the reason that we convert these to an index is so that the total dollar value would be before you; but when we convert it to an index it immediately becomes usable and it represents the dollar value increase in shipments; that is, the movement of goods.

By the Vice-Chairman:

Q. We have a certain amount of goods say at the commencement of the year; we manufacture a certain amount during the year; and, at the end of the year all of it has either been shipped or you still have it on hand?—A. That is right.

Q. And this is the part that is not inventoried, what has been shipped is inventoried out?—A. That is right; but I was just pointing out that contained in these shipments are interplant shipments and consequently some error—A. No, not an error, but if you were using dollar value it would be very inflationary, you would get the idea that the actual movement of goods was much higher than it really is; but when you spread it under an index the index is accurate.

Q. You mean accurate for purposes of comparison year by year? —A. Month by month.

Q. Or period by period?—A. That is right.

Q. You are stressing the word "accuracy" in that remark, but for purposes of comparison that is the concept you wanted us to get from your word "accuracy", isn't it?—A. Yes. I was just trying to avoid questions as to the dollar value because it would have no meaning.

The VICE-CHAIRMAN: I think you have succeeded in showing us what you meant.

Mr. THATCHER: It is one o'clock, Mr. Chairman.

The VICE-CHAIRMAN: Thank you, Mr. Rashley.

Gentlemen, we go now into the industry. Mr. Fleming has said it was his understanding that we would be taking that up next week. He had the idea that that was the understanding yesterday. I do not personally have any definite recollection of that. I had thought we would go on this afternoon with the first witness from the industry. I think you have a contrary view to that, Mr. Fleming. What is your opinion on it?

Mr. FLEMING: I thought we had already decided the other day that we would start on Tuesday with witnesses from the industry and that we were going to take the balance of this week to clear up these other witnesses. We have made a little better time than we expected.

The VICE-CHAIRMAN: Yes, we have made better time than we had expected to.

Mr. DYDE: Certainly that was the impression I may have given. That is what I had expected.

Mr. THATCHER: Are there other witnesses here?

Mr. DYDE: Yes, although I am not certain that they are prepared to go on this afternoon. I think they were expecting to go on on Tuesday; and again, that may be my fault; although I think there is a witness who might be prepared to go on this afternoon but I have not had a chance to discuss that with him fully.

Mr. THATCHER: Well, there are not many meetings left. I think we should get on.

Mr. WINTERS: The committee is prepared. Let's have them this afternoon.

Mr. FLEMING: Could we leave it this way; could Mr. Dyde communicate with the witness to see if he is ready to go on this afternoon. If he is ready we could go on with him this afternoon and if not probably you could inform members of the committee.

The VICE-CHAIRMAN: Well then, let us leave it this way, that if Mr. Dyde finds the witness is ready to proceed we will resume at 4 o'clock; if, on the other hand, he finds to the contrary I will see that everybody gets word. Is that agreeable?

Some Hon. MEMBERS: Agreed.

The committee adjourned to meet again at 4 o'clock this day.

AFTERNOON SESSION

June 3, 1948.

The committee resumed at 4 o'clock p.m. The Vice-Chairman, Mr. R. Maybank, presided.

The VICE-CHAIRMAN: I see a quorum, gentlemen. All right, Mr. Dyde.

Mr. DYDE: Mr. Chairman, I should like to call representatives of Dominion Textile Company Limited, and these gentlemen will also represent Montreal Cottons and Drummondville Cottons; Mr. Gordon, Mr. Webster and Mr. Kendrick; and I should like to have them all sworn.

George Blair Gordon, President and Managing Director, Dominion Textile Company Limited and Drummondville Cotton Company Limited, and President of Montreal Cottons Limited, 4725 Kingston road, Montreal, called and sworn:

By Mr. Dyde:

Q. Mr. Gordon, would you give the committee your full name, please?—A. George Blair Gordon.

Q. And your address?—A. 4725 Kingston road, Montreal.

Q. And your office in Dominion Textiles?—A. I am president and managing director.

Q. And you hold office in both Montreal Cottons and Drummondville Cottons?—A. Yes. I hold the same offices exactly in the Drummondville company, and I am president of Montreal Cottons.

Norman Edward Kendrick, Comptroller, Dominion Textile Company Limited, called and sworn:

By Mr. Dyde:

Q. Your address?—A. 782 Upper Lansdowne avenue.

Q. And your office?—A. Comptroller of Dominion Textile Company Limited.

P. Webster, 988 Moncrieff Road, Secretary and Executive Assistant, Dominion Textile Company Limited and Drummondville Cotton Company Limited, called and sworn:

By Mr. Dyde:

Q. And, your full name, Mr. Webster?—A. Lindsay P. Webster.

Q. Your address?—A. 988 Moncrieff Road.

Q. And your occupation?—A. I am secretary and executive assistant of Dominion Textile Company and Drummondville Cottons.

Mr. Dyde: Thank you. Now, Mr. Gordon, certain returns have been made by these three companies in answer to the questionnaire, and also you have produced for the purposes of the committee the annual reports of these three companies I think?

Mr. Gordon: Yes.

Mr. Dyde: Now, Mr. Chairman, I would like to distribute a copy of the annual reports and it is necessary—not perhaps quite now, but it is necessary for the committee to reach a conclussion with regard to the answers to the questionnaire. I am in a position to give the members of the committee a copy, but I do not know whether you wish to decide now as to whether these will be reprinted in full; but at any rate the copies are available. You will recall the other day I felt that it was possible that for the purposes of the record we might get along with the report of the chartered accountants and it might be that you would wish to postpone a definite decision as to the printing of these documents that are now being distributed until you have had an opportunity of deciding whether they may be used or useful.

The Vice-Chairman: You are distributing them now?

Mr. Dyde: I am distributing them now.

The VICE-CHAIRMAN: And they may be used in questioning?

Mr. DYDE: That is what I thought, they may be used in questioning, and presumably if they are we will then have to decide if they will be printed either as an appendix or otherwise.

The VICE-CHAIRMAN: Yes.

Mr. DYDE: They are pretty large documents and that is why I am suggesting that the members may not wish to make a decision at this minute.

The VICE-CHAIRMAN: I should think that will be all right. Gentlemen, we will just take them and make such use as we wish of them and should we subsequently decide it desirable to have them printed that could be done. Will you let us have them, please.

All right, Mr. Dyde.

Mr. DYDE: Mr. Gordon, if I direct questions to you which you think might more readily be answered by either Mr. Webster or Mr. Kendrick it will be quite in order for any one of the three of you to answer.

Mr. GORDON: Yes.

Mr. DYDE: Mr. Gordon, I want to refer for a moment to some evidence that was given this morning and I think you were present.

Mr. GORDON: Yes, I was in the room.

Mr. DYDE: With respect to production. We have so far received information from various sources to the effect that the domestic production of cotton has fallen off from its wartime high. Mr. Griffin this morning gave us a memorandum attached to which there was a table, table 1, showing a high in domestic production of broad woven fabrics of some 369,000,000 yards in 1942, and that falls to a low of 265,000,000 in 1947. The figures for 1948, seem to indicate that the downward trend is being carried into 1948. Also the evidence of Mr. Rashley would seem to confirm the downward trend in production. Then I would like to remind you that Mr. Griffin said that production had slipped off shortly at the end of the war, and that it now looks as if it is settling down slightly above the pre-war level. I would like you to give the committee the information with regard to the three companies that are to be represented by you with reference to production.

Mr. GORDON: I can make a short statement which would apply to all three of the companies, I think; and then perhaps I would have to go into more detailed figures on each separate company. The first thing I would say is, of course, that the peak of production in the textile industry was reached I think in 1942-43; probably about the summer of 1942 or perhaps the early winter of 1942. And then you will remember, of course, that more plants were coming into existence on all sides and we were rated unfortunately as a non-essential industry; it was not long after that before we began to feel the pinches of losing employees to other industries. Of course, there were various factors which played a part in that. There was a wage situation. There was the fact that there was the novelty of going from a textile mill into a new aircraft plant. And that was our peak. Then we ran to a peak actually in Dominion Textile Company Limited of about 85,000,000 pounds production in I think our fiscal year which ended March 31, 1942. The next year we slipped down to about 81—I am just giving these from memory; I haven't got them right with me but it is approximately correct—I think the next year we were down to perhaps 72 or 74, and the last year or two we have been around a level of 65. That compared with the pre-war level of about a peak I think in 1937, which happened to have 53 weeks in it, of 48,000,000 pounds. The average per year was probably around 40,000,000 pounds production in our company. I have to speak in pounds because you see we are producing yarn and cloth and are selling yarn to knitters and braiders and a great number of trades, and that is why we have to show everything in pounds. Now, speaking in terms of cotton, that is expressed in terms of price per pound of cotton goods in the form of fabric; but, unfortunately, you cannot talk of yarn in terms of yards, because it would be miles of yarn and so on. So that will explain our method of expressing our production figures. Well, at our peak, that is when we had our highest run, that probably would be around 60 million, or a little higher. But to do that we have had to do several things. We have had to try to build up second shifts during the war years and we were able to get it under way to some extent. We ran a day shift and we ran a night shift, and we also had special permission to keep the work going all night; not in large numbers, but there were some women in it at certain mills during the war who worked right through; that is, they worked perhaps from 6 o'clock at night until 6 o'clock in the morning with a one-hour break, of course, in the middle of the night. We were running a 48-hour week at regular rates of pay but we averaged probably about 52½ on the day shift and probably close to 60 hours on the night shift with overtime; and that gives a total of 112 to 115 hours a week—somewhere in that neighbourhood. Well then, after the war we cut down to a 40-hour week with the idea of running a double-shift system. There are some places, particularly down in the States, where they run three shifts because they are allowed eight hours straight. We cannot do that, because under the laws of the province of Quebec we can't work straight through; we have to give them a half-hour break in the shift, so we couldn't run a straight system of three eight-hour shifts—you can't get three eight-hours shifts in a 24-hour day if you are going to have a break in it, if you have to take out half an hour from each shift. So we ran two shifts, or tried to run two shifts. Women are allowed to work in both shifts, and the standard hours are 40—overtime after 40. That is the change we made. We hoped thereby to build up our labour force and get this second shift in operation and thereby bring our production back again from what it is at the present time, roughly 50 per cent of pre-war. That figure is borne out by our bale openings. We open at the present time from 2,302 to 2,500 or 2,600 bales of cotton per week as against a pre-war figure of from 1,700 to 1,800 bales, and that confirms our corresponding increased production. To answer your question, our claim is that we are gradually getting our production back up. There is one point in connection with the figures given to the committee this morning to which I would like to direct attention and that is with respect to yarns. Mr. Griffin was talking to you this morning about fabrics but he did not cover the yarn field, and I would say we are turning out about 20 million pounds of yarn a year, whereas we were only turning out probably 12 to 14 before the war. But yarn production is steadily increasing and that is the chief factor in our increased production. You see, there is a terrific demand for yarn and we have to try to supply it as best we can. So that the result in our company anyway, speaking particularly of Dominion Textiles, is that our production has slipped from a war peak, due to, I would say, chiefly because we cannot get the labour with which to man this second 40-hour shift built up to capacity. We are running actually about 60 man hours a week, which is equivalent to one 40-hour shift and 20 hours on the second shift. That does not mean that the staff are working 20 hours on a shift. That is where we are today.

Mr. Dyde: Now, with reference to bale openings, I think your reference was only applicable to Dominion Textiles, wasn't it?

Mr. Gordon: Yes; of course, I stated those figures out of my head.

Mr. Dyde: Can you give us comparable figures for Montreal Cottons and Drummondville?

Mr. Gordon: I happen to know the Drummondville ones fairly accurately. Drummondville is the exception to the rule. Drummondville is if anything getting greater production today than it had at any time during the war. That is purely because it has added yarns, which does not put any strain on the various price factors; and they could carry on their operations much further. In addition to that we have anywhere from about 70,000 to 100,000 of rayon yarns going through every week, through both companies so they are both in full production. In Montreal Cottons they are opening from 600 to 700 bales of cotton a week; and if my memory serves me rightly that is at least as high as about any period during the war.

Mr. DYDE: And compared with pre-war; because you said in Dominion Textiles that you gave the figure for pre-war; could we get comparable figures?

Mr. GORDON: Yes, at Drummondville our pre-war production was below anything we are touching at the present. We were running about 400 to 450 bales of cotton a week at Drummondville before the war.

Mr. DYDE: Can you give the same information with respect to Montreal Cottons?

Mr. GORDON: Yes, I can. I cannot be too exact but I know the bale openings for Montreal Cottons at the present time are running from 500 to 600 bales a week, fluctuating in accordance with the number of bales laid down in a particular week. During the war I would say the peak we were up to, when we were running a great deal of number 1 drill for the government, was 750 to 800 bales. I would not be sure of the pre-war figures, but we were somewhat below the present figure, around 350 or 400 bales a week.

Mr. DYDE: Now we have also figures given to us by Mr. Rashley as to the bale openings and he told us that was a fairly good guide because the figures on bale openings for Canada—have you got your copy?

Mr. GORDON: I have most of the information and I will look.

Mr. DYDE: Perhaps you can look at my copy and then find your own. In Mr. Rashley's total we see the total bale openings are 496,000 in 1942 which seems to be the peak year.

Mr. GORDON: Yes.

Mr. DYDE: In 1947: We are down to 363,262. Now taking the industry as a whole there seems to be a definite decrease but what you have now told me is that you are holding your own, not as against the peak of 1942, but certainly you are well up from the pre-war position.

Mr. GORDON: That is exactly the case with us, yes.

Mr. DYDE: Would any of that be accounted for by the expansion of plants or the acquisition of additional plants in view of the fact that you have given us figures for pre-war openings?

Mr. GORDON: No, the only additional spindles we installed were 13,000 in 1941. We have made some changes and switched things around, replacing old spindles to a limited extent, but there is no real increase in the company's capacity as a whole. In fact there has been a slight reduction of the capacity. There has been certain loomage replacement, the installation of slightly bigger looms which take more space than the older units, but the modern machinery and equipment runs a little faster.

Mr. THATCHER: Mr. Dyde, I wonder if Mr. Gordon would clarify that. Do I understand you to say that your capacity is limited by the shortage of labour?

Mr. GORDON: That is what I said a while ago.

Mr. THATCHER: It is not limited by plant capacity?

Mr. GORDON: No, we have enough plant capacity and you can see what we did during the war.

Mr. THATCHER: But you cannot get the labour?

Mr. GORDON: We cannot build up our second shifts. We cannot get people to work on the second shifts. As you quite well realize people today are none too prone to work unless they have to, and these second shifts are very difficult to build up to strength.

Mr. THATCHER: Is it skilled labour?

Mr. GORDON: It is unskilled when they are taken in but we train them. You can classify some as skilled and some as semi-skilled.

Mr. THATCHER: Would you say there is a market for labour in your particular industry? If the people wanted jobs they could go down there and get them?

Mr. GORDON: Yes.

Mr. DYDE: I would like to be as exact as I could on the question of plant capacity. Are you saynig that as far as the plants of Dominion Textiles, Montreal Cottons and Drummondville Cotton are concerned, you have plant capacity for production equal to the peak production of 1942?

Mr. GORDON: Yes, and I would say that at Drummondville we are using it now. We have pretty full shifts at Drummondville. That is the one mill where we have built up the shifts. The same thing would apply in other mills, for instance Magog and Montmorency are better, but in Montreal we have a very difficult time in getting second shifts. We have the equipment there waiting to be run.

Mr. DYDE: The difficulty in getting second shifts is a difficulty in getting man and woman power.

Mr. GORDON: Yes, difficulty in getting both sexes.

The VICE-CHAIRMAN: Probably I should interject there. How does your wage level compare with other industries into which this man and woman power might go?

Mr. GORDON: Well, sir, I think we are matching up, skill for skill. Our wages in that respect are up to the market level. In our mill, for instance, we have the job of loom fixer—a job for a man who keeps the weaving machinery in proper condition—which job would correspond roughly to that of a garage mechanic. He is not a highly skilled man but he is able to use tools and to adjust things. He knows his trade up to a point. That man today is getting about 95 cents an hour.

The VICE-CHAIRMAN: In your work?

Mr. GORDON: In our work, yes. The girls in our plants—

The VICE-CHAIRMAN: How does that wage compare with wages for other types of work requiring skill of about the same degree?

Mr. GORDON: Of course I cannot speak with great knowledge as to what is being paid throughout the country but I would think on the average a man who fixes your car, when you take it in, is not an expert. He is simply a man who can make an adjustment and he is probably getting between 90 cents and $1 an hour.

Mr. THATCHER: Would you enlarge on that?

The VICE-CHAIRMAN: What about the average now in your business? Where would you place that man and woman respectively?

Mr. GORDON: The average over-all in the millhands, both sexes, is running just about 75 cents an hour at the present time.

Mr. THATCHER: That is for both men and women?

Mr. GORDON: Yes.

The VICE-CHAIRMAN: The usual number of hours is 40?

Mr. GORDON: Yes, if they do not work on Saturday morning.

The VICE-CHAIRMAN: If they work on Saturday morning then it is 44 hours?

Mr. GORDON: Actually they only work 5 hours on Saturday but they are paid for 7½ hours.

The VICE-CHAIRMAN: If they work on Saturday it is a time and a half proposition?

Mr. GORDON: That is right.

The VICE-CHAIRMAN: Do they usually get an over-all wage of 47½ hours or of 40 hours?

Mr. GORDON: We have not had much luck running on Saturday morning. The staff seems to have made enough money in the week and while we do open the mills we do not get anything like full shifts for either the first or the second shift.

The VICE-CHAIRMAN: What percentage of absenteeism do you encounter?

Mr. GORDON: I would say as high as 50 per cent.

The VICE-CHAIRMAN: As high as that?

Mr. GORDON: Yes.

The VICE-CHAIRMAN: You say that the wage is an average of 75 cents an hour. What about the low figure that is in there that results in the average?

Mr. GORDON: I happened to mention the loom fixer who is in the 90 cent range. He is getting towards the top of the cotton mill range. We have much higher paid help, artisans who are in the machine shop.

The VICE-CHAIRMAN: Are they taken into account in arriving at the 75 cent average?

Mr. GORDON: Yes, but the numbers in that range are very limited.

The VICE-CHAIRMAN: But they are taken into account?

Mr. GORDON: Yes.

The VICE-CHAIRMAN: There are not many?

Mr. GORDON: No, I do not think in the total that it would make 1 cent difference actually.

The VICE-CHAIRMAN: What would you say as to the low man and the low woman in that 75 cent average?

Mr. GORDON: The low wage today I think is 55 cents?

Mr. THATCHER: That is for girls?

Mr. GORDON: It would be for either sex if they are doing a job.

Mr. THATCHER: That is the lowest wage?

Mr. GORDON: Yes, but they can be brought in—of course these things are all covered by the union agreements. I think we have an agreement with two unions and there is a provision that so-called learners can be brought in at 40 or 45 cents an hour but they have to be stepped up until they are getting the minimum of 55 cents an hour, from which level they go on and progress to other jobs and wage rates in the mill.

The VICE-CHAIRMAN: You remarked that there was not a large number of the higher wages but those higher wages do have something to do with fixing of the 75 cents average. Is there a large number at the low figure which fixes the average?

Mr. GORDON: No, there is a sprinkling at each end and then they range from 62½ to 85 cents, which includes weavers, and those figures would apply to the bulk of the employees. Perhaps it would be from 60 to 90 cents.

Mr. THATCHER: Just to clarify my mind, did you say, Mr. Gordon, that when they begin they receive 40 to 45 cents but after they have a little experience the minimum is 55 cents?

Mr. GORDON: If you get an untrained hand who is going to progress to some skilled type of work that is so. Of course we could bring in a trucker and he would have to be paid at the full rate right way because he could learn to do trucking in an hour.

Mr. THATCHER: The 40 cents an hour would be the starting wage for unskilled labour?

Mr. GORDON: No, the unskilled labour figure is 55 cents but if you are bringing a girl, we will say of eighteen years of age who wants to be a spinner—that is her ambition—she would know nothing about it when she comes in and she must be taught. We have to take her in that way and she is then tied to a trained hand for this twelve-week or sixteen-week learning period. That is when she draws those wages. She produces nothing as far as we are concerned.

The VICE-CHAIRMAN: When you talk of the wages of 40 and 50 cents you are talking about people who might be called apprentices?

Mr. GORDON: Yes, under the old system.

The VICE-CHAIRMAN: The apprenticeship would be twelve weeks?

Mr. GORDON: It depends on the job, but from 12 to 16 weeks.

The VICE-CHAIRMAN: That is a fair figure.

Mr. GORDON: Yes, and wages are stepped up each four weeks as they begin to have some skill and be of some use. They must be tied to an experienced hand or put in a little school to learn the job.

Mr. THATCHER: Have those rates gone up in the last year, in proportion to the cost of living?

Mr. GORDON: Are you speaking of wages as a whole?

Mr. THATCHER: Yes, your whole wage structure? Has it gone higher?

Mr. GORDON: Yes, oh yes, it has gone up. Each renewal of our contract has been at higher wages.

Mr. THATCHER: A little higher?

Mr. GORDON: Yes.

The VICE-CHAIRMAN: Would that be reflected in your wage unit costs? Is there anything in your production figures regarding unit costs and the wage going into unit costs which is determinable?

Mr. GORDON: Yes.

The VICE-CHAIRMAN: Is that shown?

Mr. GORDON: Yes, it shows in the unit costs on Mr. Knight's schedule B7.

Mr. THATCHER: Do you know how those wages compare, Mr. Gordon, with wages in similar plants in other provinces, or are there other provinces involved? Are all the plants in Quebec, or are the main ones in Quebec?

Mr. GORDON: No.

Mr. THATCHER: How does your wage scale compare to that say of Ontario?

Mr. GORDON: The official figures which we see are always a bit behind.

Mr. THATCHER: Your wages are behind?

Mr. GORDON: No, the figures we see which come out of Ottawa and the Department of Labour are always the best part of a year late or even two years late as to timing. They show, over a considerable period of years and at least up to the end of 1946, that our wages in the province of Quebec, job for job, compared with the Ontario mills are slightly higher, and slightly higher also than wages in the maritimes.

Mr. THATCHER: My impression was always that Quebec had lower wages?

Mr. GORDON: Some people have cultivated that impression, Mr. Thatcher.

Mr. THATCHER: Yes.

The VICE-CHAIRMAN: You made a remark about absenteeism on Saturday mornings, particularly, and you said you experienced about 50 per cent absenteeism, although you do keep the mill open?

Mr. GORDON: I should have limited that to the Montreal mills.

The VICE-CHAIRMAN: I understood that you meant the Montreal mills because you had already said your experience in the other two places was not too bad.

Mr. GORDON: That is right.

The VICE-CHAIRMAN: What would you say is the absenteeism with respect to the other five days of the week?

Mr. GORDON: I do not think our experience is particularly bad but with a big labour force and a lot of girls there are always reasons why they are out.

The VICE-CHAIRMAN: When you say it is not bad that has no meaning to me whereas 50 per cent has a meaning.

Mr. GORDON: I am not an expert on this absenteeism ratio. I know that they talk in certain terms with respect to absenteeism but I would not like to quote a weekly figure. I do not know what it would be in technical terms.

The VICE-CHAIRMAN: You do not know the percentage of loss which you have in that respect as a rule?

Mr. GORDON: No, what happens is that if the weaver stays out on a certain day and if we do not know—or even if we do know that she is going to stay out—we have an awful time replacing her.

Th VICE-CHAIRMAN: On that particular day of absence?

Mr. GORDON: Yes.

The VICE-CHAIRMAN: And that absence affects other people immediately, or indirectly?

Mr. GORDON: If it were prolonged it would. It might not affect them for one day because we can keep the allied processes going but if the absenteeism is for a week it would have an effect. A weaver may be running a block of looms and be without yarn.

The VICE-CHAIRMAN: Do you have the experience of requiring to let someone else off because another person has not, as they say "shown"?

Mr. GORDON: Yes, that happens.

Mr. THATCHER: I do not want you to think I am being presumptuous nor that I am asking the question facetiously, but is it not possible that you could stop that Saturday morning absenteeism by paying slightly higher wages?

Mr. GORDON: Well, you see we are paying time and a half and there is a limit to the premium that you can put on such work. They will not come in for an extra 50 per cent, which means that a 70 cent job is bringing in $1.05 on Saturday morning.

Mr. THATCHER: Do you find where your plants are that there are many labourers leaving and going to the United States, or are you running into much trouble that way?

Mr. GORDON: We do not know that many of our people are going to the States. However, with respect to the Magog mill where we have a print works, and where we have highly skilled printers, the United States print mills will try and steal away one or two of our good printers.

Mr. THATCHER: They offer them wages which are say double?

Mr. GORDON: Our printers are getting $1.50 an hour already, but the United States mills will offer $2 an hour just to get them.

Mr. DYDE: You spoke a few moments ago about being classed as a non-essential industry. There are one or two small points in that connection which I wish to clear up and I refer to Mr. Griffin's memorandum this morning. Mr. Griffin told us one of the reasons for that increased production during the war was the long military runs. Now did you produce a great deal of material for war purposes?

Mr. GORDON: Yes, we did. We had very big contracts running into millions of yards of certain fabrics for war purposes—drills for shirts, uniforms for the army, and cotton fabrics.

Mr. DYDE: And if you were a non-essential industry, you would not have any claim on the labour market. In other words, you would have no right to withhold anyone from military service. Therefore, your type of labour would not be of the higher class, perhaps, during the war?

Mr. GORDON: Well, to get the thing in the right perspective, we started right in at the beginning of the war. We were ready. We had the equipment. There was no trouble for us in making war goods. We did not have to reconvert our plant. It was just a matter of making the right things and not very different from some of our peace-time goods. By 1942 and 1943, we had completed most of our big war orders. Actually, they did not need our stuff as badly afterwards and that, I presume, was one of the reasons they put us in the non-essential class. From the straight war angle, they were not so desperate for our goods.

Mr. DYDE: I am thinking also of the efficiency of your labour force, too, and I am rather suggesting to you that it should now be easier to obtain efficient help than it was during war-time, if you were a non-essential industry at that time. You should now find a greater number of efficient employees available than there were during the peak production years during the war. I am suggesting that to you, is that correct?

Mr. GORDON: Yes, I think that is a fair assumption. Of course, the 40-hour week today still puts a cut in the production, in the total possible output, even with the better type of labour.

(At this point Mr. Beaudry assumed the chair).

Mr. DYDE: Then, we come down to the fact we have the plant capacity capable of turning out as much as you turned out during the peak years and it comes down to labour conditions at the present time. Therefore, if we are to look for any reason for lack of production, it is there, is it, in your opinion?

Mr. GORDON: Yes, I think I could answer it best this way, Mr. Dyde. Our operating men figure if we could get the help we need to run the mills on a second shift, our present day production could be increased by 20 per cent, which would put us back to over 70,000,000 pounds a year. That would still be short of war production, as you can see, although the difference between that figure and the war peak is probably represented by the difference in the runs and the type of goods we were making then because we did get heavy poundage on war goods.

Mr. DYDE: Would you be able to give us any light on the question as to whether your company or any one of these three companies, whether it is more difficult to obtain weavers than spinners or the other way about, or is the difficulty about equal?

Mr. GORDON: Well, in the case of spinners, they are all females, so you are limited to that sex. In the case of weavers, you have males and females. It is just a tradition, habit or custom of the industry. On the other hand, it takes much more training to make a weaver than a spinner. I do not know how to answer your question really completely except to say probably it is a little more difficult to get weavers than spinners.

The ACTING CHAIRMAN: Do you employ them in roughly the same proportions or vastly different proportions?

Mr. GORDON: I will have to think about that for a minute, sir. I would say just about the same, for most cases. It depends on the technical aspects. But, to give a general answer, I would say about equal; that is spinners and weavers.

Mr. DYDE: Now, Mr. Gordon, I am going to turn away from the matter of production and introduce the next part of the discussion. I think you have been present throughout Mr. Knight's evidence. I think, also, you have had an opportunity of seeing his report "B" and I should like to give you, if you care to have it, the opportunity of making such remarks as you wish with regard to any statements which have been made concerning your three companies.

Mr. GORDON: I appreciate that opportunity, Mr. Dyde. I have not any set remarks prepared, but as we went along I made certain notes and perhaps I will just go through them.

Mr. DYDE: That will be quite satisfactory.

Mr. GORDON: One thing that struck me was that, perhaps, there was some misunderstanding left with the committee as to what happened on September 15, 1947, at the time of decontrol.

Perhaps I should go back to the beginning. You will remember there were certain significant dates mentioned by Mr. Griffin, I think this morning. These dates show up in Mr. Knight's report when price changes were made under the ceiling control. Those dates were March 1, 1946, when the first upward adjustment was made since 1941; February 1, 1947, when a further very sharp upward adjustment was made; June 2, 1947, and September 15, 1947, when decontrol took place.

Those first three adjustments, the March 1, 1946; February 1, 1947 and June 2, 1947, were all mandatory price increases. They happened over night. The trade was not supposed to have any warning that prices were going to go up. That, of course, was to prevent hoarding and such practices as that; that is holding back shipments until after the prices went up.

Our price on January 31, let us say, on a certain fabric made was 22 cents a yard. Anything that was not shipped on that day went up to the new price. All the orders changed over night. That was on March 1, 1946 and the same thing took place on February 1, 1947, and on June 2, 1947. On September 15, 1947, when decontrol took place, the textile industry undertook voluntarily, I think you may say, or by arrangement anyway with the Wartime Prices and Trade Board to maintain in effect these control prices, the prices that came actually into effect on June 2, right through on all orders on their books. So, what really happened after September 15 was that nothing happened at all, for a while. Then gradually the orders began to run out and these orders were re-booked at non-ceiling prices.

Mr. THATCHER: Your three companies did that?

Mr. GORDON: The industry did it. I am speaking for the three companies, but I know the industry did it.

Mr. THATCHER: That was entirely different from what some companies did.

Mr. GORDON: I do not know about that. It was not different for the primary companies. They followed that out. Of course, to complete the story, those companies which were under subsidy at that time continued to get the subsidy on the cotton required to complete those price ceiling orders.

Mr. THATCHER: Would that have taken a month or so?

Mr. GORDON: Some orders might have taken two or three months to run out, depending on where they happened to fit into the production schedule. Therefore, you had a staggered situation, where you were all over the place. We have one or two orders today—perhaps fifteen or twenty orders today—tag ends of price ceiling orders that have never been shipped yet.

Mr. THATCHER: You are filling all those orders at the old prices?

Mr. GORDON: We filled them all at the old prices as we went along, right through the second half of September and October. We did not bring out new prices, actually, until the end of October because we did not need them. We had plenty of business at the old control prices. I thought that was a point that was not clear, Mr. Dyde.

Mr. THATCHER: No, very definitely.

Mr. GORDON: I thought somebody had made a deduction there was some holding back of inventory around September 15. However, there was no point in doing that.

Mr. THATCHER: It would look like that from schedule B-6, but if that is what you did—

Mr. GORDON: We can go and get those figures in greater detail. In fact, Mr. Knight has the figures. Those are average figures. On our books, our inventory figures show on March and February, 1947 that our inventory was at a low point. The reason was we shipped goods as hard as we could in order to curry favour with our customers.

Mr. THATCHER: Your inventory in 1947 jumped about 221 per cent between the first of the year and the time controls went off. According to these figures it was 1,413 in thousands of pounds, that is, at the first of the year and 3,151,000—

The ACTING CHAIRMAN: To what table are you referring?

Mr. THATCHER: To schedule B-6 in Mr. Knight's report.

Mr. GORDON: Yes, I will just turn to that. I know the schedule you mean, Mr. Thatcher. I have the figures making that up. If you just tell me the ones in which you are interested.

Mr. THATCHER: On the surface, when you first look at it, you might wonder why Dominion Textiles built up their inventories as the year proceeded. However, you are stating now, are you, that your company definitely did not have a policy of building up the inventory waiting for ceilings to come off?

Mr. GORDON: No, I would say, first of all, it would have been a terribly long wait because they did not actually come off on September 15.

Mr. THATCHER: They came off, but you did not take advantage of that fact?

Mr. GORDON: We had undertaken not to.

Mr. THATCHER: You had undertaken to the government not to?

Mr. GORDON: Yes, and so had everybody else. Before decontrol we gave them that undertaking.

Mr. THATCHER: You would not take advantage of it on any goods—

Mr. GORDON: —that had already been ordered.

Mr. THATCHER: Then, your company, Mr. Gordon, you would not say had any material amount in inventory appreciation when controls came off?

Mr. GORDON: No, we did not because I suppose—you can see what we shipped—those figures are quite small in relation to our shipments. We shipped probably a million or a million and a quarter pounds a week. There is only about three weeks shipments there at the peak period.

Mr. THATCHER: That is satisfactory, then.

Mr. GORDON: Actually, you can see, compared to pre-war they are very small inventories and that is because of the high demand.

Mr. ZAPLITNY: I wanted to ask a question in connection with a term used by Mr. Gordon in connection with the first two price increases. He used the term "mandatory price increases". That would mean, of course, permission from the prices board to raise prices rather than an order from the prices board to do so.

Mr. GORDON: Well, it was a little more than permissive in this sense, sir; when they made those price changes you will remember from the explanation you had from Mr. Glass this morning, the price of raw cotton to us was changed at the same time. It went up a corresponding amount. So, if a company did not change its prices and continued to ship at the old prices, it was going to be charged for cotton going into those goods under the new subsidy plan at the higher prices. One jump was 9 cents a pound in the price of raw cotton and the scale of margins was such you could not afford to keep the old prices in effect. It was mandatory because your subsidy just disappeared if you did not.

Mr. ZAPLITNY: That is to say from the practical point of view it was mandatory but, in a legal sense it was permissive so far as the board was concerned.

Mr. GORDON: Well, actually, if you want to get into the technical end of it, the order was mandatory, but you could cancel those orders the next day if you wanted to and replace them at the old price. The order, itself, was mandatory.

Mr. ZAPLITNY: In other words, the prices board ordered the industry to raise prices up to a certain ceiling.

Mr. GORDON: That is right, sir.

Mr. THATCHER: Which was different from what they did with meat, butter and things of that kind.

Mr. GORDON: I do not know about that.

Mr. DYDE: Now, have we covered that particular point? Do you wish to go on to another point, Mr. Gordon?

Mr. GORDON: I do not want to go all over the place. There were a couple of other things, perhaps.

Oh, yes, there was quite a lot of discussion, I think the first day, on the volume of sales in the seven months ending March 31, 1947, as compared to the last seven months ending March 31, 1948. There was some question as to what part unit values and what part volume had played in creating the increase in the last seven months. We have checked up and we find in the second seven months' period we shipped $10,000,000 more in value of goods than we did in the first seven months. To account for the $10,000,000 we looked into our figures on shipments, prices and so on. We came across this fact. You will remember there were price increases, very substantial price increases on February 1, 1947. Those increases took effect, of course, the same day, almost over night. In the first seven months' period there were two months there, February and March, where goods were shipped at the higher prices, the mandatory higher prices. Then, when you come to the second seven months' period even if there had been no other price increases, no other changes at all and there were other changes; there was the June change and the final decontrol but, even if there had been no other change, you would have had seven months in that period at that increase which took place in February, 1947, and that, in itself, will account for quite a bit of that $10,000,000. In our case, we figure it accounts for around $4,000,000 of the ten. That is the mandatory price increase on February 1, 1947.

Then, of course, on top of that there was the June 2 increase which was a much smaller one. I have not really had time to work that out but that accounts for some more of the $10,000,000. Then, there was decontrol which might, I suppose, have been said to become effective around the 1st of January of this year, on the average. We continued to ship some goods at the old prices and some at the new. However, that would have an effect on the last three months of the period. So, you can break down that $10,000,000 increase in our case into about three sections.

There was one other factor, in our case, and that is that we brought more goods in from the United States in the grey form and finished them and sold them in the second period than we did in the first. That is our explanation of the difference in that particular period, Mr. Chairman.

Were you going to address specific questions to me about the construction of fabrics?

Mr. DYDE: Well, I was. Would you like to deal with that next? Is that what you wished to cover?

Mr. GORDON: I made a note of it.

Mr. DYDE: A question has occurred as to whether these were uniform specifications and uniform articles, when we compare these different prices that are shown on schedule B7 in Mr. Knight's report. In other words, are you talking about the same thing under the heading "Dominion Textile Company, Limited, unbleached bed sheeting on June 1, 1942; September 15, 1947 and April 1, 1948"?

Mr. GORDON: Yes. You have seen the samples. You have had the detailed specifications which may not mean very much to you, not being acquainted with the technical end of the cotton business. Those specifications are the standard specifications for that fabric. We follow those just as closely as we can in making the goods right through.

(At this point Mr. Maybank resumed the chair).

Mr. GORDON: The first one is that 73-inch bed sheeting, unbleached, 56 ends in the warp and 50 in the weft. The machinery is set to make that that way, and it really cannot make anything else unless we deliberately change it, and we do not.

Mr. DYDE: So that it is proper for us to say on April 1, 1948, the same article exactly is being sold as was being sold at January 1, 1942, under the heading of unbleached bed sheeting?

Mr. GORDON: Yes. Of course, anybody could tell you, and I might mention, perhaps, that cotton varies from one year to another a bit on the average, so that one year the crop is a little whiter than another year, a little cleaner, but that is something we have very little control over, and basically on these fabrics we make them exactly the same year in and year out. They are made to standards, and our customers would soon know if we did not.

The VICE-CHAIRMAN: How far back in the process is that annual variation, back as far as the crop?

Mr. GORDON: Yes, it is in the crop.

The VICE-CHAIRMAN: It goes back to the—

Mr. GORDON: Raw cotton.

The VICE-CHAIRMAN: Back to the raw cotton?

Mr. GORDON: In the field, yes.

Mr. DYDE: Do the same remarks apply to the other commodities which are listed there under the heading of Dominion Textile Company Limited on schedule B-7?

Mr. GORDON: Yes.

Mr. DYDE: I am referring to dyed drill, printed percale, while flannelette.

Mr. GORDON: Yes. Of course, in those cases where you run into coloured goods such as dyed drill or printed percale, you may introduce if you wish variations in dyestuffs and finishing compounds, and so on; but those are standard goods made by us in the same way. You could vary them, but they are standard goods.

Mr. Dyde: Would you go on to the Drummondville Cotton Company Limited?

Mr. Gordon: There, of course, cotton tire cord has to conform rigidly to specifications and is tested every day. There are lots of it tested every day. It is an engineering job almost to build a tire cord. The same thing applies to rayon cord. Belt duck has to break to certain specifications, and fishing twine has to be up to very rigid specifications, not perhaps from the angle of figures, but the fisherman is the best judge of what he wants and he knows if he is not getting it.

Mr. Dyde: In the case of fishing twine we were informed today there has been another price increase on the 3rd of May from its former price of ·68475 to ·70950. Would you explain to the committee the reason for that increase?

Mr. Gordon: Well, that was actually to bring the price of that fishing twine into line with the cost of raw cotton that was going into it. It so happens at Drummondville we have not any reserve of cottons bought at lower prices than the market to put into those goods, and as you can see even at the date of April 1 it was selling at a loss of about 1¼ cents a pound. Therefore we put is up just about that, perhaps a shade more, from ·6847 to ·7095. Cotton has gone up, of course, even since April 1. That was a move to bring the price of that particular article into line with its real cost.

Mr. Dyde: Is the Drummondville Cotton Company Limited the only company in your group that manufactures fishing twine?

Mr. Gordon: Yes.

Mr. Dyde: Then, passing on to Montreal Cottons Limited, I would like to make sure that the prices are comparative there also, and it may be more difficult with white broadcloth, or would it be, or am I correct in saying we get a standard there from 1942 through to 1948?

Mr. Gordon: That is also standard. I have not got a note here exactly which one it is. It is probably 128 by 68. It is white broadcloth 115 by 62, 32 warp, 32 weft. That is an absolutely standard white broadcloth made for the shirt trade. Our J.C. 41 is known by every shirt manufacturer in Canada, I would say, as a standard cloth. It is standard quality.

Mr. Dyde: You will recall also that we were informed, I think by Mr. Knight, that there was a sliding scale of selling prices for that particular article. I think you should explain that, Mr. Gordon, if you would, please. It means that there is a different price to different purchasers, does it not?

Mr. Gordon: I think what Mr. Knight was referring to, if I judged him rightly, was that Montreal Cottons apparently showed they were selling at a certain price to their wholesale trade. When you use the term "wholesale price" I think it should be understood, or when we use it, that it is the price to the wholesale trade, not the wholesale trade price.

The Vice-Chairman: Yes, that is understood. It is your price to a certain type of buyer. I think that is understood.

Mr. Gordon: The reason we specify it is in the case of the wholesale trade we put up our goods somewhat differently; that is, when they leave the mill they are packaged with a board in the centre. They are doubled, folded goods, over 30 inches wide, and doubled, folded, rolled up on this centre board. Then they have labels on them and there are papers and so on. That all costs a little money. When we ship to a shirt manufacturer who is simply going to take the goods and cut them up and they are not going to be put on shelves and displayed we do not bother with any of that at all. We simply ship them in a bolt and let it go at that. So there is a little difference representing what we call the doubling, rolling and putting up cost of shipping to the wholesaler as against the shirt manufacturer. That is the general explanation. I do not know if there are any further particulars on the shirting prices you want.

Mr. DYDE: That was the point that was in my mind. I think you have covered it in that way. In your own notes have you still something you wish to refer to?

Mr. GORDON: May I refer to them for a moment?

Mr. DYDE: Certainly.

Mr. GORDON: There was one minor point. There was a schedule submitted this morning on our cotton prices at various dates.

Mr. DYDE: Yes.

Mr. GORDON: Perhaps it should be pointed out those are the prices in the United States and not laid down in Canada so there would have to be added to those prices a certain amount of freight, exchange, if there is any.

Mr. DYDE: You will notice the heading of that schedule is stated to be at ten market centres in the southern United States.

Mr. GORDON: I want to make the point we do not lay it down at the mill at that same figure. It would be somewhat higher.

Mr. DYDE: Perhaps since you have raised that point would you take cotton where we have a price here of 36 cents in May, 1947, on that particular schedule you refer to, and if it is 36 cents on our schedule can you tell us approximately what its cost laid down to you is, or if there is any other figure you can work from more easily I would be glad to have it.

Mr. GORDON: That is the spot price, as you see, on your 15/16-inch cotton. That same description of cotton, as we call it, middling 15/16-inch, could probably be laid down at our mill at about 1 cent over that for freight. That would bring it to 37 cents plus ½ of 1 per cent exchange we have to pay for American dollars.

Mr. DYDE: It would cost you a little over 37 cents?

Mr. GORDON: Yes.

Mr. DYDE: Laid in at Montreal?

Mr. GORDON: Yes; that is Montreal, Sherbrooke, any other Quebec points.

Mr. DYDE: At one of your plants?

Mr. GORDON: Yes.

Mr. DYDE: In looking at that list of raw cotton prices in the United States would it be fair for us to add slightly over 1 cent to any of those prices to know what the price is laid down at your plant?

Mr. GORDON: Only for that one basic description of cotton.

Mr. DYDE: And it is correct, is it not, this is the usual quotation for cotton? I mean it is usual to quote 15/16-inch middlings, is it not?

Mr. GORDON: Yes, that is standard for us.

Mr. DYDE: There are a number of other grades; is that what you call them?

Mr. GORDON: We call them descriptions.

Mr. DYDE: There are a number of other descriptions both superior and inferior, shall I say, to 15/16-inch middlings?

Mr. GORDON: Yes.

Mr. DYDE: But when we look at the newspaper and it talks about New York cotton prices we are looking at prices that are being quoted for 15/16-inch middlings, are we not?

Mr. GORDON: Yes. What you are looking at in most cases is future month quotations as traded in that day on the cotton exchange in New York, on the futures exchange.

Mr. DYDE: But there is also a quotation I see quite often where at the foot of the futures quotations it shows spot cotton as well?

Mr. GORDON: Yes. Spot cannot be used for hedging.

Mr. THATCHER: I wonder if Mr. Gordon would care to comment on page B-8.

Mr. DYDE: Do you mind if I interject one question first, Mr. Thatcher?

Mr. THATCHER: Surely.

Mr. DYDE: I am returning to an earlier discussion we had. Have you any figures or have you available any records from which you can readily inform the committee of your absenteeism on week days? Have you anything?

Mr. GORDON: Yes, the personnel people have. I could have it up here next week.

Mr. DYDE: That could be done if we requested it.

Mr. GORDON: Yes.

Mr. DYDE: I have not requested it yet.

Mr. GORDON: We have standard forms that keep track of that.

The VICE-CHAIRMAN: Mr. Dyde, I was going to ask about that, and I was intending to make that request, so let us consider it is requested. Then I had one further question. It in a way relates to labour. You made a remark about being called a non-essential industry at a certain time?

Mr. GORDON: Yes.

The VICE-CHAIRMAN: I am under the impression that the government at a later time undertook to change it back again about 17 months later?

Mr. GORDON: Yes, I think so.

The VICE-CHAIRMAN: And gave you a very high rating with respect to obtaining employees?

Mr. GORDON: Yes, we were given quite a good rating when it was corrected.

The VICE-CHAIRMAN: Seventeen months later in order to try to help you to recapture your position; is that right?

Mr. GORDON: Quite true.

The VICE-CHAIRMAN: That would be some time in 1942?

Mr. GORDON: I think that was over into 1944, almost.

The VICE-CHAIRMAN: 1942 would be about the time of the non-essentiality declaration, would it not?

Mr. GORDON: Some time during 1942, I think.

The VICE-CHAIRMAN: And about 17 months later you were rated, as we have said, considerably higher?

Mr. GORDON: Yes, that is the case, yes.

The VICE-CHAIRMAN: From that time on then you have been endeavouring to recapture your position with respect to personnel. Is that a correct statement?

Mr. GORDON: Yes, up to a point; I do not think those ratings count for anything today, but up to a certain point.

The VICE-CHAIRMAN: When the controls came off labour then you were out in the catch as catch can market after that?

Mr. GORDON: Yes, but that was the case up to that time. It helped a little.

Mr. DYDE: Would you turn, Mr. Gordon, to schedule B-8.

The VICE-CHAIRMAN: I think Mr. Thatcher wanted to ask a question on that.

Mr. THATCHER: On B-8.

Mr. DYDE: You heard some discussion this morning with reference to this schedule, and I might perhaps open this part of the discussion by asking you what the effect on prices is by the method adopted by the Dominion Textile Company Limited with reference to inventory reserves? What effect has that one way or the other on the price that the consumer pays for the products of Dominion Textile Company Limited?

Mr. GORDON: I cannot see where there is any connection whatever between the inventory reserve and our prices.

Mr. DYDE: Would you explain why? I will tell you why I ask the question. Perhaps you understand why I am asking the question.

Mr. GORDON: Would you like to complete it?

Mr. DYDE: I am looking at it in this way, that to a person looking at this statement and a person reading it it might appear that the accumulation of such a considerable inventory reserve, shall I call it, might result in the consumer having to pay more money. You say that is not so, and I would be glad if you would explain why it is not so.

Mr. GORDON: Well, I do not know why you thing it should be so, but I will try to start at the beginning. Our prices are set by current factors, the price of our cotton from time to time, the cost of labour, overhead, in which inventory reserves have no place whatever, depreciation, bond interest and various charges, and profit, and that determines the selling price. Where the inventory reserve arises is when you come to the end of the year after you have made your sales during the year and are closing your books, and you value your inventory. Under our system which is practically the so-called last in, first out system, "lifo", as the accounts term it, if you are in a rising market you automatically undervalue what is left on hand at the end of the year, and the more the market rises the more you undervalue that particular quantity. Then you start off another year, but that undervaluation has no relation to price. You start off again on the first day of your following year and sell your goods at the market, cotton, labour, and so on. It has no effect one way or the other. It is simply a book reserve. It is simply stating your inventory is worth so much less perhaps than the absolute cost on that day, or the cost accumulated over a period.

Mr. DYDE: What is the primary purpose of building up an inventory reserve?

Mr. GORDON: It is for the purpose of meeting a situation such as happened before my time in the mills in 1920 when in the summer of 1920, I believe it was, raw cotton broke from around 40 or 44 cents a pound and came down as low as 15 cents, and subsequently some years later went all the way down to 5 cents, but anyway at that time we had to rewrite the balance of orders for the greater part of our customers. They could not take delivery of the goods at the price at which they had booked those orders because the market had gone. They had to meet new prices, new conditions, and we had to rewrite those orders. We had to write it right out of our books.

The VICE-CHAIRMAN: Your raw cotton went down very low on the market?

Mr. GORDON: Yes.

The VICE-CHAIRMAN: That had an immediate effect on the fabric?

Mr. GORDON: Yes, oh, yes.

The VICE-CHAIRMAN: The effect is quick?

Mr. GORDON: The effect is very quick.

The VICE-CHAIRMAN: And since there is that quick effect upon the fabric persons who had ordered could not pay or could not be expected to pay the price at which they had ordered, and you had an inventory reserve to meet a situation, a condition such as that. You may either have had it at the time, or you may not. I do not know. Anyway, it was made to take care of a situation such as that?

Mr. GORDON: It represents at the present time, by having this inventory—

The VICE-CHAIRMAN: The inventory reserve then is not so much taking into account the raw product which you have on hand, is it? If you have any considerable amount of the raw product on hand, any considerable amount—

Mr. GORDON: If we have let us say $10,000,000 worth of orders on our books for future deliveries we must have $10,000,000 worth of cotton or the equivalent.

The VICE-CHAIRMAN: I mean, that would take care of a situation of that kind?

Mr. GORDON: Yes. If we were committed for that at the old selling price and the drop was considerable. You cannot have it both ways.

The VICE-CHAIRMAN: You do not protect yourselves with respect to a fall in the market price by future selling, such as is done with some other commodities?

Mr. GORDON: Oh, yes.

The VICE-CHAIRMAN: You do that too?

Mr. GORDON: In this respect, that your orders are supposed to be your hedge.

The VICE-CHAIRMAN: Oh, I see, the orders are your hedge.

Mr. GORDON: They are a hedge on the sale of cotton you would not have. If the market went up you would be out of luck.

Mr. THATCHER: Mr. Gordon, according to this schedule B-8, and Mr. Knight's figures, your inventories reserves at the moment would be $35,174,000 less $26,820,000; that would be $8,354,000—would that be correct?

Mr. GORDON: That is the extent of our actual inventory as carried.

Mr. THATCHER: That is your inventory reserve?

Mr. GORDON: As Mr. Knight figures it; or, we carry that inventory at what it would be there, or lower of cost or market.

Mr. THATCHER: And in your balance sheet you carry your inventory at a value of $5,984,000. If you add those two together would that mean that your inventory would be $14,338,000?

Mr. GORDON: Yes. Just let me look at that a minute longer.

Mr. THATCHER: Your inventory reserve is $8,354,000 plus the figure you carry your inventory at; less the reserve in your balance sheet, $5,984,000?

Mr. GORDON: Yes.

Mr. THATCHER: Does that mean that you are carrying an inventory reserve which is 60 per cent of your total inventory.

Mr. GORDON: Yes, that is what it means.

Mr. THATCHER: Isn't that a pretty terrific figure to be carrying? I mean, would you not be depreciating your profit position very, very heavily with inventory reserves in that manner?

Mr. GORDON: No, the extent of that inventory reserve position does not affect your profit picture.

Mr. THATCHER: Your profit and loss statement naturally shows up considerably worse each year by the fact that you have such a terriffic serve there.

Mr. GORDON: But not from year to year. We don't change that figure for the reserve, and that does not affect the profit and loss statement.

Mr. THATCHER: But, each year as it goes along—

Mr. GORDON: As it accumulates, yes.

Mr. THATCHER: —your profit and loss statement as you go along would show considerably less profit than it would have if you had not set it up, this 60 per cent depreciation?

Mr. GORDON: That is right.

The VICE-CHAIRMAN: Just a second, before you pass that. While it is true that the figure is 60 per cent it is not the result of one year—

Mr. THATCHER: No, no.

The VICE-CHAIRMAN: I am trying to get the effect that would have in relation to prices, don't you see; because if it were a year when it would appear that you have set aside a great deal of money and you must have sold the goods at a very high price. Don't you see what I mean?

Mr. GORDON: Yes, I see what you mean, Mr. Chairman.

The VICE-CHAIRMAN: But this did not result from one year's operation, this 60 per cent; but it is an accumulation of several years.

Mr. GORDON: In this case it goes back 12 years, as you can see from the schedule.

The VICE-CHAIRMAN: Yes. So that it does affect theoretically at any rate some each year, but nothing like the 60 per cent that has been mentioned.

Mr. GORDON: You see, we have been faced with this rise in the raw cotton from 10 to nearly 40. What goes up is bound to come down, and if it should start down the other way we feel that that reserve is not out of line. We have at least 20,000,000 pounds of raw cotton alone usually committed for; not in our hands, but committed for. Sometimes more than that.

The VICE-CHAIRMAN: Where does the raw cotton market stand now with relation to other years before this period? Is it unprecedentedly high now?

Mr. GORDON: With the exception of 1920, yes. In September of 1946, it reached a high of 30·9; and there was a time during 1947, when it reached 37·5, in July.

The VICE-CHAIRMAN: Which really means that you have some apprehension of a very considerable market drop some day, and you want to be ready for it. That is the story that was told by an inventory reserve?

Mr. GORDON: Yes sir.

The VICE-CHAIRMAN: It is an apprehension?

Mr. GORDON: It is an almost sure thing that sooner or later it will come down.

The VICE-CHAIRMAN: On the principle of whatever goes up also comes down.

Mr. GORDON: It always has in the past.

Mr. THATCHER: If you are going to do that you will be able to dispose of the inventory you have been carrying and you are going to—

Mr. GORDON: We don't do it. We don't do anything. It is the market which does it. We carry our inventory at a base price. We don't understate it year by year. Let us say that raw cotton is worth 10 cents a pound and it goes up to 15 cents a pound you have a difference of 5 cents a pound. If it goes to 20 cents, you have 10 cents a pound. We are not changing our base, it is just the market running away from the base created by undervaluation, but it is automatic and it works to correct itself. It is a matter of mere chance, if I may put it that way. That is the principle of the thing.

Mr. THATCHER: I have one other question.

The VICE-CHAIRMAN: Just one other thing on that point. What is the price of raw cotton at the moment?

Mr. GORDON: At the moment? I do not know the spot price is, but July was selling at 37. I would say it was 37½ cents, the price this morning.

The VICE-CHAIRMAN: And if it is 40 cents next year that would be 2½ cents higher?

Mr. GORDON: Yes.

The VICE-CHAIRMAN: Your inventory reserves will need to be up automatically 2½ more cents?

Mr. GORDON: If your cotton has cost us 40 cents, then the undervaluation will automatically increase due to our base price method of calculating.

The VICE-CHAIRMAN: These inventory reserves will automatically rise?

Mr. GORDON: Yes, but it will come down the same way.

The VICE-CHAIRMAN: Yes, on the next change. If your cotton costs you less thereafter, then on the next statement your inventory reserve will be lower?

Mr. GORDON: Yes, and this could be wiped out completely by the cotton market dropping, and it applies not only to raw cotton but to good processed and finished.

Mr. WINTERS: When you say "automatically", Mr. Chairman, they must earn the reserves?

The VICE-CHAIRMAN: I do not think that was a good word to use. It would have the same effect however.

Mr. GORDON: Our system works that way.

The VICE-CHAIRMAN: Yes.

Mr. GORDON: And it is a common system.

Mr. WINTERS: It does not automatically go up or down by itself, you must earn that reserve.

The VICE-CHAIRMAN: Yes, but it is all based on the presumption that you have earned enough money.

Mr. GORDON: No, earnings have nothing to do with it.

The VICE-CHAIRMAN: Do they not?

Mr. GORDON: Earnings do not affect it one way or the other. There is no money involved and you cannot put your finger on it and say it is there. It is just a way of valuing the raw cotton content of your inventory.

Mr. WINTERS: It is actually inventory rather than inventory reserve?

Mr. GORDON: The poundage is there and we carry it at a certain unit price which amounts to a certain value. That value is an understatement of what it really costs to be put there.

Mr. WINTERS: This is actually the book value of your inventory?

Mr. THATCHER: No, no. That is the value to which it might go later. It is not the value at today's price.

Mr. GORDON: It is not the cost nor the market value but it is a calculation of what might be the market value six months from now.

Mr. WINTERS: It is not inventory reserve as we have been discussing it.

Mr. THATCHER: It is.

Mr. WINTERS: I thought it was but the witness says no.

Mr. GORDON: It is not in the sense of a round sum.

Mr. THATCHER: You are valuing your inventory assets at a figure which is less than the figure at which you bought them?

Mr. GORDON: That is right.

Mr. THATCHER: On the belief that at some time it may go down, and is it not a fact the government does not allow you that whole amount when considering inventory reserve and the payment of corporation tax for the year?

Mr. GORDON: No, this is not the reserve on which the tax has been paid. Imagine that you start out with a certain amount of raw cotton, we will say 100 bales. In line with the "last in first out" method, if you put in another 10 bales the first 10 bales you use are assumed to be the last 10 which you put in. If you start with 100 bales of raw cotton at 10 cents a pound and you keep buying more the price may go to 30 cents or 40 cents a pound, but you keep on assuming the last ones put in are the first one taken out and you still have the original 100 bales at 10 cents a pound. You are charging the bales out all the time.

Mr. THATCHER: Mr. Gordon, when you started your evidence you suggested you were the president of these three various companies. Does each of these companies manufacture the same products?

Mr. GORDON: Each one of them makes a lot of different products within its own range but their ranges of products—

Mr. THATCHER: Are similar.

Mr. GORDON: No, they are quite dissimilar, but you cannot say that Drummondville has very little in common with Dominion Textiles. Dominion Textiles would not make what Drummondville or Montreal makes. We can interchange the cotton but not the products. Drummondville for instance has the tire duck, the belt duck and the air-break duck and so on which are not made in any textile mill.

Mr. THATCHER: Where you have similar products made by the three companies what is the price policy? Do you maintain the same prices for the three companies?

Mr. GORDON: I do not know of any case where we have the same thing made in two companies of the three.

Mr. THATCHER: What I was getting at is whether you have competitive sales organizations or do the three companies meet together and decide what the price will be?

Mr. GORDON: Drummondville has its own sales organization for handling the tire manufacturers and the fishing net trade across the country. Dominion Textiles are selling agents for Montreal Cottons so the same men will be selling Montreal Cottons one day and Dominion Textiles the next.

Mr. THATCHER: On the surface it might look, since you have the three major companies out of five in Canada, that if your organization chose to do so it could set the price at a certain level and competition might not be as prevalent as it otherwise would be? It might look like that, and you would be at least a very strong factor in setting the price of textiles?

Mr. GORDON: We have recently, as far as imports are concerned.

Mr. THATCHER: Did you say you have had?

Mr. GORDON: We have recently, as far as imports are concerned. You may have noticed what happened to the tariff, and that was that the representatives of the United Kingdom said they could not meet our prices—they were too low—so I guess we were setting the price level to that extent.

Mr. THATCHER: Yes, compared to Britain and the United States, but in the domestic field what percentage of the textile business do you control?

Mr. GORDON: We have slightly over 50 per cent of all the spindles in Canada but I have not worked the figure out in dollars. I have not seen these complete figures before but I would say we have between 50 and 60 per cent of the business in Canada.

Mr. THATCHER: You think you are selling cheaper than Britain without the tariff, or with the tariff? You were selling cheaper while the tariff was on, but do you think you can still undersell them even though the tariff is gone?

Mr. GORDON: The tariff was only on for four or five months.

Mr. THATCHER: It was on before the war?

Mr. GORDON: Yes.

Mr. THATCHER: You made a statement that you could probably undersell the British did you not?

Mr. GORDON: No, I did not say that. What I said was I thought our low price policy since decontrol perhaps brought on our own heads this tariff reduction.

Mr. THATCHER: That is not just what you said. I think you said the figures this morning showed that you were selling or could sell cheaper than the British. Did you not say that a minute ago?

Mr. GORDON: I think you asked me to what extent our prices set the market here. I, perhaps, digressed a little bit and said the prices, apparently—

Mr. THATCHER: Yes, you digressed. I assume from your digression you do not object to the British tariff having come off if you are as efficient as you suggest?

Mr. GORDON: The British prices in the home market are very different from what they are trying to sell in this market. They are making money in their own market selling at their prices, so we are a little apprehensive as to what they could do if they were to bring prices closer to the home market price. They have special prices for export.

The VICE-CHAIRMAN: Have they higher prices for export?

Mr. GORDON: Yes, considerably higher.

Mr. THATCHER: I would assume from your remarks that the British factor is a considerable determinant in the Canadian prices?

Mr. GORDON: No, I think they have to meet us. We supplied, as you can see, before the war, about 70 per cent of the market. I am speaking for the industry as a whole and not thinking of our particular company. The industry, as a whole, had 70 per cent of the market and would have supplied 100 per cent if they could have obtained the business. Before the war we were running a lot of short time. Before the war, we could have supplied every yard of goods. Of course, I cannot maintain we had the right equipment to make every different kind of thing that came in.

Mr. THATCHER: Just one more point. Near the beginning, did you say that the three companies which you own have a uniform price policy on similar products, or do the three companies compete as between their three sales organizations?

Mr. GORDON: They compete in the sense, Mr. Thatcher, that Montreal Cottons—well, Drummondville is in a place by itself. It does not enter into the picture the same as the others, or practically not at all, or Montreal Cottons because it is making these tire cords. As you can see from your samples, they are no good for anything but tires.

Mr. THATCHER: Do you have a central organization or do you have meetings or anything, on such products as the three companies do make which are similar or the two companies? Do they have the same prices or competitive prices?

The VICE-CHAIRMAN: I had understood that the witness said there was not that similarity. Let us get that clear first. Is there a field of competition?

Mr. GORDON: Well, when you come to the ordinary fabrics, any two fabrics may be competitive. Montreal Cottons may make a denim and we make, perhaps, a drill with spots printed on it.

The VICE-CHAIRMAN: And there is competition there, of course?

Mr. GORDON: They are different things. You would never mistake one for the other.

Mr. THATCHER: I was wondering if you could tell me whether you would have some articles which would be similar and whether there would be competition between the companies?

Mr. MERRITT: Let us find out first if there are similar articles?

Mr. GORDON: I think, to answer Mr. Thatcher's question, there are certain cloths that are close enough in Dominion Textile and Montreal Cottons, so there is an element of competition. A man could buy a high class pique from Montreal Cottons at a certain price or he could buy a lower class one from the Dominion Textiles. For technical reasons we confine certain classes of textiles to Dominion Textile and certain classes to Montreal Cottons.

Mr. THATCHER: Would you say you would have the same competition between these companies as you would have if they were separately owned?

Mr. GORDON: No, I do not think there would be the same competition. I do not know what the other people would do.

Mr. THATCHER: It would be much less?

Mr. GORDON: I do not know whether it would be less or greater because I do not know what the other company would do.

The VICE-CHAIRMAN: As between the two, the one company manufacturing the denim, in fixing the price of it, in so far as it can fix the price itself, will take into consideration the position of the sister company in relation to the same fabric?

Mr. GORDON: I should have made it clear when I used the denim illustration that I went right outside our own group, by accident.

The VICE-CHAIRMAN: We are only using it as an example anyway. Where the one company has an article, the price of which will have an influence upon an article of the sister company, the position of both companies will be taken into consideration in any policy, price policy or anything else, will it not?

Mr. GORDON: Yes, but what actually happens, of course, in setting the Montreal Cottons prices they have to set the prices in relation to their cost of manufacture and Dominion Textile has to do the same thing.

The VICE-CHAIRMAN: Now, there is a difference in grade and other things entering into those costs. There is a difference in grades and other things enters into these costs. It is not a question really of determining that there is going to be a certain margin. You arrive at a certain price making a certain cloth at Valleyfield, and that is the price.

I was not thinking so much of the point of a definite margin or anything like that, but surely two sister organizations would consider the position each of the other in any policy?

Mr. GORDON: Yes, I would say that is quite right, that if Valleyfield was making one cloth and Dominion Textile was making a somewhat similar cloth we would not deliberately underprice the Valleyfield cloth so as to sell more of that and less of Valleyfield. There would be no sense to it.

Mr. THATCHER: Would it not be a reasonable conclusion from that that in the Canadian textile picture the fact that you own three of the companies might limit competition quite a bit?

Mr. GORDON: There has always been a lot from outside in the past.

Mr. THATCHER: But from the figures domestic production is by far the greatest, and you are protected in normal times by a pretty substantial tariff.

Mr. GORDON: You know the way that works perfectly well in a business. There does not have to be very much in the market to affect the price. How do we know when a customer comes to us and says that he can buy certain goods in England or the United States at a lower price than we offer whether he can or not? As long as some goods are coming in he may be the lucky fellow who is getting them. We do not know. It only takes a certain amount of goods coming in to affect the whole price level.

Mr. THATCHER: Admitted.

Mr. GORDON: That is the way it works in practice, I think.

The VICE-CHAIRMAN: Is there anything else?

Mr. PINARD: Did I understand you to say that your prices here are higher than the domestic prices in Great Britain?

Mr. GORDON: No, I did not say that. I said that Great Britain's domestic prices were lower than their export prices, the prices they are selling at.

Mr. PINARD: Would you know if your prices are higher than the prices in Great Britain?

Mr. GORDON: Than their domestic prices?

Mr. PINARD: Yes.

Mr. GORDON: Yes, our prices are higher than their domestic prices.

The VICE-CHAIRMAN: Gentlemen—did I interrupt you?

Mr. GORDON: I was trying to complete the answer. I do not know on everything. We know very well that the English mills are turning out standard yarns that we are making and selling them, perhaps in some cases, as much as 12 pence a pound below the price we have to charge for those yarns here.

Mr. PINARD: Do you know if their export price is the same for all countries?

Mr. GORDON: I could not tell you; I do not know.

The VICE-CHAIRMAN: Gentlemen, ordinarily having proceeded as far as we have we might think of concluding with Mr. Gordon, but he has to be here on Tuesday anyway, so it might be just as well in closing tonight not to dismiss Mr. Gordon as a witness. We will be seeing you on Tuesday, whether there be any additional questions or not which we cannot think of at the moment.

Mr. GORDON: I will be here if you want me.

Mr. DYDE: Then, Mr. Chairman, we will follow with Canadian Cottons and Wabasso in that order.

The committee adjourned.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 69

TUESDAY, JUNE 8, 1948

WITNESSES:

Mr. G. B. Gordon, President and Managing Director, Dominion Textile Co., Ltd., and Drummondville Cotton Co., Ltd., and President, Montreal Cottons Ltd., Montreal, Que.

Mr. E. C. Fox, President and Managing Director, Canadian Cottons Limited, Montreal, Que.

Mr. J. Irving Roy, General Manager, Canadian Cottons Limited, Montreal, Que.

Mr. W. J. Whitehead, Managing Director, The Wabasso Cotton Company Limited, Three Rivers, P.Q.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

TUESDAY, JUNE 8, 1948.

The Special Committee on Prices met at 11.00 a.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudry, Beaudoin, Fleming, Kuhl, Lesage, McGregor, Maybank, Mayhew, Merritt, Pinard, Winters, Zaplitny.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Telegrams from Cookshire Woollen Mills and Trenholmville Woollen Mills received in reply to the Vice-Chairman's telegram of June 1, were tabled.

Mr. G. B. Gordon, President and Managing Director, Dominion Textile Co., Ltd., and Drummondville Cotton Co., Ltd., and President, Montreal Cottons Ltd., Montreal, was recalled and further examined.

During proceedings Mr. Mayhew took the Chair in the temporary absence of the Vice-Chairman.

Mr. Gordon filed samples of materials listed on Schedule B7 of Report "B" submitted by the Accountant, Mr. Knight (*see page 3468 of Minutes of Proceedings and Evidence*), the said samples being identified as follows:

Exhibit No. 123—Unbleached bed sheeting, Style S 49.

Exhibit No. 124—Dyed drill, NN. 33 (MD 99-31F).

Exhibit No. 125—Printed percale, Style M.S. 248.

Exhibit No. 126—White flannelette, Style M.F. 51, Angola.

Exhibit No. 127—Cotton tire cord, Style 990.

Exhibit No. 128—Rayon cord, Style 944.

Exhibit No. 129—Belt duck, Style 6732.

Exhibit No. 130—Seine twine 15 Medium.

Exhibit No. 131—White broadcloth, JC41.

Exhibit No. 132—Dyed pocketing, V010.

Exhibit No. 133—Dyed plain Vicuna No. 13.

Exhibit No. 134—Dyed satine (Dominion) VS5.

Witness discharged.

Mr. E. C. Fox, President and Managing Director, and Mr. J. Irving Roy, General Manager, Canadian Cottons Limited, Montreal, were called, sworn and examined.

Mr. Fox produced, for members of the Committee, copies of answers to preliminary questionnaire and copies of Canadian Cottons Limited thirty-seventh Annual Report for the year ended March 31, 1947.

At 12.55 p.m. witnesses retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., Mr. Winters presiding in the temporary absence of the Vice-Chairman.

Members present: Messrs. Beaudoin, Fleming, Kuhl, Lesage, McGregor, Maybank, Merritt, Pinard, Winters, Zaplitny.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. Fox and Mr. Roy were recalled and further examined. Mr. Fox filed samples of materials listed in Schedule B7 of the Auditor's Report "B" (*see page 3469 of Minutes of Proceedings and Evidence*) which were identified as follows:

Exhibit No. 135—Denim, Style 144.

Exhibit No. 136—Work shirting, Style C36, Patt. 3, 6, 31, 34 and 36.

Exhibit No. 137—Ticking, Style ACB.

Exhibit No. 138—Cotton blanket material.

Witnesses discharged.

At this stage, the Vice-Chairman, Mr. Maybank, took the Chair.

Mr. W. J. Whitehead, Managing Director, The Wabasso Cotton Company Limited, Three Rivers, P.Q., was called, sworn and examined. He produced for members of the Committee, copies of answers to special preliminary questionnaire, and copies of The Wabasso Cotton Co., Limited Annual Report, 1947. He filed,

Exhibit No. 139—Printed percale, Style No. 2078.

Exhibit No. 140—Unbleached factory cotton, Style GC-2.

Exhibit No. 141—Broadcloth, Style B277.

At 5.30 p.m. witness discharged and the Committee adjourned until Wednesday, June 9, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 8, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Vice-Chairman, Mr. Maybank, presided.

The VICE-CHAIRMAN: Order, gentlemen.

Mr. DYDE: Mr. Chairman, at the close of the Thursday meeting, we had covered to a certain extent, the question of production. Since that meeting I have asked Mr. Gordon to let us have some exact figures, for the purposes of comparing them with the total Canadian production figures as produced by Mr. Rashley. The field which I asked Mr. Gordon to cover was that concerning bale openings for the three companies represented by him for the years 1938 to the present, with the figures for 1948 given in months. I also asked for the same figures for the same periods and years with respect to cotton yarn and cotton fabric.

George Blair Gordon, President and Managing Director, Dominion Textile Company Limited and Drummondville Cotton Company Limited, and President of Montreal Cottons Limited, 4725 Kingston Road, Montreal, recalled:

By Mr. Dyde:

Q. Mr. Gordon, are you able to produce the figures which I requested you to supply?—A. Yes, I have them here for the three companies.

Q. I think we had better read them into the record unless you have a lot of copies.—A. There are not enough to go around.

Q. Would you start with the bale openings for Dominion Textile Company Limited?—A. Yes. These figures are on a basis of total bales opened each year starting, in the case of the Dominion Textile Company Limited with March 31, 1937.

DOMINION TEXTILE COMPANY LIMITED

Statement of Raw Cotton Used

	Pounds	Equivalent 500 lb. bales
Year ended 31st March, 1937	52,075,058	102,185*
" " 31st March, 1938	44,555,517	89,111
" " 31st March, 1939	41,515,795	83,032
" " 31st March, 1940	60,032,082	120,064
" " 31st March, 1941	77,834,134	155,668
" " 31st March, 1942	87,777,359	175,555
" " 31st March, 1943	87,323,104	171,351*
" " 31st March, 1944	71,104,026	142,208
" " 31st March, 1945	64,704,247	129,408
" " 31st March, 1946	64,409,545	128,819
" " 31st March, 1947	61,189,116	122,378
" " 31st March, 1948	59,178,969	118,358
Fortnight ended 10th April, 1948	2,279,789	4,560
" " 24th April, 1948	2,493,643	4,987
" " 8th May, 1948	2,492,680	4,985
" " 22nd May, 1948	2,429,114	4,858

*53 weeks' figures in the year. Adjusted to 52 weeks.

Q. Can you let me have copies of that statement?—A. Yes, here are two copies. I do not know whether you would like an interpretation of those figures at this point.

Q. I would be glad to have whatever comment you would like to make?—A. The figures show that in the pre-war period our average weekly consumption ran from 1,661 bales per week to 2,044 bales per week. During the war years the average ran from 2,401 bales per week as high as 3,511 bales per week. Since the war the figure has ranged from 2,367 bales a week to 2,494 bales per week. Those figures more or less correspond with the figures which I mentioned the other day.

Q. Yes?—A. That completes the figures for Dominion Textile Company Limited with respect to bale openings.

Q. Would you go on now with one of the other companies?—A. Yes, I have here the figures for the Drummondville Cotton Company Limited.

DRUMMONDVILLE COTTON COMPANY LIMITED

Statement of Raw Cotton Used

	Pounds	Equivalent 500 lb. bales
Year ended 31st March, 1937	7,117,067	13,965*
" " 31st March, 1938	6,158,912	12,318
" " 31st March, 1939	5,196,630	10,393
" " 31st March, 1940	9,418,556	18,837
" " 31st March, 1941	15,073,770	30,148
" " 31st March, 1942	15,962,137	31,924
" " 31st March, 1943	17,706,102	34,744*
" " 31st March, 1944	17,508,533	35,017
" " 31st March, 1945	15,116,412	30,233
" " 31st March, 1946	16,160,635	32,321
" " 31st March, 1947	16,321,624	32,643
" " 31st March, 1948	14,256,032	28,512
Fortnight ended 10th April, 1948	572,299	1,145
" " 24th April, 1948	607,491	1,215
" " 8th May, 1948	634,606	1,269
" " 22nd May, 1948	536,472	1,073

*53 weeks' figures in the year. Adjusted to 52 weeks.

Those figures show that in the pre-war period the company opened from 208 bales to 279 bales per week. During the pre-war period we ranged from 377 bales per week to as high as 700 bales per week and since the war we have averaged from 570 bales per week to 653 bales per week.

Q. Montreal Cottons Limited will be next?—A. Yes. I would point out these figures are on a calendar year basis as the company year end is at December 31.

Name of Company: THE MONTREAL COTTONS LIMITED

Date of fiscal year end: December 31

BALES OF COTTON OPENED

Year	Bales
1938	16,755
1939	19,100
1940	26,664
1941	26,766
1942	26,025
1943	24,061
1944	24,278
1945	22,797
1946	18,956
1947	23,959

BALES OF COTTON OPENED—*Conc.*

1948 Week ended	Bales Opened
January 3	272
January 10	308
January 17	499
January 24	542
January 31	494
February 7	572
February 14	573
February 21	567
February 28	850
March 6	313
March 13	587
March 20	630
March 27	760
April 3	339
April 10	612
April 17	606
April 24	583
May 1	577
May 8	557
May 15	466
May 22	605
May 29	570
June 5	541

The figures for the weekly periods from January 3, 1948 to June 5, 1948 total 12,423 bales, and the average is 540 bales per week. Just to complete the story those figures show that Montreal Cottons Limited opened from 335 to 382 bales per week prior to the war, 481 to 585 bales per week during the war, and from 452 bales to 540 bales per week since the war.

Q. Those are the figures with respect to bale openings, and now can you give us similar figures with respect to cotton yarn production?—A. Yes, Mr. Dyde. We have the figures here. We were not too sure whether you wanted the complete yarn production or the sales of yarn. I should perhaps have made it clear when I was speaking on Thursday that I was referring to what we call sales of yarn which means the yarn we sell outside of our own company to other knitters, weavers, braiders, and those who use yarn. I have the figures both ways—that is with respect to total production, some of which goes into our own production and some of which we have sold.

Q. If the point had been raised I would have asked for the total yarn production because I think it would have been more useful?—A. I have figures which will show what you want. The first statement is with respect to the Dominion Textile Company Limited.

DOMINION TEXTILE COMPANY LIMITED

Statement of Total Yarn Production

	Pounds
Year ended 31st March, 1937	49,697,198
" " 31st March, 1938	42,281,533
" " 31st March, 1939	40,296,683
" " 31st March, 1940	58,179,354
" " 31st March, 1941	73,923,836
" " 31st March, 1942	84,689,708
" " 31st March, 1943	84,332,601
" " 31st March, 1944	70,753,478
" " 31st March, 1945	64,174,465
" " 31st March, 1946	63,649,283
" " 31st March, 1947	60,585,864
" " 31st March, 1948	58,835,109
Fortnight ended 10th April, 1948	2,474,614
" " 24th April, 1948	2,481,691
" " 8th May, 1948	2,344,183
" " 22nd May, 1948	2,469,953

Q. Then, if we take them in the same order we will have Drummondville Cotton Company Limited next?—A. Yes. The figures for Dominion Textile Company Limited show that pre-war production ranged from 40,000,000 to 49,000,000; war production ranged from 74,000,000 to 85,000,000; and post-war production ranged from 59,000,000 to 64,000,000—those are in round figures. With respect to the Drummondville Cotton Company Limited total yarn production the figures are as follows:

DRUMMONDVILLE COTTON COMPANY LIMITED

Statement of Total Yarn Production

	Pounds
Year ended 31st March, 1937	6,287,235
" " 31st March, 1938	5,433,252
" " 31st March, 1939	4,680,455
" " 31st March, 1940	8,442,076
" " 31st March, 1941	13,650,301
" " 31st March, 1942	14,894,964
" " 31st March, 1943	16,568,676
" " 31st March, 1944	16,476,682
" " 31st March, 1945	14,492,784
" " 31st March, 1946	15,550,610
" " 31st March, 1947	15,257,553
" " 31st March, 1948	13,585,427
Fortnight ended 10th April, 1948	595,379
" " 24th April, 1948	569,301
" " 8th May, 1948	529,090
" " 22nd May, 1948	602,596

(Mr. Mayhew took the chair.)

The WITNESS: I should point out that in each case the figures represent the total yarn spun at the mill whether it went into fabric or whether it was sold as yarn. The figures indicate that in pre-war years production ranged from 4,500,000 to 6,000,000 pounds a year; during the war production ranged from 13,500,000 to 16,500,000 pounds; since the war production ranged from 13,500,000 to 15,500,000 pounds per year and those figures compare somewhat with the figures which I gave the other day.

Then we come to Montreal Cottons.

Q. Have you a copy of it?—A. No, I am afraid I have not a copy. I have pencil figures.

Q. Read it in, please.—A.

Calendar Year	Total pounds of yarn produced by Montreal Cottons Limited
1938	9,232,375
1939	11,500,122
1940	15,360,802
1941	16,079,736
1942	14,610,095
1943	13,063,653
1944	13,406,618
1945	12,997,038
1946	10,382,691
1947	13,826,357
Five weeks ended January 31, 1948	1,241,123
Four weeks ended February 28, 1948	1,143,097
Four weeks ended March 27, 1948	1,091,230
Five weeks ended May 1, 1948	1,423,095

That would show production in Montreal Cottons ranged from $9\frac{1}{4}$ million to $11\frac{1}{2}$ million pounds in the pre-war years, ranged from 13,000,000 to 16,000,000 during the war years, and ranged from 10,300,000 up to 14,000,000 since the war.

Q. You can spare this pencil copy, can you?—A. Yes, I might need it, but I can give it to you afterwards. That completes the yarn figures for the three companies.

Q. Will you go on with the woven fabric figures, please?—A.

DOMINION TEXTILE COMPANY LIMITED

Statement of Broad Woven Cotton Fabric Production

Year Ended 31st March, 1937	129,285,812
" " 31st March, 1938	114,418,400
" " 31st March, 1939	107,530,955
" " 31st March, 1940	145,536,369
" " 31st March, 1941	163,192,708
" " 31st March, 1942	200,720,320
" " 31st March, 1943	187,172,804
" " 31st March, 1944	152,954,511
" " 31st March, 1945	140,204,808
" " 31st March, 1946	134,670,642
" " 31st March, 1947	129,411,164
" " 31st March, 1948	120,406,855
Fortnight Ended 10th April, 1948	5,002,859
" " 24th April, 1948	4,777,674
" " 6th May, 1948	4,523,968
" " 22nd May, 1948	5,416,941

That shows that in the pre-war period we produced from 107,000,000 to 129,000,000 yards a year; during the war it ranged from 140,000,000 to 200,000,000, and since the war from 120,000,000 up to 134,000,000 yards a year. That is woven fabric off our own looms. Before the war we imported and finished—I do not know whether you want that?

Q. Yes, please.—A. Before the war, in addition to our own production, in the year 1939 we imported 412,204 yards for finishing purposes. I do not know that I have the exact years. This is the highest. In the year 1944 we brought in 36,453,000 pounds. That is the highest importation during the war years, and since the war in the year 1947 we brought in 35,290,000 pounds for finishing purposes. That was to supplement our own production.

Then I have a statement of cotton fabric production of the Drummondville Cotton Company Limited. This, of course, includes woven tire cord but not rayon and not tire cord that goes out in the form of combs. A certain amount of our tire cord from Drummondville is shipped to the rubber companies in packaged form wound up, and they process it from that form. This is a combination of tire cord and duck for the most part.

DRUMMONDVILLE COTTON COMPANY LIMITED

Statement of Cotton Fabric Production

	Yards
Year Ended 3rd April, 1947	3,778,692
" " 1st April, 1938	2,766,625
" " 1st April, 1939	2,365,869
" " 31st March, 1940	4,153,699
" " 29th March, 1941	5,059,534
" " 28th March, 1942	6,573,282
" " 3rd April, 1943	5,861,049
" " 1st April, 1944	5,645,564
" " 31st March, 1945	4,984,469
" " 30th March, 1946	5,524,126
" " 29th March, 1947	6,019,652
" " 27th March, 1948	5,662,541
Fortnight ended 10th April, 1948	237,084
" " 24th April, 1948	256,776
" " 8th May, 1948	247,212
" " 22nd May, 1948	250,848

That indicates that in the prewar years our production ranged from 2·3 million yards up to 3·7 million yards; during the war from 4·1 million yards to 6·5 million yards, and since the war from 5·5 million yards up to 6 million yards per year of woven fabric at Drummondville.

Name of Company: THE MONTREAL COTTONS LIMITED

Date of fiscal year end: December 31

	SALES YARN PRODUCED Cotton	Mixtures	Total	WOVEN FABRICS PRODUCED
	Lbs.	Lbs.	Lbs.	Yards
1938	2,101,501	4,362	2,105,863	31,127,518
1939	2,341,746	61,484	2,403,230	36,215,795
1940	3,109,099	146,543	3,255,642	42,405,543
1941	1,790,935	153,549	1,944,484	43,235,936
1942	1,159,649	85,037	1,244,686	40,896,627
1943	879,474	123,582	1,003,056	37,996,265
1944	1,260,972	201,226	1,462,198	37,515,530
1945	1,537,684	117,635	1,655,319	35,223,228
1946	1,233,922	224,324	1,458,246	28,823,697
1947	1,720,283	224,954	1,945,237	36,924,281
5 weeks Jan. 31, 1948	190,764	15,847	206,611	3,422,750
4 weeks Feb. 28, 1948	153,595	19,081	172,676	3,359,455
4 weeks Mar. 27, 1948	141,965	24,053	166,018	3,121,658
5 weeks May 1, 1948	167,806	25,203	193,009	3,817,149

That shows that in the pre-war years we produced from 30,000,000 yards up to 37,000,000 yards; during the war from 43,000,000 up to 52,000,000 yards, and since the war from 30,000,000 yards up to 39,000,000 yards a year.

Q. I am not sure about that 52,000,000 yards. It does not seem to be right. —A. It does not seem to be right. Let me see where I got that. I put those down before coming over here this morning.

Q. It seems to me your highest year was 43,000,000 in 1941.—A. Yes, I am sorry you want woven production. I had included in that 52,000,000 some goods we had on commission finishing, so that the top figure there in the war years should be 43,235,936 yards. That completes the cloth production figures for the three companies.

Q. Thank you, Mr. Gordon. There was another matter on which the members of the committee asked you to produce certain information, and that was in connection with absenteeism in the plants. The question was asked, and I think you said you could produce some information for the committee. Are you able to do that?—A. Yes, I am; I have some figures here that I think will be useful. In response to the chairman's question on Thursday I mentioned that I thought that on Saturdays our absenteeism ran as high as 50 per cent. We have checked that carefully, and we cannot get a figure as high as that. The highest we can find is 39 per cent on a Saturday shift.

By Mr. Fleming:

Q. Over how long a period?—A. That would be a particularly bad week. That is not an average

Q. That is a peak?—A. That is a particular Saturday.

Q. Have you any figures as to averages?—A. I have figures that give a wider or broader picture than that.

By Mr. Winters:

Q. What plant was that high figure in?—A. I think I can tell you that. That was at our Mount Royal branch in July of last year on a Saturday afternoon, actually the second shift on Saturday afternoon, which I suppose would be the worst one of the lot. The chairman also asked on Thursday for figures during the week, and these are figures that are averages over considerable periods.

By Mr. Dyde:

Q. Is that in tabular form?—A. Yes, it is.

Q. Would I be able to hand to the reporter a copy of the table?—A. Yes, I think he could have one. This is the average absenteeism. We have divided the week into different portions for the sake of showing different effects. On this table we have the middle of the week, Tuesday, Wednesday and Thursday, the first shift which starts at 7 and quits at 3.30 in the afternoon.

General Manufacturing Manager,
Mr. F. R. Daniels.

June 7, 1948.

AVERAGE ABSENTEEISM

Mill	Middle of week Tuesday–Wednesday–Thursday				Saturday		Saturday		Monday	
	First shift		Second shift		First shift		Second shift		First shift	
	Average 1948	Average summer 1947	Average 1948	Average summer 1947	Average 1948	Average summer 1947	Average 1948	Average summer 1947	Average 1948	Average summer 1947
	%	%	%	%	%	%	%	%	%	%
Hochelaga	5½	8	8½	12	9	15	19	21	8	11
St. Annes	1½	3	5	6	2	5	6	8	2	4
Merchants	3½	5	4	7	5½	10	12	20	5½	8
Mt. Royal	5½	8	6½	7½	9	15	16½	21	7	10
Montmorency	4½	5	5	5½	4½	5	5	....	5½	6
Magog Cotton Mill	2	5	3	5	8	15	8	....	5	7
Sherbrooke	2½	4	3	7	7	19	10	....	5	10

NOTE.—Absenteeism, Saturday, second shift, has noticeably increased over the average percentages shown above, representing the past 5 months. For example, absenteeism at Hochelaga on Saturday, second shift, May 29, shows 25%, Merchants 14% and Mt. Royal 23%.

Lowest absenteeism shows on Fridays (pay days).

You can see that as we get into the summer months it is a little higher for one reason and another. There are more reasons to take a holiday out of the mill.

By Mr. Beaudoin:

Q. When you say for one reason or another, what are the main reasons? —A. To go fishing, to see a baseball game or take a day off and go for a drive, or whatever it may be.

By Mr. Fleming:

Q. Or to go to a political picnic?—A. I am speaking of the summer months as compared with the winter months.

By Mr. Beaudoin:

Q. There is no penalty imposed by your firm?—A. Well, they do not get paid if they stay out.

Q. It makes no difference to your firm whether these people go fishing? —A. It does make a difference to us.

Q. What do you do to correct the situation? It seems to me there is great tolerance on your part?—A. Well, there is not a great deal you can do. I suppose in more ordinary times if it was pronounced or repeated absenteeism by the same individual he would be warned that he could not keep on doing that sort of thing, and he would lose his job.

By Mr. Pinard:

Q. You do not do that now?—A. You cannot so much nowadays. We want the help too badly; we cannot replace them.

Q. Does that apply to all plants?—A. Yes, it applies pretty well all through. These figures are fairly indicative figures.

By Mr. Dyde:

Q. Would you just define for us "the summer of 1947"; how many weeks or periods did that include?—A. I do not know exactly. My impression is that it would be June, July and August probably; roughly that period, but I haven't got the months down here. I just put down on this table the summary.

Q. Would it be fair to say that these months are the months when the incentive to be absent is likely most pronounced, when the weather was most favourable, and so on?—A. Yes, that is right.

Mr. WINTERS: Do these figures of yours include people who stay away without saying anything to anybody as well as people who are in the higher brackets, such as foremen and supervisors?

The WITNESS: Yes, it includes everybody out on the shift for one reason or another. Quite a few of them are out because of things like a funeral or a wedding or for some particular reason.

By Mr. Beaudoin:

Q. Are these percentages applicable largely to the lower-bracket employee? —A. I don't know. I haven't seen it expressed that way. If I was just expressing an opinion I would say that the higher percentage are in the lower paid bracket; yes. But I have not any exact figures to give you on that.

Q. Could you indicate to us the percentage as between male and female employees?—A. Again, I cannot answer that because I haven't the figures.

By Mr. Dyde:

Q. Does it include people who are absent through illness?—A. Yes. Here is a simple example at Merchants: 645 hands; 36 do not show up; of whom 12 were absent without reason that is explained here; ⅓ of the 36 without reason. Then here is another mill, 444 hands with 23 absent and 14 out of 23 had excuses.

By the Acting Chairman:

Q. Would 5 per cent absent affect the average production of a mill?—A. That would depend on just what hands that happened to be. If they were key production hands performing such operations as weavers, or spinners, it would. It would depend on the type of employee involved—yes, it might affect production. On the other hand if they were truckers, or other people who probably could be spared for a day or two, it would not affect production materially.

Q. Then the average production would not be affected by that?—A. No. It would depend on what job they were doing.

By Mr. Dyde:

Q. Then, have we got a complete explanation as far as we can get it of the dropping off in production? I do not want to misquote you, but I think that on Thursday you indicated to the committee that the main reason for the fact that your production is not up as high as it had been was the labour conditions?—A. Yes.

Q. Is there any other comment you wanted to make; is there any other reason that you feel now should be mentioned with regard to your drop of production?—A. At Thursday's meeting I mentioned that we were trying to step up the shift time to a basis of 40-hour week per shift; and the main reason for the drop in production since the war years is the shorter week. That is an important consideration. I have had a table prepared to illustrate that and I am going to give you some figures from that table, if you think it would be helpful. The table is as follows:

DOMINION TEXTILE COMPANY LIMITED

Schedule showing average number of employees working per week and the average number of hours each employee worked per week

Calendar year	Average number of employees per week (52 weeks)	Average number of employees per week (51 weeks) allowing for holiday week	Average number of employees per week (52 weeks)	Average number of employees per week (51 weeks) allowing for one holiday week
1939	6,953		43·6	
1940	8,634		47·4	
1941	9,132		48·8	
1942	9,474		49·0	
1943	8,556		47·2	
1944	7,655	7,655	46·9	47·8
1945	7,298	7,298	45·4	46·3
1946	6,912	7,047	45·4	45·4
1947	7,146	7,283	43·6	43·6

I think that probably would give you the picture of that. That is for the Dominion Textile Company Limited. That, of course, shows that while we have built up the number of hands to the pre-war level we are not working any more hours per week than we were during the war and we are down considerably from the average hours per week during the war where we had longer shifts.

Q. What was it then?—A. 48 to 50-hour shifts, and as high as 60 hours at night, in fact.

By Mr. Fleming:

Q. May I interrupt you for a moment? I take it that you are calculating on increasing the number of employed personnel all the time?—A. Yes. We have taken various steps to do that, Mr. Fleming. We have advertised. We have a recruiting office. The main trouble is, in the city of Montreal where we have these big weaving mills—I did not perhaps explain fully the reason for our relatively better production with yarn than with cloth. That is because our bigger yarn mills happen to be outside of the city of Montreal—Montmorency, Sherbrooke and Magog, for instance. They are definitely better. In Montreal we have tried very hard to build up this second shift; but, as an example, at Merchants branch, where we expected 645 hands on the first shift we have expected only 166 on the second shift, because that was all we had available.

Q. Have you any figures on the per man per hour productivity?—A. We worked them out. I haven't them with me. We have our pounds per man hour.

Q. Can you give us the effect of that, the trend, if there is one?—A. Well, during the war it went up. There were technical reasons as well as human reason.

Q. I appreciate that.—A. We got more production under certain conditions. Since the war I think we have gone off a bit on per pound per man hour. We are still better than pre-war; although, I would like to look at the figures before trying to answer too definitely.

Q. Well, like comparing post war figures with wartime figures, I suppose you would say that all the mechanical factors are present in the post war period that enabled you to increase your per man per hour productivity during the war?—A. Are still present?

Q. Yes.—A. Not quite, no. During the war years we were running on heavier goods. You take with a weaver; of course, it is no more difficult for her to weave cloth that runs three yards to the pound than it is to weave cloth which runs two yards to the pound, and she thereby gets more poundage off the heavier goods. There is that technical aspect to it. And that would run right through every department. So you will see that for the same number of man hours you can make greater production on the heavier goods; in other words, that is a factor affecting the volume of production under certain conditions. And then, of course, the piece rates during the war rated really lower than they are now, particularly earlier in the war; and there was a little more incentive to keep production up than there is today, where they can earn their level, on whatever they are wanting to take home, with less yards or pounds produced because of the higher piece rate. That is an important factor.

By Mr. Zaplitny:

Q. Did I understand Mr. Gordon to say that the rate being lower—with rates being higher after the war there was less incentive to produce?—A. Yes, that is it, strangely enough. That seems to be the way it works—that is human nature.

Q. Would you say the same thing would apply to profits?—A. How do you mean?

Q. Would you say that higher profit is less incentive to production than a lower profit?

Mr. FLEMING: Where they were operating under a ceiling that would not apply.

The WITNESS: I am speaking of the rate per hour in the case of wages—the rate per hour in its relation to the rate per pound or per yard and its affect on production; and I do not quite get the analogy to the profit picture.

By Mr. Zaplitny:

Q. Let us take the profit per unit or yard of production; would it be correct to say that if there were higher profits per yard of production or per pound—whichever way you want to take it—in the industry, would they have less incentive to produce than if they had a lower profit per yard or per pound? —A. Well, it would depend on what your object was. If you wanted to make as much money as you could you would keep on going full blast, there would be no let-up. If you did not care whether you made any profit or not the result might be different.

Q. But you are using two different yardsticks there at the same time.—A. No. Your profit incentive is different, I suppose. What happens in the case of the employee, of course, is that many of them are content with a certain earning level and they do not think it is worthwhile to get beyond that. A good many of them could make a lot more if they wanted to.

Q. And would you say that the same principle would apply to the industry as a whole?—A. I do not see that it holds good in the case of the industry. What I said about the employees being satisfied with a certain level of wages applies to a good many of them; but of course it does not apply to all individuals. There is a certain proportion of them who react that way. I suppose in the industry there might be certain companies react in that way too.

Q. You would not say though as a general rule that the lower your earnings the greater the incentive for production, and that higher earnings discourage production?—A. As a general rule.

Q. Yes. Well, from your own experience in the industry, would you say that that was so?—A. Well, it depends on taxation, that comes into it too.

Mr. FLEMING: Hear, hear.

The WITNESS: There are so many factors. I do not want to go into something which does not relate directly to the subject we are discussing. The worker knows the effect of the income tax just as well as anybody else. So does the industry. Of course, there is no excess profits tax now. During the war years there was an excess profits tax, but I don't think it held down our production, judging by the figures.

By Mr. Fleming:

Q. Perhaps this question got a little farther afield than we started out to make it. I just wanted to be quite clear that I understood your answer to one or two particular questions. You were speaking about rates for piece work. Now, I gathered the impression that the questions from that point on broadened out into pay rates in general. Was your answer intended to be on as broad a basis as that?—A. No. I was talking about production, and the effect on it of certain piece work rates.

Q. And the point of your answer then was, if I understood it correctly, that the effect of certain piece work rates was to discourage incentive.—A. Yes; that is right, Mr. Fleming, on that point.

Q. Would you just enlarge a little bit out of your experience with regard to the effect on production and on productivity of the personal income tax with deductions at source?—A. There is no doubt that the worker is affected by income tax. He knows perfectly well where it begins to really take a bite out of his pay envelope. Of course, that varies naturally with the rate of pay and also varies with the individual circumstances of the worker; whether he is married with children, or a single man or a single woman. I would say that it has at present an effect certainly on the piece rate worker who is susceptible to income tax; and to some extent it has an effect also—well, on the number of hours they put in. In some cases it is very bad—it may be a case like this, that a man knows he is earning enough per hour for his particular purposes that week and he is not going to be concerned in earning any more; and that applies particularly where it is piece work.

(Mr. Maybank resumed the chair)

By Mr. Winters:

Q. What would be the effect if you were to give them an increase in pay? Would you not increase production in that way? They are earning so much money now and there is a certain amount of tax on it. Suppose you gave them an increase in pay, would not that make some change?—A. I don't know why, but it has some psychological effect; particularly the amount which is taken away from him. He earns what he figures he wants and then he quits.

Q. Yes, we have the psychological factor there with these people, in their not wanting to earn anymore than a certain amount of money.—A. That is true. There is certainly that fact, they don't want to get any higher. That is not peculiar to our industry. When wage rates go up—there are certain classes of people; well, let us take the case of a girl of perhaps 20, 21 or she may be 19; living at home, who turns over practically all her earnings above a certain point to her family. She does not care very much how much she earns over $12 or $15 or $20 a week, whatever it happens to take. She gives the rest to the family, so personally perhaps she does not care very much whether she makes $30 or $35. There is that aspect to it.

Mr. FLEMING: Incentive is present in the case of a family which would not be there in the case of employees without that type of responsibility.

The WITNESS: Yes, some are working simply to help their families.

Mr. DYDE: Mr. Chairman, the companies were kind enough to produce samples of the various products and I think that for the purpose of possible future examination into the secondary field that we ought to have the samples identified. I would like to identify, Mr. Gordon, the sample of unbleached bed sheeting produced by Dominion Textiles—and you may have to help me. There is a slight problem in how to exhibit these samples. I would like to have these exhibited and identified; and the first I have here is a sample of unbleached bed sheeting; style S49—73 inch width, produced by Dominion Textiles. Mr. Chairman, in order to clarify this matter, the exhibits which I will file are referred to in the supplement to schedule B7 of report "B". The first item is unbleached bed sheeting, style S.49, width 73 inches, manufactured by Dominion Textile Company and it will be exhibit No. 123.

EXHIBIT 123—Unbleached Bed Sheeting, Style S.49, Width 73 inches, Manufactured by Dominion Textile Company Limited.

The VICE-CHAIRMAN: I do not know whether there is any way of shortening the identification process but I do not think it will take very long in any event.

Mr. DYDE: The next item is dyed drill, NN 33 (MD 99-31F) sanforized blue, 31 inch width. The exhibit number is 124.

EXHIBIT 124—Dyed Drill, NN33 (MD 99-31F) sanforized blue 31 inch width.

Mr. FLEMING: Are all the items labelled?

The VICE-CHAIRMAN: Yes.

Mr. MAYHEW: I was going to ask what you were trying to get at? Are these samples of each year's production with respect to the quality of the goods made?

The VICE-CHAIRMAN: Yes, and there has been a statement on another document giving a general description. Mr. Dyde has already examined the validity of such a description continuing throughout the years.

Mr. MAYHEW: These will be samples selected by the companies themselves?

The VICE-CHAIRMAN: Yes, of those aticles described in the supplement to which we have just referred.

Mr. MAYHEW: On what dates were the samples taken?

The VICE-CHAIRMAN: That has been covered. It has been understood that there will be some variation which indeed goes all the way back to the crop.

Mr. MAYHEW: There would be a variation even in a day's production.

The WITNESS: Yes, there would be technically a slight variation.

The VICE-CHAIRMAN: On the other hand this is the sort of thing that can serve as a sample when making a sale by a sample?

The WITNESS: That is right, Mr. Chairman.

The VICE-CHAIRMAN: We examined that situation to find out to what extent the samples could be treated as satisfactory comparative articles throughout the years, and of course it is understood that there would be some variation as you have said, but the sample is still of value for comparative purposes.

Mr. FLEMING: Was there any matter of trend in quality involved?

The WITNESS: No, the variation which I mentioned on Thursday was simply splitting hairs as to the colour of cotton one year, and as to slight differences that would not even be apparent in the finished goods.

The VICE-CHAIRMAN: The description in the supplement to schedule B-7 of report "B" is quite lengthy.

The WITNESS: Cloths are built to specifications. The cloth is built a certain way with so many ends one way and so many the other way and the yarns must run true to gauge just as does a wire. That situation is true year in and year out, basically.

Mr. FLEMING: The figures on page 10 of report "B" are completely comparable figures under the three dates, January 1, 1942, September 15, 1947, and April 1, 1948?

The WITNESS: Yes.

The VICE-CHAIRMAN: Coming back to what was perhaps in Mr. Mayhew's mind, these items have been mentioned many times and it is the desire, as we have samples, to make certain that the articles about which we have been speaking may be identified by a proper process, so that when particular reference is made in our examination of the trade to those articles there cannot be any misunderstanding as to what was meant when a certain term was used.

Mr. MAYHEW: Yes, but I cannot see how it could work out because there would be quite a variation. You might use the same number of yarns but the thickness or the gauge of the yarn would vary.

The WITNESS: It does not vary if we do our job well.

Mr. MAYHEW: Yes, I know that, but I also know what variation you can get.

Mr. DYDE: The next item is printed percale, style M.S. 248-Glenwood, as produced by the Dominion Textile Companies. That article will be exhibit 125.

EXHIBIT 125—Printed Percale, Style M.S. 248-Glenwood, produced by Dominion Textile Company.

The next item is white flannelette, style M.S. 51 Angola. That will be exhibit 126.

EXHIBIT 126—White Flannelette, Style MF 51-Angola.

The next item, Mr. Gordon, is cotton tire cord produced by the Drummondville Cotton Company.

The WITNESS: Yes, that is the form it takes when it is sold on a cone and is not woven.

By Mr. Dyde:

Q. That is style 990, as described on schedule B-7 and it will be exhibit 127.

EXHIBIT 127—Cotton Tire Cord, Style 990 produced by Drummondville Cotton Company.

Rayon tire cord fabric, produced by the Drummondville Cotton Company, described as style R.X. 944, rayon tire cord fabric, 60 inch width. That will be exhibit 128.

EXHIBIT 128—Rayon Tire Cord Fabric, Style R.X. 944, 60 Inch Width, produced by Drummondville Cotton Company.

By the way why is that called rayon tire cord fabric?—A. It should be in the form of a piece of fabric but tire cord in the fabric is a most slippery and elusive sort of thing. It has hardly any weft threads and it is just a series of those cords lying parallel. It is 60 inches in width with a few interlacings and it would be a clumsy thing to handle.

Q. This is really rayon tire cord rather than rayon tire cord fabric?—A. Your exhibit is the cord itself which really constitutes the fabric. The rubber companies take the weft out. They can use it that way, just putting the ends up in their own preem.

Q. Is this the best form in which we can exhibit it for identification?—A. Yes, I think that is a quite practical form.

Q. The next item I see on the schedule is belt duck, produced by the Drummondville Cotton Company Limited?—A. Yes, that is used for conveyer belts.

Q. It is indicated as being style 6732, 50 inches in width, 32 ounces soft?—A. Yes.

Q. That will be exhibit 129.

EXHIBIT 129—Belt duck, style 6732, 50 inches width, 32 ounces soft, produced by Drummondville Cotton Company.

The next item is fishing twine, manufactured by the Drummondville Cotton Company Limited, 15 medium seine twine, which will be exhibit 130.

EXHIBIT 130—Fishing twine, 15 medium seine twine, manufactured by Drummondville Cotton Company.

Mr. FLEMING: That was one item which was not circulated around the committee.

The VICE-CHAIRMAN: Did you not get a sample of that?

Mr. FLEMING: No, I did not.

The VICE-CHAIRMAN: I will look in the drawer and see what stock I have.

Mr. DYDE: Mr. Gordon, we come next to the Montreal Cottons Limited and the samples produced by that firm. The first I have is white broadcloth, sanforized shrunk, JC 41-Grey, width 38 inches and it will be exhibit 131.

EXHIBIT 131—White broadcloth, sanforized shrunk, JC 41-Grey, width 38 inches, manufactured by Montreal Cottons Limited.

The next item is dyed pocketing, light shades, VO-10-grey, width 39½ inches. That will be exhibit 132.

EXHIBIT 132—Dyed pocketing, light shades, VO-10-Grey, width 39½ inches, manufactured by Montreal Cottons Limited.

The next item is dyed plain, Vicuna, number 13, class 3, colours.

The WITNESS: The word "colours" refers to the fact that there are three classes of light shades.

Mr. DYDE: The dyed plain Vicuna will be exhibit 133.

EXHIBIT 133—Dyed plain Vicuna, number 13, class 3, colours, manufactured by Montreal Cottons Limited.

The last article produced by Montreal Cottons is dyed satine, VS 5, and that will be exhibit 134.

EXHIBIT 134—Dyed satine, VS 5.

The VICE-CHAIRMAN: The other samples are not yours?

The WITNESS: No, they are produced by other companies.

By Mr. Dyde:

Q. Now, Mr. Gordon, there is one other matter which we were going to clear up and I think I am right in saying that in the report of last Thursday's meeting you felt there was one paragraph in which, for some reason, the answer is muddled. I am referring to an answer you made to the vice-chairman. There was a discussion as to "hedging" and the vice-chairman said: "Oh, I see, the orders are your hedge", Then your answer to that question is not intelligible as it appears on the record and I think you would like to give an answer this morning which we would understand?—A. Yes, but I do not know how intelligible this will be. What I was trying to say on Thursday, and what I thought I was saying was to this effect. The orders are a hedge up to a point. If you are over-bought on cotton you must use the future's market to hedge the excess but you cannot hedge against an order because if the market went up you would be out of luck.

Q. You have with you this morning wage figures which I believe you are able to give the committee?—A. Yes.

Q. Would you please produce those and read them into the record?—A. Yes. On Thursday I was asked the wage figures for different groups of employees and I could only give an over-all figure, namely 75 cents an hour. The actual figures are as follows: males, 21 years and over, constituting 48·44 per cent of the working force, the average wage is 86·33 cents an hour; females 18 years and over, constituting 32·30 per cent of the working force, the average wage per hour is 67·73 cents; males under 21, constituting 13·62 per cent of the working force, the average wage is 65·53 cents an hour; females under 18, constituting 4·09 per cent of the working force, 62·46 cents an hour. The weighted average over all groups is 75·18 cents an hour.

By Mr. Fleming:

Q. Is that the highest average you have ever had in the history of the companies? Are you at your peak now?—A. Yes, that is the highest, and it is the current wage rates.

Q. They are the highest in your history?—A. Yes.

By the Vice-Chairman:

Q. With what trade unions if any, do you deal?—A. We have two different unions.

Q. Are you now referring to all three companies or one of the companies, when making your answer?—A. I had better break it up by companies. The Dominion Textile Company deals with two different unions in the case of the mills outside of Montreal. Our contract with the Drummondville Company Limited is with the Catholic Syndicates, the Local concerned in each case—for instance there are Locals for the plants at Magog, Montmorency, Sherbrooke, and Drummondville. In the city of Montreal the Dominion Textile Company Mills have a contract with the United Textile Workers of America, which organization is affiliated with the A.F. of L. group. Montreal Cottons at Valleyfield have a contract with the United Textile Workers of America.

Q. Those various organizations with whom you have contracts have been duly certified as bargaining agents under the law have they? Is there any such requirement under the law, because I presume it is Quebec law?—A. Yes, they are all under the Quebec Labour Relations Act.

Q. Does the Quebec statute make provision for certification of bargaining agents?—A. Yes, it does, Mr. Chairman. Those are the duly certified bargaining agents in every case.

By Mr. Fleming:

Q. Are all of your plants covered by agreements with certified bargaining representatives?—A. I think our Ste. Anne's mill in Montreal is not covered. It is a small unit and I do not think they have ever been organized.

Q. It is the only one which has not been organized?—A. Yet.

By Mr. Beaudoin:

Q. How many employees would there be at that mill?—A. I think I can tell you. I have not got the exact figure at Ste. Anne's but one shift would be running probably about 150 employees and there are two shifts running there. Probably the total would be somewhere around 250 because the second shift would be smaller.

Q. When you say Ste. Anne's, you mean Ste. Anne de Bellevue?—A. No. I mean our St. Anne's branch in the city of Montreal. It is an old mill, originally started as the Ste. Anne Manufacturing Company and we have kept the name.

By Mr. Winters:

Q. Do those figures on wage rates include all hourly rated employees?—A. Yes, the figures include all hourly rated employees and all employees of the plant.

Q. Yes, but does it include foremen and gang bosses?—A. No, foreman are excluded, it is just hourly and pieceworkers.

Q. No charge hands or gang bosses?—A. No.

Mr. LESAGE: Are there leading hands included?

The WITNESS: There are leading hands working in the print works—working practically as labourers.

By the Vice-Chairman:

Q. Just to distinguish, you would describe a leading hand as one who is working with the others but who has a certain supervisory or directing capacity as well as doing work himself?—A. Yes, it is another term for a straw boss.

Q. Now you mentioned two different unions. What is the proportion of the strength of the two of them? You mentioned the Catholic Syndicates and the

A.F. of L. You have contracts at one place with one organization and at another place with the other organization?—A. The Catholic Syndicate in Montmorency has 2,000 hands; the Magog Cotton Mill and the Magog Print Works have about 2,100 hands; the Sherbrooke Cotton Mill has about 1,200 hands; Drummondville at the present time has I think about 1,800 or 1,900 hands, but I do not know just what that total would amount to. The United Textile Workers of America in the Montreal mills have at Hochelaga some 800 hands on the two shifts; Mount Royal has about 700 hands; Merchant's have about 850, and the Montreal Cottons Limited at Valleyfield have about 2,700. I have left out the Ste. Anne's mill because I am not sure whether they are under that contract.

Q. It looks like the Catholic Syndicates have the largest number of representatives?—A. Yes.

Q. The figures would indicate that.

Mr. LESAGE: I have added the figures and there are 7,200 in the Catholic Syndicates, and around 5,000 for the other union.

The WITNESS: Yes, that would be about right I would imagine.

By Mr. McGregor:

Q. With respect to the Ste. Anne plant can you tell us how the wage rate compares for those 250 workers as compared with other places and wage rates? —A. Yes, I do not know how the average would work out, but we pay the same rate for the same job in all the mills.

Q. Whether the workers belong to a union or not?—A. Yes. The rates are standard. A worker on a particular job in the Ste. Anne's mill, a spinner or a card tender, or any specific job, is paid the same as the worker on the same job in Hochelaga which is about a quarter of a mile away.

Q. The point I wanted to make is that in the light of the fact you have said there is no union at Ste. Anne's—

The VICE-CHAIRMAN: He has not said that specifically. He is not certain whether they have a contract.

The WITNESS: I have been told by my associates that there is no contract.

Mr. McGREGOR: The point I am making is whether you pay the same rate whether you have a union in the shop or not?

The WITNESS: Yes, and we did that before we had the union. It has been the company practice right along.

The VICE-CHAIRMAN: Each person will draw a different conclusion from the fact which you have just stated.

By Mr. Lesage:

Q. The rates you have given, Mr. Gordon, are the basic rates or take-home pay rates?—A. The figures I gave you, sir, are the earnings expressed in totals.

Q. That is the take-home pay?—A. The take-home pay, by the hour.

Q. Including piece work?—A. The average earnings for these groups by the hour, including the effect of overtime where there is any.

By Mr. Zaplitny:

Q. Do you mean by take-home pay, after taxes are deducted?—A. No, we did not take off the tax. That is what they earn before deductions.

The VICE-CHAIRMAN: They did not endeavour to make a distinction between basic pay and that which was earned, I think, Mr. Zaplitny.

Mr. ZAPLITNY: Yes.

Mr. FLEMING: Then we should not call these earnings take-home pay at all. It never gets home.

Mr. ZAPLITNY: No, it is not the take-home pay.

The VICE-CHAIRMAN: In the schedule rates, do you see; the amount that was recorded in the pay cheque. It takes into account some overtime. That was the distinction, and that is what the witness meant by take-home pay.

Mr. ZAPLITNY: That would be the gross earnings.

The VICE-CHAIRMAN: I mean, if the representations of Mr. Winters get consideration, that is what would be in his pay envelope. He would not take it home; but, according to Mr. Gordon's definition that would be the take-home pay on the basis on which they figure it.

Mr. ZAPLITNY: Mr. Chairman, I was going to ask Mr. Gordon if the average over-all wage rate given is 75·18 cents per hour—if I heard correctly—

Mr. FLEMING: That is the weighted average.

The WITNESS: 75·18 cents exactly.

Mr. ZAPLITNY: I wonder if Mr. Gordon could tell us if he has a comparative figure in line with that for the textile industry in the United States, one which could be compared with these rates.

The WITNESS: It could be procured. I haven't got it, Mr. Zaplitny. I imagine such a figure could be obtained.

The VICE-CHAIRMAN: Well, we would not, of course, ask Mr. Gordon to get it. You are not suggesting he get it, but if he had it would he give it to you?

Mr. ZAPLITNY: I was only asking if he had it.

The WITNESS: No, I haven't got it.

Mr. ZAPLITNY: I would like to ask one or two questions of a general nature, if I may, Mr. Chairman.

The VICE-CHAIRMAN: Yes.

Mr. ZAPLITNY: In connection with these three companies; including Montreal Cottons Limited and the Drummondville Cotton Company; I understand they are fully owned subsidiaries of Dominion Textiles.

The VICE-CHAIRMAN: I think that has been covered, Mr. Zaplitny; you will find the answer to that in the record.

Mr. ZAPLITNY: That may be. I am sorry.

The VICE-CHAIRMAN: Of course, the witness may answer, if there is no objection.

The WITNESS: The Drummondville Cotton is wholly owned. Montreal Cottons is not. Montreal Cottons is a separate company, has its own president, managing director and so on.

Mr. ZAPLITNY: It is not a subsidiary?

The WITNESS: It is a subsidiary, in that we have the control of the common stock.

Mr. ZAPLITNY: Now, Mr. Chairman, I have another question which may also have been answered. Is there any objection in my asking it? It relates to the net earnings of these companies.

The VICE-CHAIRMAN: I think that has been covered quite fully.

Mr. ZAPLITNY: If I remember correctly, it has not been answered yet. I am not going to quibble about it. I only wanted to get this on the record.

The VICE-CHAIRMAN: I was not even suggesting that you were quibbling, but I thought perhaps the questions on that point were asked when you were not present; in which case I was going to say that I thought it had been pretty fully covered. But I may be wrong about that. It has been covered, but it may not have been fully covered. You are at liberty to ask.

By Mr. Zaplitny:

Q. I think my question can be answered in one word. Is there any competition in sale or price amongst these companies?—A. The Drummondville Cotton Company is out of the picture because it makes technical products. It has nothing to do with the other two mills, so you get no competition there. As between Dominion Textiles and Montreal Cottons; the products, again, are not identical. Montreal Cottons are on a finer quality of product. I would say that where the Montreal Cottons are nearly in the same general picture as Dominion Textiles would be in cloth for shirting, but the Montreal Cotton price is set independently of the Textile price. We do not try to throw the business one way or the other.

Q. Then I take it there is no attempt made at competition there?—A. I think it is competition; each is trying to get the best sale they can for their own particular product, and the best price they can. I do not know what you call that.

Q. Your previous answer would indicate that there is no competition because of the different fields in which they operate.—A. Well, a man has choice, the buyer makes his choice as between quality produced by the one mill and that produced by the other. It depends on which he considers to be the best value for his particular purposes. Everything is competitive. In a particular class the Montreal Cotton price—say that J.C. 41 broadcloth, that may be affected by certain things and Dominion Textiles products by others.

Q. Mr. Chairman, would you permit me to ask questions in connection with the net profits of these three companies as compared over the years?

The VICE-CHAIRMAN: There is no objection at the moment. If it goes on to another point that has been pretty well covered you won't mind it being pointed out?

Mr. ZAPLITNY: Not at all.

By Mr. Zaplitny:

Q. The figures I wish to refer to are the summaries of net profit of these three companies for 1936 as compared with 1941, and for 1947 and 1948. It is not made up in any statement given to us. This is my own computation. I would just merely like to point this out, that in 1936, the net profit of the three companies appears to have been about $1,716,000—and I am using my own figures—in 1941, it appeared to be $2,877,000; in 1947, $2,265,000; and in 1948, for what period we have, at the rate of $3,508,000. Now, that would indicate that there was a rise in profits from 1936 to 1941, then a drop from 1941 to 1947, and then again a rise in 1947 and 1948. Would Mr. Gordon like to comment on the reason for that rise, the fall and the rise again?—A. I don't know—this is what the three companies earned, you say?

Q. Yes, a summary of the profits made.—A. Taken from what source?

Q. They are taken from the statements given to us. I think this is in report B.

The VICE-CHAIRMAN: Is that a factual statement, Mr. Zaplitny, or in accord with the record? That would be something that would have to be settled in our minds first, I believe, before witness comments on it. Isn't that right?

Mr. ZAPLITNY: If there is any error at all it is a very slight error in mathematics only.

The VICE-CHAIRMAN: Just in arithmetic only.

Mr. ZAPLITNY: The figures have been taken from their own statements.

The VICE-CHAIRMAN: I am not disputing, or stopping you at all; I only point out that the witness would have to satisfy himself as to the correctness of your factual statement before he made any comment upon it.

The WITNESS: I see what Mr. Zaplitny has done. He has taken schedule B8 and taken the figures reported on the questionnaire as net profit after taxes for each year and added them up for these particular years to arrive at these totals. That is what you have done, is it not?

Mr. ZAPLITNY: Yes, for purposes of comparison only. The figures in themselves are not particularly important. That is the trend. There was rise in 1936 to 1941; that is true; and a drop from 1941 to 1947; and there is a rise again and in 1947-48, also. What is the reason for that trend?

The WITNESS: 1947, was the last figure on this schedule.

Mr. DYDE: Where are your 1948 figures from? Schedule B8 seems to end with 1947.

Mr. ZAPLITNY: If you will refer for exemple to Montreal Cottons, the folder that was given to us separately for Montreal Cottons, and if you will go over the statement No. 1 on page 2, you will find figures there from 1936 to 1947; and then, continuing on, you will find on statement No. 2, page 2, figures up to March 31, 1948. You will see them in the separate statements for the three companies. I have summarized them for these particular years.

The WITNESS: We will then check that 1948 figure to see if it is comparable with the others.

The VICE-CHAIRMAN: Yes.

The WITNESS: Would you mind giving your individual figures?

Mr. ZAPLITNY: For 1948?

The WITNESS: Yes, that is the last one.

By Mr. Zaplitny:

Q. For Dominion Textiles, \$2,810,891; Montreal Cotton, \$41,336; Drummondville Cotton, \$296,027. Those are taken from the last column which shows the quarter ending March 31, 1948.—A. Yes. Well, assuming that those figures are correct, and they seem to be so far as we have checked them; 1936, of course, was not a particularly good year in the business. 1941—we were running into our war production and that \$2,877,000 for the three companies combined is probably at 115⅔ on standard profits.

Q. Pardon me, just at that point; would that be before or after taxes?—A. This is after taxes, isn't it?

Q. Yes.—A. That would be 70 per cent of the pre-war average.

Q. Would that 1941 figure not be the profit before price ceilings went on, or about that time?—A. March of 1941?

Q. Yes.—A. Yes, most of it.

Q. Well then, would you continue your explanation?—A. The next year is 1947, which in the case of Dominion Textiles would be March 31, 1947—is that the statement you used?

Q. Yes.—A. That would be a very large figure. There you are under price ceilings and the 115⅔ limitation on subsidies there. Actually, of course, you have to compare the earnings of these companies under the subsidy program with earnings before the war, because it would not matter how much we made—lets see how I can explain this. While we were under subsidies we were limited to this 115⅔ profits, and if we got the subsidies that we were entitled to that would have brought us up to let us say 130 per cent, but we could not in any case go beyond this 115⅔ mark; so it had no relation to price, the price that we could have earned and drawn all the available subsidy that we could have got to make up for the deficiency on the overcharge on cotton—that might have shown a much bigger profit than we had, but that is what we were held to under these limitations. Do I make that clear, there was no effect on price?

Q. Yes. If I may now, Mr. Chairman, relate this to the statement shown on table B7 in report B, which shows the per yard price of textiles. For example, the first item is unbleached bed sheeting—unfortunately we have not the 1936 figure in order to compare it with those that we have. We had to take first the 1942 selling price per yard, 27 cents; and on September 15, 1947 it is 49·8 cents, almost 50 cents; and then we come to the 1948 figure where it is 61 cents; which, if you will follow it down on the other piece goods you will find it continued pretty much the same price, almost double 1942; and then 1948, it is appreciably higher than 1947. Could we not conclude from that that ceilings and subsidies had the effect of holding down both the price on cotton goods and the profit.—A. The first price, that is January 1, 1942, is the control price under the ceiling. So was the price on December 13, 1947. The big rise there between those dates was while we were under price ceilings and is accounted for by the actual increase in the subsidies which followed the rise in the price of raw cotton from 11·4 up to 27·2 per pound. That was all explained the other day, I think. And then, the subsequent increase from September 15, 1947, to the current price of 61 cents is the final jump from the subsidized price on raw cotton up to the market as of that date.

Q. It also coincides with the period when controls were first removed.—A. Oh yes, controls were off at the time these prices were arrived at. That is the price we had to buy at.

The VICE-CHAIRMAN: Is that all?

Mr. ZAPLITNY: That is all, thank you.

The VICE-CHAIRMAN: I guess that concludes for you, Mr. Gordon. Thank you.

The WITNESS: Thank you very much, Mr. Chairman.

Mr. DYDE: I should like to call the officers of Canadian Cottons, Mr. Chairman. We could at least get them sworn and perhaps proceed a certain distance with them.

(Discussion continued off the record.)

The VICE-CHAIRMAN: Gentlemen, it is approaching one o'clock. If these witnesses are identified and possibly a paper produced which can be mimeographed afterwards, that would be about as far as we will go, I fancy. If that is agreable all around, we will do that.

Edward Carey Fox, President and General Manager, Canadian Cottons, Limited, called and sworn:

By Mr. Dyde:

Q. Would you give the committee your full name, please?—A. Edward Carey Fox.

Q. And your address?—A. 119 Glen Road, Toronto.

Q. What is your position with this company?—A. President and general manager.

Q. Of what?—A. Canadian Cottons.

James Irvine Roy, General Manager, Canadian Cottons Limited, called and sworn:

By Mr. Dyde:

Q. Mr. Roy, would you give the committee your full name, please?—A. James Irvine Roy.

Q. Your address?—A. 5552 Snowden Avenue, Montreal.

Q. Your occupation?—A. General Manager, Canadian Cottons.

Mr. DYDE: Now, Mr. Fox, I asked you to produce certain figures and I think you are able to do it, with regard to production. I do not suppose you have those figures in mimeographed copies sufficient for the committee?

Mr. FOX: No, I have not, sir.

Mr. DYDE: I am going to suggest, Mr. Chairman, Mr. Fox supply those now. I will have them mimeographed by this afternoon and we will be able to cover that particular part of our field much more rapidly.

The VICE-CHAIRMAN: All right.

Mr. DYDE: I should like to deal with that matter first, in the examination of these gentlemen. So far as I am concerned, I should like to get at that work as soon as possible. However, if there are any questions of a general nature which the members of the committee desire to ask, I will just stand down.

The VICE-CHAIRMAN: I think it would be best if we had those papers produced and we adjourned until this afternoon.

Mr. DYDE: I would also like to distribute the reports which this company has made. Perhaps that could be done before we adjourn.

The VICE-CHAIRMAN: Just wait for the distribution of the reports, gentlemen.

Mr. DYDE: Are you able to give those figures so that I could have them mimeographed by this afternoon? I want the tables showing bale openings of Canadian Cottons for the years since 1938; cotton yarn production and all woven fabric production. Are you able to produce those figures?

Mr. FOX: Yes.

Mr. DYDE: Could you let me have a copy so I could get them reproduced?

Mr. FOX: Yes, sir.

Mr. DYDE: Give me first, if you will, the record of bale openings.

Mr. FOX: That is by calendar years, as we put them into the Department of Statistics.

Mr. DYDE: Then, your next schedule would be for cotton yarn production?

Mr. FOX: Cotton yarn production, year by year and for each month.

Mr. DYDE: Now, the schedule for fabric production?

Mr. FOX: Fabric production and yarn which is, of course, included in the total yarn.

Mr. DYDE: I also asked you to bring certain information with regard to absenteeism, and if that is in tabular form I would also have it reproduced?

Mr. FOX: I think I would prefer to talk to it, if I may, Mr. Chairman.

The VICE-CHAIRMAN: That is all right.

Mr. DYDE: Is there any other table which you wish to put before the committee?

Mr. FOX: In respect of production, I think there is one which would help the committee to have a better perspective. I submit to you, Mr. Dyde, a statement as of each of these dates, March 31, 1942 and September 30, 1942, being six months' intervals, showing the number of paid employees; the number of hours worked and the total mill production in pounds. I have taken two years since 1942 to show the trend of employment; the number of hours worked and the total mill production. I think that might be useful.

Mr. DYDE: Could you let me have a copy of that so I could have that reproduced also?

Mr. FOX: Yes, sir.

Mr. DYDE: Is there anything else, Mr. Fox?

Mr. Fox: Not by way of anything you would want mimeographed. You may want to ask me about the construction of cloths, something like that.

The Vice-Chairman: Gentlemen, we have the material which will be prepared for this afternoon. We can adjourn now, until this afternoon.

The committee adjourned to resume again at 4.00 p.m.

AFTERNOON SESSION

The Committee resumed at 4.00 p.m.

(Mr. Winters took the chair).

The Acting-Chairman: In the absence of the chairman, and the vice-chairman, we will start the meeting.

Edward Carey Fox, President and General Manager, Canadian Cottons, Limited, recalled:

By Mr. Dyde:

Q. Mr. Chairman, while the documents are being distributed I would like to ask Mr. Fox to identify the samples which his company has produced. The first sample is denim, which I notice you speak of as being style 144?—A. That is right, sir.

Q. That is the denim which is mentioned in the supplement to schedule B7 and this sample will be produced as exhibit 135.

Exhibit 135—Denim, Style 144.

Then, Mr. Fox, there is a work-shirting, spoken of as style C-36 and I notice the only difference is in the colour, is it not?—A. Yes.

Q. That is also mentioned in the supplement to schedule B7 and I produce that as exhibit 136.

Exhibit 136—Work-Shirting, Style C-36.

Then there is a ticking, style ACB and also referred to in the same supplement, which I now produce as exhibit 137.

Exhibit 137—Ticking, Style ACB.

There is next a sample of cotton blanketing, which will be exhibit 138 and which is also mentioned in the supplement to schedule B7.

Exhibit 138—Sample of Cotton Blanketing.

Now, Mr. Fox, would you be good enough to turn to the documents which you produced today and the first document was a statement of bale openings from 1938 to 1947 inclusive, with the months of January, February, March, and April of 1948 also included. Those figures cover calendar years?—A. Yes, sir.

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CANADIAN COTTONS, LIMITED

Bale Openings

(Bales of 500 lbs. gross weight)

Calendar Year	Bales Opened
1938	35,006
1939	35,088
1940	52,522
1941	47,173
1942	50,022
1943	44,123
1944	39,516
1945	36,511
1946	40,684
1947	42,676
1948	
January	4,060
February	3,831
March	4,364
April	4,377
	16,632

Q. Those figures indicate the number of bales opened in each calendar year?—A. Those are the exact figures as submitted to the Department of Statistics.

Q. The second document which I have before me is a document headed "Canadian Cottons Limited, production, piece goods in yard (000's omitted)". The figures are for the same calendar years and for the same months in 1948 and they show the number of yards produced by Canadian Cottons Limited?—A. Yes.

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CANADIAN COTTONS, LIMITED
PRODUCTION

Piece Goods in Yards (000's omitted) Calendar Year	Yards
1938	37,874
1939	37,053
1940	53,316
1941	49,222
1942	54,238
1943	48,414
1944	45,900
1945	45,390
1946	45,440
1947	47,777
1948	
January	5,064
February	4,379
March	4,304
April	5,683

Sales Yarn in Pounds (000's omitted) Calendar Year	Pounds
1938	2,658
1939	2,912
1940	5,004
1941	4,983
1942	4,377
1943	3,175
1944	2,538
1945	1,852
1946	2,832
1947	2,851
1948	
January	307
February	266
March	294
April	359

Q. On the lower half of the page you have shown the sales of yarn in pounds with the 000's omitted?—A. Yes, sir.

Q. Now the third document is one headed "Spinning production" and this statement includes the yearly production in thousands of pounds for the same years and for the same months?—A. That is right sir.

June 7, 1948.

CANADIAN COTTONS, LIMITED
Spinning Production

Calendar Year	Yearly Production (1000's of Pounds)	Weekly Average (50 Weeks) (1000's of Pounds)
1938	16,950	339
1939	16,642	333
1940	25,034	501
1941	23,586	472
1942	25,561	511
1943	22,457	449
1944	20,900	418
1945	19,951	399
1496	21,739	435
1947	22,678	452
1948		
January	2,337	467
February	2,041	508
March	2,009	501
April	2,588	517

Q. The fourth document which you produced is headed "Canadian Cottons Limited employment situation".

CANADIAN COTTONS, LIMITED

Employment Situation

The following figures give in the second column the number of hourly paid employees who received wages; the third column the number of hours worked for the week at the dates indicated in the first column; the fourth column the total mill production in pounds for the same week.

	Number of Employees Paid	Number of Hours Worked	Total Mill Production
March 31, 1942	3,370	162,000	570,738
September 30, 1942	3,190	156,000	476,364
March 31, 1943	3,080	152,000	472,448
September 30, 1943	2,980	139,000	440,561
March 31, 1944	3,060	144,000	475,576
September 30, 1944 (low)....	2,850	135,000	438,601
March 24, 1945	2,930	134,000	417,025
September 30, 1945	2,950	136,000	408,429
March 31, 1946	3,190	145,000	435,848
September 30, 1946	3,175	125,000	434,287
March 31, 1947	3,560	148,000	467,787
September 30, 1947	3,575	149,000	423,473
March 20, 1948	4,020	169,000	533,699

Here again, Mr. Fox, as we found with previous companies at which we looked, there is a falling off in production since the peak attained during the war. Then production does not seem to have by any means reached the production level of 1938-39 on the downward trend, so to speak, yet you are below the peak of war years. What is the explanation of the falling off in production since the war peak in connection with your comapny?—A. Really, Mr. Chairman, it is a shortage of labour. I think everyone expected that after the war there would be a bigger supply of labour for the ordinary peace industries, but the backlog of needs was so great that we simply were not able to get the labour to meet the situation in which we found ourselves at the end of the war. We were short of the more expert help at that time and we just could not build up our staffs with the rank and file of people. We had to train people for their specific jobs and you will see that we have been picking up laterly.

Q. Before going on with that, I am going to refer to the fourth document, namely the employment situation and I notice that you say "the following figures give in the second column the number of hourly paid employees who received wages; the third column the number of hours worked for the week at the dates indicated in the first column; the fourth column the total mill production in pounds for the same week." Now I look at that quickly and I find that the number of employees is quite high in 1946 and 1947. In fact, throughout 1947 the number is higher than it was in 1942. There is not shown a higher figure in the number of hours worked—in fact that figure has dropped but the number of employees has increased. Would you look at that document and give us your comments on the labour situation?—A. I thought it would be of benefit to the committee to give a quick perspective by taking two weeks in each year, the end of the fiscal year and at the end of the six months period. The figures represent a full week's production. At the start we had 3,370 people and we were working a 50-hour week at that time and down to September 1944. Between September 1944 and March 24, 1945 there was a reduction in the number of hours worked per week. If I may divert for a moment I would just point out that we did not take the week ending March 31, 1945 because it contained Easter which throws the production out and so we took the previous week. Between September 1944 and March 1945 we dropped from 50 hours to 48 hours per week and therefore to get the same unit output you would naturally have to have about 200 more people to do the same work. Again, between September 30, 1946 and March 31, 1947 we dropped from a 48 to a 44 hour week. At the time of both of those drops the rate was increased. The employees received same take-home pay but they worked less hours. We would therefore have to have one more employee for every eleven which we previously had on the payroll. That about explains the situation until you come to March 28, 1948, and there we have had an increase in employment.

Q. Do you find it is now easier to get help than it has been in the past?—A. Yes, sir, with the exception of the city of Hamilton.

Q. You are not getting all the help there that you could use?—A. No, we are not.

Q. Otherwise you are?—A. It is much easier—you asked me if it was easier—but I should explain that you cannot take all the help available but you must take is proportionately. We cannot take all unskilled labour without matching it up with the skilled labour.

Q. What are your shifts in those plants?—A. We have a 44-hour week and we run two shifts. It takes two weeks to complete a cycle. One shift works 48 hours and the other shift for the same week works 40 hours. In the second week the first shift, which in the previous week worked 48 hours, works on the second shift in the second week for 40 hours. The original second shift which operated during the first week becomes the first shift in the second week and it works 48 hours. The average for the two weeks is 44 hours. The reason for doing that lies in the Ontario laws. One shift works on Saturdays until 3.30 p.m. and then it does not work the next Saturday at all. Everyone gets one free Saturday out of two and then, with respect to the second shift, those people are able to get their evenings off every other week.

Q. When you say you are required to follow that procedure under the Ontario law would you amplify the statement a little? What is the requirement of the law?—A. We cannot work women past 11.30; we must let them out then.

The ACTING-CHAIRMAN: I notice there are two plants in New Brunswick. Would th same thing apply there?

The WITNESS: We work them just the same there, but not for the same reason.

The ACTING-CHAIRMAN: Not for the same reason.

By Mr. Dyde:

Q. Are you finding any difficulty in getting help for the plant in New Brunswick?—A. Yes, we are finding some difficulty. There is the same situation there where we are short of expert help. We are seeking to train more help all the time.

Q. Are you able to give us any idea of the number of people in the plant who at the present time are not trained and who are still under training? Would it be possible for you to give those figures approximately?—A. I would have to ask Mr. Roy to answer that. I could not answer the question intelligently.

Mr. ROY: I do not think I could give you the answer to that. We are constantly changing over and new people coming in. It would be pretty hard to say at any one time.

By Mr. Dyde:

Q. Your plant capacity, Mr. Fox, has not changed since 1942?—A. No, sir.

Q. You have the same capacity for production?—A. That is right; we have put in some new machinery, but it is all replacement.

Q. Would 1942 constitute in your opinion your peak capacity as well as your peak production?—A. Yes; you will notice our actual peak was in 1940.

Q. Yes.—A. The industry as a whole was in 1942; ours was in 1940.

Q. In 1940 you were running pretty well at full capacity, were you?—A. Yes, sir.

Q. That would be your limit with the present plant, would it?—A. Yes, about our limit.

Q. I have no further questions on that aspect of the matter.

By Mr. Fleming:

Q. May I ask the witness the same question I asked Mr. Gordon this morning, if there is any trend in the productivity, manpower productivity?—A. There is practically none. According to our records it is the same. That is also hooked up with absenteeism. We did not study it scientifically at first. It was never a problem prior to the war. It was only then the situation became acute, but our absenteeism runs slightly over 6 per cent. That is covered by people who are away sick, people who are away with some excuse, and people who are away inexcusably. It is only within the last few months we have begun to break that down. Of those who work—and this is true since 1941—they are about an hour and a half per person on the average short of their regular hours. That is to say, you have got a 44-hour week, and of the number of people paid each week they average about 42½ hours. It varies up and down from time to time. There is an hour and a half. The remaining 6 per cent is made up of those people who are away the whole week, and therefore not on the payroll.

By Mr. Lesage:

Q. I notice on this form entitled "Employment situation" that for the period ended March 31, 1942, for a total of 162,000 hours worked the total mill production was 570,000 odd?—A. Yes.

Q. And that for the period ended March 20, 1948, for a total of 169,000 hours worked the production was much lower?—A. Yes.

Q. For a higher number of hours?—A. And smaller productivity?

Q. Yes.—A. I think the explanation for that is this, that at the beginning of the war we were able to make in our Ontario mill very large quantities of sales yarn, could not carry it on to the fabric stage, and we sold it as sales yarn. You get a figure under those conditions that is higher.

Q. That is the only reason?—A. Yes.

Q. It would not be the efficiency of workers?—A. I think that is a very subtle difference, the efficiency of the work. The efficiency of our working people is about the same as it was.

Q. About the same now as it was?—A. Yes.

Q. Was there a time when they were less efficient, because you say it is about the same now as it was?—A. Well, we used to say so, but our actual records do not show that.

Q. As a matter of fact, you have 650 more employees than you had in 1942 and yet your production is much lower?—A. It is on that one week. I have taken out those two weeks every six months, and on that one week it is quite true. Whether it would be true over the rest of the time I do not know.

Q. Of course, you can explain it by the fact that the workers work a fewer number of hours, a smaller number of hours per week now than they did in 1942?—A. Oh, yes.

Q. That would be one of the reasons for the increase in your cost, and consequently in the price, would it not?—A. Oh, it would add very much because the take-home pay—

Q. It would add very much to the price?—A. Yes, it would add whatever that amount is, the take-home pay plus whatever increases in wages you have made.

Q. The increase in wages and the reduction of hours worked certainly are causes of the increase in price?—A. Oh yes, without any doubt.

By the Acting Chairman:

Q. On this question of inventory reserve which we spoke about when Mr. Gordon was the witness, on schedule B-8-1, you show your inventory reserve and capital employed, net profits after taxes, and so on. Would you explain to the committee how you handle that matter of inventory reserve?—A. Yes, I will. I joined the company in 1940 as chairman of the board. Up to that time there was a system of setting aside inventory reserves very much on the principle that Mr. Gordon described except that we did not operate on the lifo principle, that is last in, first out, in respect of our inventory, but they did write their inventory down to certain levels. We were still working on the basis of inventory, first in, first out, and that is the way we have kept it all through this report. After I came in I took all these reserves and booked them all, and then I wrote a common reserve. You will see the difference in 1947 between $11,775,000 and $14,697,000 is $2,922,000. We wrote that right off all our inventory. It is on our books there are then it is deducted.

Q. The system you follow is somewhat different from the system followed by Dominion Textile?—A. That is right. We follow one lump sum, but I may say taxes are all paid on it.

Q. I wonder if you would explain to the committee very briefly just what the nature of your operations are in the New Brunswick plants?—A. One is a pure cotton mill which is at Marysville outside of Fredericton, and the other one was a gingham mill up until the time the ladies decided they would not wear gingham any longer. Then it became a struggle to keep it open. They had a very very bad struggle in the 30's, I might say. I think probably had I been in charge I might not have had as much courage as my predecessor had. Anyway it was kept open, and then we began experimenting in rayon and rayon and cotton, and rayon and wool mixtures, and it has developed along these lines.

Q. You saved one maritime plant then?—A. I did not; my predecessor did.

Q. Do you have any figures on the production and number of employees in those plants?—A. There are about 700 in each one, between 700 and 800 in each plant.

Q. Are they mixed, male and female?—A. Oh, yes. Our proportion for last week is 58 per cent male, and 42 per cent female on the broad percentages.

Q. Would you say that again?—A. Fifty-eight per cent male, and 42 per cent female, is a cross section of our employment last week.

Q. There is one striking point here, that on the front page of your annual report it shows the companies listed, and four of the companies are in Ontario and two in New Brunswick, and the head office is in Montreal. Why do you have an arrangement like that?—A. It starts back before 1892 when the original company had its office in Montreal. In the wholesale trade everybody came to Montreal in those days, not to Toronto, and they still do not come to Toronto to buy. They come down to Montreal. Cornwall is fairly near Montreal. We have not any plants in Quebec at all, just in Ontario and in the maritimes.

The ACTING CHAIRMAN: Are there any further questions of this witness? I guess that is all. Thank you very much.

By Mr. Fleming:

Q. May I ask one question? Speaking of the cotton textile industry as a whole, what do you say whether it is or is not an industry in which keen competition prevails.—A. Very keen competition prevails. Are you going to talk about normal times or abnormal times such as the war?

Q. Conditions in general.—A. I could take over half an hour about that. That is not what you want.

Q. I am thinking of conditions particularly at the present time, within the last couple of years, and more particularly since ceilings and controls came off.—A. There has been no competition during the war because every country that had a spindle and a loom had to work it as hard as they could. Since the ceiling came off there has not been time enough. There is a world shortage in textile goods. First of all there was enormous destruction of machinery in Europe, and that has to be replaced. Then there is an enormous backlog of demand. People are short. It would not be fair for me to say that there is acute competition today. I do not think there is, but there is competition developing. We fix our price based upon cost, and then we look at our customers, and we have to sell to a satisfied customer, not to a dissatisfied customer, because we have to go back. Then we look at the competition we have. Mr. Gordon stressed, and I can certainly confirm it in our business, that people can go to alternative choices in textiles. Take all these working clothes. They have three or four or five different kinds of working clothes. They can take a choice of one made by one firm or another made by another fiirm. Take your flannelettes and tweeds and things like that. We are all out for the business. I hope to see the day when Canada can supply its own textile needs. No civilized country can get along without the textile industry, and if we had not had the textile industry during the war to help us out as much as we did it would have been too bad for Canada. We would have gone around with a loin cloth.

—(Mr. Maybank, Vice-Chairman, resumed the chair).

The VICE-CHAIRMAN: Are there any further questions?

By Mr. Zaplitny:

Q. On statement No. 1, page 1, there are comparative figures as to the increase in wages under costs of sales and expenses.—A. What statement is that?

Q. Statement No. 1 on page 1.—A. There are no wages in my statement under 1.

The VICE-CHAIRMAN: The witness is saying there are no wages on his statement No. 1. To which statement are you referring?

Mr. ZAPLITNY: It is under the special preliminary questionnaire.

Mr. LESAGE: Statement No. 1.

The WITNESS: Right, page 1.

Mr. ZAPLITNY: Yes, and in the middle of the page there is a heading, costs of sales and expenses, on the left hand side. Then there are comparative figures. Just take two years. For example, it is headed "Labour" and then underneath that is "Factory wages".

The WITNESS: I have it.

By Mr. Zaplitny:

Q. Does factory wages refer to the word "labour" up above that?—A. Oh no. I presume the auditors can explain that. Factory wages is the labour.

Q. Is that the same thing?

The VICE-CHAIRMAN: It has been left blank, has it not?

Mr. ZAPLITNY: That is what I am trying to find out.

The VICE-CHAIRMAN: Opposite the word "labour" you have figures, and then underneath it you have the words "factory wages", and opposite them it is blank. I wonder if the whole expression is "Labour, factory wages", and then the figures which are exactly opposite the word "labour" are the figures which apply to that phrase. Is that correct, the whole phrase is in there?

The WITNESS: That is right.

The VICE-CHAIRMAN: That is what you were getting at?

Mr. ZAPLITNY: Yes.

The VICE-CHAIRMAN: And then to follow up the next division is made under office salaries.

Mr. DYDE: I think it might be explained, Mr. Zaplitny, if you happen to have page 3430 of the printed proceedings where you will find that the questionnaire reads "Labour", which is a sort of heading, and then factory wages, office salaries, selling salaries and executive salaries are underneath that.

By Mr. Zaplitny:

Q. The question I want to ask is that opposite labour for 1942 there appears the figure $3,797,000 in round figures, and in 1948 it is $5,744,000. Under office salaries we have a figure for 1942 of $35,831, and for 1948, of $90,492. The percentage increase would appear to be very much more in the case of office salaries as compared with factory wages. Is there any explanation for that discrepancy?—A. I venture to say office salaries have not gone up nearly as much as wages, but we have got a larger office staff. It takes a lot more people to service our business now than we had then.

Q. That would represent a larger office staff rather than higher office salaries?—A. Oh yes, definitely.

Q. Is the same thing true for executive salaries further down where there is an increase from $49,000 to $68,000?—A. You notice before I answer that that the $49,000 is low compared to the previous ones. It is entirely an increase in the number of executives. If it is any satisfaction I may say I get the same salary as my predecessor got in 1930.

By the Vice-Chairman:

Q. You are holding your own?—A. Holding my own.

Q. I do not know but what you might very well turn that around and say that you are getting the same pay as your predecessor got over a hundred years ago—didn't you say it was 1830?—A. Yes.

The VICE-CHAIRMAN: Are there any other questions?

By Mr. Lesage:

Q. I notice there is an increase in the cost of labour of practically 50 per cent in 1948, over 1942 for similar production?—A. Our labour rates are over 200 per cent higher, Mr. Lesage.

Q. 200 per cent higher?—A. Yes. You see, what you have to bear in mind is the same take-home pay for fewer hours increases the rate, and then on top of that there is the increase in the general industrial pattern throughout Canada from year to year which we must follow or we wont get anybody.

Mr. FLEMING: Do you mean 200 per cent higher, or 200 per cent of what they were?

The WITNESS: I always get mixed up on that, Mr. Fleming; the increase is two to one.

The VICE-CHAIRMAN: Oh, it is two to one? That would be 100 per cent higher.

Mr. FLEMING: What is the average rate of pay?

The WITNESS: $78.25 is our weighted rate. We pay the same rates as the others. We are organized into one union, all our employees are in the one union and we just have the one negotiation each year.

The VICE-CHAIRMAN: Mr. Fox, this morning I was getting information from Dominion Textiles as to the union set-up. You were here and you heard my question to them, did you not?

The WITNESS: Yes. We just have the one union. We have six plants and we have the same union in all of the plants, and we just have to meet once a year for labour negotiations which includes all our employees.

The VICE-CHAIRMAN: What union is that?

The WITNESS: That is the Textiles Workers Union of America—C.I.O.

The VICE-CHAIRMAN: That is the third union which has been introduced. There were two this morning and this is the third.

The WITNESS: That is the official name.

The VICE-CHAIRMAN: Thank you, Mr. Fox.

(Witness retired)

Mr. DYDE: I would like to call Mr. Whitehead.

William James Whitehead, Managing Director, Wabasso Cotton Company Limited, Three Rivers, P.Q., called and sworn:

By Mr. Dyde:

Q. Mr. Whitehead, would you give the committee your full name?—A. William James Whitehead.

Q. Your address?—A. Three Rivers, P.Q.

Q. Your occupation?—A. I am managing director.

Q. Of?—A. The Wabasso Cotton Company Limited.

Q. You have supplied for the committe copies of the annual report of 1947, and also answers to the special preliminary questionnaire; and then I asked you to bring some further figures which you have done with reference to cotton production; and, Mr. Chairman, we are moving at a speed at the moment which has prevented my getting these mimeographed, but I think I have a good number of copies here and we could perhaps get along with the ones that Mr. Whitehead has himself prepared. The first statement is one showing the bale openings for the period from 1938 to the present time; and I think these bale openings that you have shown are for the calendar year in each case?—A. Yes, sir.

Q. The statement is as follows:

The Wabasso Cotton Company Limited
Three Rivers, Que.

HOUSE OF COMMONS
SPECIAL COMMITTEE ON PRICES
TEXTILE ENQUIRY

	Bale Openings Bales
1938 Calendar Year	39,227
1939 " "	38,498
1940 " "	45,468
1941 " "	47,910
1942 " "	43.463
1943 " "	35.168
1944 " "	29.955
1945 " "	29.517
1946 " "	29.035
1947 " "	25,097
1948 Jan. (5 weeks)	2.100
Feb. (4 weeks)	1.899
Mar. (4 weeks)	2.086
Apr. (5 weeks)	2.071
May (4 weeks)	2.001
at the rate of	23,084

7th June, 1948

Q. So in your case bale openings are materially down from pre-war, are they not?—A. Yes, sir.

Q. Well now, before I ask you for an explanation of that perhaps we might go on to the other production tables that you have been kind enough to prepare. The next table which you have prepared for the committee is a table headed, "cloth production (yards)" for the same period. It reads as follows:

The Wabasso Cotton Company Limited
Three Rivers, Que.

HOUSE OF COMMONS
SPECIAL COMMITTEE ON PRICES
TEXTILE ENQUIRY

	Cloth Production (Yards)
1938 Calendar Year	55,526,112
1939 " "	50,428,659
1940 " "	59,095,340
1941 " "	56,384,032
1942 " "	48,215,952
1943 " "	38,376,525
1944 " "	33,603,463
1945 " "	31,528,212
1946 " "	30,969,680
1947 " "	26,953,258
1948 Jan. (5 weeks)	2,509,271
Feb. (4 weeks)	2,199,550
Mar. (4 weeks)	2,168,987
Apr. (5 weeks)	2,793,539
May (4 weeks)	2,157,566
at the rate of 7th June, 1948	26,883,873

Then, Mr. Whitehead, I am looking at the table on yarn production, which is as follows:

The Wabasso Cotton Company Limited
Three Rivers, Que.

HOUSE OF COMMONS
SPECIAL COMMITTEE ON PRICES
TEXTILE ENQUIRY

	Yarn Production (lbs.)
1938 Calendar Year	3,163,666
1939 " "	3,766,470
1940 " "	4,307,131
1941 " "	4,811,919
1942 " "	4,317,001
1943 " "	3,666,649
1944 " "	3,642,129
1945 " "	3,739,191
1946 " "	3,668,817
1947 " "	3,061,034
1948 Jan. (5 weeks)	280,527
Feb. (4 weeks)	208,779
Mar. (4 weeks)	193,705
Apr. (5 weeks)	296,834
May (4 weeks)	243,804
at the rate of 7th June, 1948	2,781,020

Now, would you explain to the committee, please, the reasons for that falling off in production by Wabasso Cotton Company Limited?—A. From 1938 to 1941, we built up to our maximum peak working 24 hours a day 6 days a week. In 1941, we touched the top efficiency that we had ever reached. With the opening up of the war industries near us and without the protection of selective service we just dropped all the men on our third shift within a very short period of time, it just became a period of time until we had to close down that third shift, which accounted for a drop of about one-third in our production. Gradually during the war there was a falling off with the opening up of a bomb factory over at Canada Iron, and the girls also left us, with the result that we gradually went from a peak of 1941, and there has been a steady falling off of the number of employees on our payroll. At the close of the war in December of 1946, we were having so much trouble running the shift on Saturday afternoon—we swing the shift then—that we found it was necessary or advisable to close up the Saturday afternoon shift which caused a further drop of 8 hours per week.

The VICE-CHAIRMAN: Closing off the shift in the afternoon; how does that effect an 8 hour loss?

The WITNESS: That was from 3 to 11.

The VICE-CHAIRMAN: Oh, I see, that stops in the morning and goes on to 11 o'clock.

The WITNESS: We have also lost a considerable number of days' work. During the war, at the peak, before the war, we calculated on 308 days per year; today we are working 268 days a year; which is translated into a loss of approximately 3,000 mill working hours per year. Efficiencies have dropped from a peak of 92 per cent to somewhere between 70 and 80, where they fluctuate at the present time.

Mr. DYDE: I think you might elaborate on that as to what you mean by that.

Mr. LESAGE: What is that?

The WITNESS: That is the workers' efficiency.

By Mr. Dyde:

Q. How do you arrive at that?—A. By the rate the pick production varies.

Q. Do the number of picks produced vary—when you spoke about 92 per cent, what does that mean?—A. That is the possible.

Q. That is the maximum possible?—A. Yes.

Q. That was the highest you ever attained?—A. Well, the possible, the highest we ever got was I think 94 per cent.

Mr. WINTERS: That is with continuous operation of the machines?

The WITNESS: That is with continuous operation on an automatic loom—figuring on losses due to breakdowns or webb changes.

Mr. WINTERS: To what would you attribute that drop in efficiency?

The WITNESS: Inexperience.

By the Vice-Chairman:

Q. Would you translate that into terms of units of production; let us say unit production per worker, or per anything?—A. It could be translated into pounds per machine.

Q. You have not done that?—A. We don't do it, but it does not really mean anything because of technological changes in the plant which may bring up your man hour efficiency, which may improve your efficiency.

Q. But some of the technological changes may even improve production at a time when human efficiency might be going down?—A. That is right.

Q. Has there been any increase in efficiency due to technological changes over the past few years?—A. Yes, we have had considerable improvement in the pounds per unit per machine, due to machinery and operation changes.

Q. But expressing your efficiency in the manner that you have done; that it, as such and such a percentage; that obviates any need to consider whether there is a technological change or not, because that indicates a relative efficiency reached in your production operations?—A. That indicates the actual possible production, or the actual production of the machinery during the working hours.

Q. Well, the fact that the machinery is bettered—there is no need to make any adjustment in the figures in the sort of index that you have given us?—A. No, sir.

By Mr. Lesage:

Q. Is not one of the main causes of this drop in efficiency the fact that your rates of pay are lower than others in the industry?—A. Our rates of pay are equal to if not higher than those in the Three Rivers area. For male labour we match up very closely if not a little higher than with the trades collective labour agreements. We do not equal the paper mill wage which is considerably higher than any other wage paid in Three Rivers.

Q. And that is the main industry in Three Rivers?—A. That is the main industry in Three Rivers.

Q. How do you compare with Dominion Textiles? Are your rates the same?—A. According to the evidence which Mr. Gordon has given we are apparently very close to their rates.

Q. 75 cents?—A. Our weighted average is 71. But in taking into account the weighted averages the average hourly wages of the men also had to be taken into account. Dominion Textiles is a considerably larger company than ours. They have larger machine shops and other departments, and a considerably larger number of their personnel are paid higher wages as compared to those paid in our plant. You see, we have only a small machine shop.

Q. But you haven't got anything on labour with you?—A. We don't have—

Q. You don't have any figures; you could not give us the average for skilled workers only, apart from the skilled labour like in your machine shop?—A. I am afraid I do not understand.

Mr. WINTERS: I think Mr. Lesage wants to know what are the rates for textile workers as apart from machine shop personnel such as machinists, and so on.

The WITNESS: A machine fixer gets as good a wage as does a machine shop man.

Mr. LESAGE: He does?

The WITNESS: Yes.

By Mr. Winters:

Q. Do you have a piece work system also?—A. As far as possible it is piece work.

Q. Are your base rates comparable to those of Dominion Textile Company Limited?—A. The hourly rates?

Q. Yes?—A. Yes, I think they are comparable to the Dominion Textile rates. The starting rate for boys and girls of 16 on shift work is 43½ cents an hour. The starting rate for boys and girls on day work is 37¼ cents an hour.

Q. So the fact that the earnings are not quite as high as Dominion Textile Limited would be attributable to the lesser efficiency?—A. Not necessarily. The government recognizes territorial differences.

Q. In establishing the basic rates?—A. Yes, we have 11 mills outside of cities whereas they have mills inside the cities and that effects the hourly rate averages.

Mr. LESAGE: You are not in the same zone as Montreal or Quebec?

The WITNESS: No, we are in zone 2.

Mr. LESAGE: The basic rates are lower than in Montreal and Quebec.

By the Vice-Chairman:

Q. Are we to understand these rates which we have been hearing have some legislative basis?—A. No, they have no legislative basis except that normally in the smaller towns in the country the cost of living or the cost to live is not as high as it is in the city localities.

Q. What is the significance of saying that the government recognizes different rates?—A. In the ordinances, in their collective agreements, and in the building trade agreements, they have a different schedule of rates for the cities as compared with the country areas.

Q. By reason of that being the case the rates are not out of line but it does affect you?—A. Yes, it affects our average rate when compared with the rates paid by somebody else.

Mr. LESAGE: You have collective bargaining agreements with the Catholic Syndicates?

The WITNESS: We have a collective bargaining agreement under negotiation at Shawinigan but at Three Rivers they are at present asking for certification.

By the Vice-Chairman:

Q. Has there been any certification of a union?—A. At Shawinigan the Catholic Syndicate has been certified but at Three Rivers it has not been certified.

Q. You have been without any certified bargaining agent?—A. Without any certified bargaining agent.

Mr. PINARD: Is the Catholic Syndicat the union in Three Rivers also?

The WITNESS: Yes.

By Mr. Dyde:

Q. Mr. Whitehead, has your plant at the present time a capacity equal to that of 1941?—A. It is larger.

Q. So that you are even farther away from your capacity than you were then?—A. Yes sir.

Q. Would you care to forecast the future? Is there any way in which you can judge whether you are going to reach capacity or going to improve your production rate?—A. We have a rather strange situation in Three Rivers. During the war years there was quite an influx of secondary manufacturers employing female labour, without the equivalent increase in the heavy industries, with the result that female labour is very scarce in our area. In addition we feel that at this period we are suffering somewhat from the depression years of 1930-33 and the effect of the birth rate during those years. The over-all total of persons available—especially the younger people leaving school—is not as high as it might possibly be at a future time.

Q. Is there any movement away from Three Rivers?—A. No, there is no movement away from Three Rivers.

Mr. LESAGE: They have a new bridge.

The VICE-CHAIRMAN: There used to be a story to the effect that Three Rivers was the best place to get triple births.

Mr. DYDE: While we are on that subject I think you might also produce another document which you have prepared on the question of absenteeism. This is a statement in which you have set forth certain figures on absenteeism.

By Mr. Lesage:

Q. Mr. Dyde, could I ask Mr. Whitehead whether there is any collective agreement in force in Three Rivers between the Catholic Syndicate and your company?—A. Not at the present time; they are awaiting certification.

Q. They have asked for certification from the provincial authorities?—A. Yes.

Q. Do you oppose that application?—A. We are going to oppose it.

Q. Is there any special reason for your opposition?—A. It is slightly personal.

Q. Well I do not want to be out of order, but as a matter of fact most of your employees in your mill are members of the Catholic Syndicate?—A. Yes.

Q. The majority of them?—A. They claim a majority.

Q. Are the others members of any union?—A. No.

Q. They are not?—A. No.

Q. That is the only union which you have in the mill?—A. Yes.

Q. And you are opposing certification?—A. Yes, for personal reasons.

Q. Perhaps that is one of the reasons why the workers are not much satisfied and why efficiency is going down? Perhaps it is because of the kind of labour relations which you have?—A. The relations are not being affected by this particular incident; it is more a matter of principle.

Q. That is not what I was told?

Mr. Fleming: I suppose we could safely leave that issue to the Quebec Labour Relations Board?

The Vice-Chairman: I beg your pardon?

Mr. Fleming: I suppose we could safely leave that issue to the Quebec Labour Relations Board? Is there anything that affects price?

The Vice-Chairman: I think the question tended to indicate a possible reason for lack of production.

Mr. Lesage: Exactly.

The Vice-Chairman: And therefore I think it is probably germane although perhaps it is a little far away.

By Mr. Lesage:

Q. There is a certain dissatisfaction among your employees over this matter of belonging to the Catholic Syndicate?—A. The dissatisfaction to the extent to which you have been informed has only come about during the last few months.

Q. That is what I have heard and it is during the last few months that your efficiency has been going down?—A. Yes, but our efficiency has been going down very rapidly in the previous years and it is not just an occurrence of the last few months, but there has been a drop in the production in the last few years. The condition about which you have been informed has only existed since January.

Q. Yes, since January—just the last few months?—A. Yes.

By Mr. Dyde:

Q. I would now like to refer to this statement on absenteeism, Mr. Whitehead.

THREE RIVERS DIVISION

Absenteeism

	Number absent 7–5 shift	%	Number absent 7–3 shift	%	Number absent 3–11 shift	%
May 24, 1948	8	2·1	16	3·4	15	3·4
May 25, 1948	8	2·1	15	3·2	16	3·7
May 26, 1948	9	2·4	20	4·3	14	3·3
May 27, 1948	6	1·5	20	4·3	20	4·6
May 28, 1948	7	1·9	15	3·2	26	6·0
May 29, 1948	3	·7	46	9·9	2	·4
Average for the week		2·0		5·9		4·4

Help Required

Males	83
Females	208

SHAWINIGAN DIVISION

Absenteeism

	Number absent 7–3 shift	%	Number absent 3–11 shift	%
May 24, 1948	9	4·9	10	6·2
May 25, 1948	8	4·4	18	11·2
May 26, 1948	8	4·4	11	6·9
May 27, 1948	8	4·4	13	8·1
May 28, 1948	9	4·9	17	10·6
May 29, 1948	19	10·4	15	9·4
Average for the week		6·4		9·1

Help Required

Males	0
Females	32

The dates at the left hand side of the page refer to what particular period?—A. The report refers to a typical week.

Q. Oh yes, I beg your pardon, I see that they are all figures for the same week. You have chosen that week starting with May 24 as a typical week with respect to absenteeism?—A. Yes, sir.

Q. Have you checked it with other weeks or are you able to say that it is a typical week?—A. It is absenteeism that exists practically every week of the year. The variation from week to week is very small.

Mr. LESAGE: Is the absenteeism higher this year than it was last year?

The WITNESS: It is about the same.

By the Vice-Chairman:

Q. Why was that week chosen and how was it chosen?—A. It just happened to be the last week, Mr. Chairman.

Q. Would that be about the time the questionnaire went out?—A. No, it was the last week we had on the record at the mill.

Q. At the time you were making this up? It is only a few days old now?—A. It was obtained for my information primarily, before Mr. Dyde asked for the information.

Q. Yes, and so when the information was asked for you just reached for the last figures that were available?—A. Yes.

Mr. DYDE: You will understand, Mr. Chairman, that I requested these figures following our adjournment last Thursday.

By the Vice-Chairman:

Q. In saying this is a typical week I infer from your answer that there was not any examination of the books to help you decide whether it was a typical week, apart from your own recollection as to the situation which made you decide this was a typical week?—A. No, I keep a close watch on the variations from week to week. It is running approximately the same from my experience.

Q. It is your own recollection?—A. Yes, but the figures show it.

Q. Yes, you say so because of your recollection of the figures, but you did not at that time go back to find out whether this was a typical week? When you saw it, with the knowledge you have, you recognized it as a typical week. Is that the way this is to be understood?—A. Yes, sir.

Q. So its correctness is dependent upon your own knowledge acquired from day to day because you keep a rather close watch on that situation?—A. Yes.

By Mr. Dyde:

Q. On the bottom of the page I notice you have a note "help required—males 0, females 32,"—what does that mean?—A. At Shawinigan we need no men to fill up the shift but we needed 32 girls at the week-end.

Q. That is at the end of that particular week?—A. That was actually last Saturday.

Q. Yes, and do you happen to know how that compares with other recent weeks?—A. It is slightly higher for Shawinigan at the present time than it was four or five weeks ago.

Q. Then at Three Rivers you have a similar note and I see the number of males required is 83 and the number of females is 208. I suppose that was also at the end of that week?—A. Yes, sir.

Q. How does that compare with previous weeks?—A. That is slightly higher than previous weeks. We have had a tremendous number of girls leaving since the 1st of June to get married and we have no one to replace them.

By the Vice-Chairman:

Q. How does that compare with other Junes—the marriage month?—A. The end of May and June is always difficult.

Q. That is your experience year by year?—A. Yes.

Mr. FLEMING: It is a seasonal trend.

The VICE-CHAIRMAN: I suppose that would be seasonal unemployment of this particular kind, would it?

By Mr. Winters:

Q. Would Mr. Whitehead explain the breakdown of the Three Rivers absenteeism and the shifts—7 to 5, 7 to 3, and 3 to 11?—A. The 7 to 5 shift contains the day workers, the 7 to 3 workers are the day shift, and the 3 to 11 figures are for the evening shift.

Q. I do not quite get that. 7 to 5 figures are for day workers?—A. For day workers only. They work days all the time. The 7 to 3 and the 3 to 11 shifts swing.

Q. That would account for the lower rate of absenteeism on the 7 to 5 shift?—A. Yes.

By the Vice-Chairman:

Q. Are they senior employees? Are they the older employees?—A. Not necessarily, but they are day workers.

Q. It is their luck to be on that shift and as it is the preferred shift there is less absenteeism?—A. They are the preferred hours. The day work is the preferred work but those are converting operations.

By Mr. Fleming:

Q. Is it lack of labour that has been responsible for the decline in your production?—A. Mainly—altogether.

Q. You have had a market for more goods than you have been able to produce?—A. For far more.

Q. If you had been able to increase production what would have been the likely effect on prices?—A. Up to the present moment, I do not think there would have been any effect on our prices, unless we had succeeded in filling up the market.

Q. In other words your supply is still far behind the demand of the market?—A. Far behind.

Q. You would have to wait until you caught up and even expanded production would not result in decreased price?—A. No.

By Mr. Lesage:

Q. You sell at the market price, independently from your cost?—A. Yes.

Q. What would happen if you could reduce cost by higher production? Would you not reduce your prices?—A. We would reduce our prices.

Mr. WINTERS: That is not consistent.

Mr. LESAGE: No, it is not consistent. You answered Mr. Fleming saying there was such a demand it would not have any influence on prices but now you are telling me that if you could reduce your cost by increased production—

The WITNESS: You asked a different question.

Mr. FLEMING: Yes, you have added something there, Mr. Lesage. I think we are at cross-purposes with the witness. I was asking about supply and demand and the effect on prices and then you came along and dealt with the cost of production.

Mr. WINTERS: The witness told you his prices were set by demand but now he tells Mr. Lesage that they are set on the basis of cost.

Mr. LESAGE: Are the prices based on cost or on the law of supply and demand?

The WITNESS: On cost.

Mr. LESAGE: That is what I wanted.

By Mr. Dyde:

Q. Before leaving the table on absenteeism, Mr. Whitehead, I notice that the absenteeism is generally higher at Shawinigan than it is at Three Rivers. The percentage rates seem to be throughout a bit higher at Shawinigan than at Three Rivers. Is there any reason for that that you can give us?—A. There is no particular reason. There are as many reasons as there are absentees.

Q. I wanted to know whether you thought there was any over-all reason why the rate should be higher at Shawinigan?—A. The mill is slightly smaller so the percentage would naturally be higher.

The VICE-CHAIRMAN: Would that be correct?

The WITNESS: More absentees in a small mill will bring the percentage up.

By Mr. Dyde:

Q. But you have reduced it to a percentage and the percentage is higher?—A. There is slightly more absenteeism in Shawinigan Falls, especially in the afternoon.

Q. Yes, I understand that and that is why I asked you whether you could give us any over-all reason but perhaps you cannot?—A. It is general.

Q. Then may I identify, with you, the samples that were produced by the Wabasso Cotton Company Limited. The first sample is a "Beresford" printed percale, 36 inches in width. Would you identify this piece of material, "Beresford" printed percale, as being the sample described in the supplement to schedule B7?—A. Yes, sir.

Q. I will produce it as exhibit number 139.

EXHIBIT 139—"Beresford" Printed Percale, style No. 2078.

The next item is unbleached factory cotton which has been described in the supplement as style No. GC-2?—A. Yes.

Q. I produce that as exhibit 140.

EXHIBIT 140—Unbleached Factory Cotton, Style GC-2.

EXHIBIT 141—Broadcloth, Style B227.

I have no further questions.

The VICE-CHAIRMAN: If there are no further questions we will release you, Mr. Whitehead. As there are no further witnesses for today, the meeting will adjourn until the usual time tomorrow.

The meeting adjourned to meet tomorrow, June 9, 1948 at 4.00 p.m.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 70

WEDNESDAY, JUNE 9, 1948

WITNESS:

Mr. E. H. Knight, of Knight, Trudel & Company, Chartered Accountants, Quebec, P.Q.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

WEDNESDAY, June 9, 1948.

The Special Committee on Prices met at 4.00 p.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudoin, Fleming, Kuhl, Lesage, McGregor, Maybank, McCubbin, Pinard, Winters, Zaplitny.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. E. H. Knight, of Knight, Trudel & Company, Chartered Accountants, was recalled and further examined. He read into the record Accountant's Report "D" being report of information returned by companies primarily engaged in the manufacture of artificial silk and nylon.

During proceedings Mr. Winters took the Chair in the temporary absence of the Vice-Chairman.

At 5.40 p.m. witness retired and the Committee adjourned its public sitting to go into Executive Session, and to meet again in public session at a time to be determined during the said Executive Session.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 9, 1948.

The Special Committee on Prices met this day at 4.00 p.m. The Vice-Chairman, Mr. R. Maybank, presided.

The VICE-CHAIRMAN: All right, Mr. Monet.

Mr. MONET: Mr. Chairman, the plan to be followed in the textile investigation was given in a statement made at the commencement which is reported on page 3392 of the evidence. At that time it was stated that the reports by the chartered accountant would be divided and that this division would be made between the three main heads of the textile industry, namely, cotton in the first place; artificial silk and nylon in the second place and wool in the third place.

The primary cotton industry having now been dealt with, we will turn to artificial silk and nylon. Mr. Knight, the chartered accountant will give his report, following which I propose to have certain material brought before the committee in the way of statistical data. I then propose to call some witnesses from the industry itself.

I should like Mr. Knight's report "D" to be distributed at this time. I may say, Mr. Chairman, that report "C" will be dealt with later, as I have just stated. I should like now to have report "D" distributed to the members of the committee. This is a report based on information contained in the returns made by companies primarily engaged in the manufacture of artificial silk and nylon. I understand, Mr. Chairman, it has already been decided as will be seen by glancing at page 3394 of the evidence, that these reports will be printed in the record.

The VICE-CHAIRMAN: "D" should be printed in the record the same as "A" and "B".

Mr. MONET: "C" is not filed. Now, Mr. Chairman, before I invite Mr. Knight to read his report to which reference has been made, I have a few questions to ask him concerning report "A".

E. H. Knight, of Knight and Trudel, Chartered Accountants, Quebec, P.Q., recalled:

By Mr. Monet:

Q. Mr. Knight, on the last page of your report "A" there is listed the names and addresses of the companies which have failed to report or which had not reported fully by May 7, 1948. Would you tell the members of the committee how many companies listed on your report "A" were listed in the Dominion Bureau of Statistics as manufacturers of artificial silk?—A. Yes, Mr. Monet, there were four listed.

Q. Would you give the names, please?—A. Aux Tissages Francais Limited; the next is Consolidated Textiles Limited. The third is Duplex Textiles Limited and the fourth Iberville Drapery Mills Limited.

Q. Would you please tell the members of the committee whether since that telegram was sent to these companies they have answered the questionnaire?—A. Those companies have now answered the questionnaire.

Q. Would you give the members of the committee your comments with regard to the information given by those four companies?—A. Well, taking the first company, Aux Tissages Francais Limited, we received their return and their sales volume is not very significant in comparison with the figures with which we will be dealing.

By Mr. Lesage:

Q. Who signed the letter?—A. The letter was signed by Mr. Steinberg and Mr. Rosen.

Q. Thank you.—A. Unfortunately, I think there is a typographical error—

By Mr. Pinard:

Q. In the name of the company?

The VICE-CHAIRMAN: These gentlemen from Quebec, Mr. Knight, are slightly sensitive over the ribbing they were getting because people with good French names insisted they would not speak French. I think they are struggling to get out from under that.

Mr. MONET: I must say a questionnaire in French was sent to Aux Tissages Francais and we were told it should have been in English.

The VICE-CHAIRMAN: That is what they replied. Now, Mr. Lesage and Mr. Pinard would like to make out that the Jewish people are not quite as versatile as they are generally credited with being.

By Mr. Monet:

Q. Would you continue, Mr. Knight?—A. I believe a typographical error occurred in the return of Aux Tissages Francais. I have sent them a telegram asking them for an explanation of the figure. I mention that merely for the record.

Q. You have sent that telegram since receiving the information requested in the telegram sent last week?—A. Yes, that is right.

Q. What about the other three companies?—A. Well, Consolidated Textiles Limited report that Duplex Textiles Limited are a 100 per cent wholly own subsidiary and consequently in making the report they have consolidated the figures; that accounts, therefore, for three out of the four. The fourth company, Iberville Drapery Mills Limited have sent in their return. That is my report on the four companies.

By the Vice-Chairman:

Q. Is the production of that last mentioned company significant in the overall picture?—A. I would not consider, if these figures had been incorporated in our report, any of the information which has been submitted would have been materially changed.

By Mr. Monet:

Q. Now, Mr. Knight, referring to your report "D", I understand this report is a condensation of the figures which you have obtained from the companies through the questionaire which was sent and answered; is that correct?—A. Yes.

Q. I wish, Mr. Knight, when you read this report you would explain to the members of the committee whenever you think it necessary to do so, the relationship between the tables which you have prepared and the schedules attached to your report. For the benefit of the members of the committee, I would very humbly suggest that they be ready to refer to the schedules attached to the report which will be found immediately after page 14 and which are listed as schedules D1, D2, D3, D4, D5, D6, D7, and D8. As requested, Mr. Knight, would you make any comments you wish to make as you go along in the reading of the report. Would you proceed?

By the Vice-Chairman:

Q. The report is somewhat larger than the "B" report?—A. Slightly, sir, yes.

REPORT "D"

Special Committee on Prices,
House of Commons,
OTTAWA, Canada.

GENTLEMEN,—This report deals with the Artificial Silk and Nylon Group of the Primary Textile Industry of Canada. Except where otherwise stated, this report has been prepared from information derived from questionnaires submitted by companies whose main business is the manufacture of artificial silk and nylon yarns and fabrics.

Attached to this report and forming part thereof are the following schedules:

Schedule D1:—Summary of Annual Sales and Operating Income (Artificial Silk and Nylon Group), for the twelve years from 1936 to 1947 inclusive.

Schedule D2:—Annual Sales and Operating Income of Two Producers of Yarn (Artificial Silk and Nylon Group) for the twelve years from 1936 to 1947 inclusive.

Schedule D3:—Annual Sales and Operating Income of One Producer of Yarn and Manufacturer of Fabrics (Artificial Silk and Nylon Group) for the twelve years from 1936 to 1947 inclusive.

Schedule D4:—Annual Sales and Operating Income of Nineteen Manufacturers of Fabrics (Artificial Silk and Nylon Group) for the twelve years from 1936 to 1947 inclusive.

Schedule D5:—Quarterly Sales and Components of Cost reported by Four Special Companies (Artificial Silk and Nylon Group) for the twenty-seven months from January 1946 to March 1948.

Schedule D6:—Finished Goods Inventories Expressed in Terms of Quantities, (Artificial Silk and Nylon Group) for the periods indicated.

Schedule D7:—Unit Selling Prices and Components of Cost of Articles Reported by the Four Special Companies (Artificial Silk and Nylon Group) as at the dates indicated.

Schedule D8:—Capital Employed and Earnings of the Four Special Companies (Artificial Silk and Nylon Group) from 1936 to 1947 inclusive.

These schedules are submitted in the same sequence as the information contained in this report.

SCHEDULE D1

This schedule shows total sales, operating income and the percentage of operating income to sales for the twelve years from 1936 to 1947 inclusive for all reporting companies in the artificial silk and Nylon group. Figures shown as "Operating Income" throughout this report, represent net income before deducting:

(a) taxes on income

(b) interest on borrowed money and other financial charges

(c) inventory reserves
(d) depreciation set up in the companies' books in excess of the amounts allowed by income tax authorities

and

excludes investment income and profits or losses on disposal of investments and fixed assets.

Schedule D1 shows that the average annual sales for the twelve year period, of all companies in the artificial silk and nylon group, amounted to $41,063,000, the corresponding operating income of $6,580,000, being 16·0 per cent of the sales figure.

Incidentally, on schedule B1 you will observe the last figure in the first column under the heading of "total sales", $41,063,000, and that is the source from which this quotation in my report has been taken. That figure has been arrived at by taking the average for the twelve years shown above that figure, and the total for the twelve years is $492,759,000. The operating income figure has been extracted in the same manner.

This schedule also reflects the steady growth, that has taken place during the twelve years under review, of this branch of the industry. Total sales of all reporting companies amounted to $23,015,000 in 1936, as compared with $72,989,000 in 1947.

Mr. Lesage: May I ask at this point whether the growth was general for each company? Did each company have about the same percentage of growth?

The Witness: The question of the growth of the industry is quite a complicated one. There are many factors—

Mr. Monet: If you do not mind, Mr. Lesage, we might let Mr. Knight read his report and I will tell you that one of the very first questions which I have to ask of Mr. Knight is exactly that which you are asking him now.

Mr. Lesage: I will be glad to wait.

Mr. Monet: If I forget to ask, then you can certainly bring the matter to Mr. Knight's attention.

The Witness:

Periodical groupings of annual sales and operating income of the 22 reporting companies are not shown on Schedule D1. It was thought that special conditions surrounding some of the companies would nullify the value of any comparison drawn up on such a basis. Therefore, in order to obtain informative and comparable data, the 4 special companies listed below, along with 18 other companies, have been grouped in the following manner:

(a) Producers of yarn only, being
Courtaulds (Canada) Limited
Canadian Industries Limited—Nylon Division

(b) A producer of yarn and manufacturer of fabrics, being
Canadian Celanese Limited

(c) Manufacturers of fabrics, being
Bruck Mills Limited, and 18 other companies, which reported their main business as being the manufacture of rayon and nylon fabrics. The names and location of these companies are shown on the lists submitted with Report "A".

Schedules D2, D3 and D4 have been prepared for the purpose of giving the break-down of sales and operating income by years, for each of the three groups mentioned above.

The following table summarizes the totals shown on these three schedules:

If you will refer to schedule D2 you will see that in the first column the total sales for the twelve year period of Courtaulds (Canada) Limited amount to $83,046,000 which figure is reflected on this table, as well as operating income and the percentage in the same way. By taking each year of the schedules D2, D3 on the next page, and D4 on the following page, and by taking the total for the twelve years we arrive at the same figure which you have on schedule D1, thereby giving you a breakdown of schedule D in accordance with the headings in this report.

	Total Sales	Operating Income*	Percentage of Operating Income* to Sales
	(Thousands of Dollars)		
Companies reported under Schedule D2:			
Courtaulds (Canada) Limited...	$ 83,046	$10,471	12.6%
Canadian Industries Limited ..	26,902	5,058	18.8
Companies reported under Schedule D3:			
Canadian Celanese Limited	133,116	39,728	29.8
Companies reported under Schedule D4:			
Bruck Mills Limited	54,133	5,069	9.4
18 other companies	195,562	18,630	9.5
Total shown on Schedule D1 ...	$492,759	$78,956	
Average for the twelve years	$ 41,063	$ 6,580	16.0%

* As defined above.

SCHEDULE D2

This schedule shows annual sales, operating income and the percentage of operating income to sales from 1936 to 1947 inclusive for two producers of yarn, namely,

Courtaulds (Canada) Limited and
Canadian Industries Limited—Nylon Division.

The two above-mentioned companies have been grouped together on account of the similarity of circumstances surrounding their operations from the time the Nylon Division of Canadian Industries Limited commenced manufacture in June, 1942, to the end of the year 1947.

The following is a brief summary of certain information filed by these companies along with their Special Preliminary Questionnaires:

(a) Both Courtaulds (Canada) Limited and Canadian Industries Limited—Nylon Division are respectively the sole manufacturers in Canada of the type of product they produce;

(b) Unlike other companies in this branch of the industry, they do not manufacture fabrics;

(c) Canadian Industries Limited sold for war purposes the entire output of their Nylon Division, from the commencement of manufacture in June 1942 until August 1945.

In comparison, during 1943, at the request of the Dominion Government, Courtaulds (Canada) Limited converted a large part of their productive facilities to the manufacture of high tenacity viscose yarn. Both this high tenacity viscose yarn and other regular yarns were utilized in large quantities for war purposes;

(*d*) Courtaulds (Canada) Limited received certain subsidies during the period under review, while the Nylon Division of Canadian Industries Limited operated without benefit of subsidy. However, as the subsidies received by Courtaulds (Canada) Limited did not exceed 3 per cent of the company's sales, this factor is not considered to materially affect comparison between the two companies.

(*e*) As it appears that a large part of the production of Courtaulds (Canada) Limited from 1943 to the cessation of hostilities was for war purposes, the effect of price ceilings on their domestic sales would have been proportionately minimized during this period.

Price ceilings did not affect the selling prices of the Nylon Division of Canadian Industries Limited during this period, as the entire output was sold to the government.

(*f*) With the cessation of hostilities both companies undertook programs of plant expansion in anticipation of post-war demand.

Taking the foregoing factors into consideration, the twelve year period under review has been divided as follows:

Pre War Years—1936 to 1939 inclusive.

War Years—1940 to 1945 inclusive.

Post-War Years—1946 and 1947.

The VICE-CHAIRMAN: Would you just let me interrupt you there? Those are calendar years which you have set out?

The WITNESS: Yes, Mr. Chairman.

The VICE-CHAIRMAN: Do the companies have calendar years or did you have to make some adjustment?

The WITNESS: There was no adjustment necessary between the two companies because they were both on a calendar year basis.

The table detailed on the following page shows the average sales, operating income and percentage of operating income to sales for each of the three above-mentioned periods along with the components of cost on a Sales Dollar basis. The first part of the table relates to Courtaulds (Canada) Limited, the second part to Canadian Industries Limited—Nylon Division.

	Pre-War Years 1936 to 1939	War Years 1940 to 1945	Post-War Years 1946 and 1947
	(Thousands of Dollars)		
PART I			
Courtaulds (Canada) Limited			
Average Annual Sales	$4,620	$7,640	$9,362
Average Operating Income* ..	$ 241	$1,101	$1,450
Percentage of Operating Income* to Sales	5.2%	14.4%	15.5%
Components of Cost			
Raw Materials	24.4¢	21.3¢	20.7¢
Labour	33.3¢	28.1¢	29.4¢
Overhead	37.1¢	36.2¢	34.4¢
Operating Income*	5.2¢	14.4¢	15.5¢
Sales Dollar	$1.00	$1.00	$1.00

Then we come to Canadian Industries Limited, nylon division. You will notice here in the pre-war years, 1936 to 1939, that the nylon division of Canadian Industries Limited was not in operation. That is reflected on schedule D-2 which shows the nylon division coming into operation in the year 1942.

By the Vice-Chairman:

Q. And they immediately sold everything they did produce to the government for war purposes?—A. Yes, sir.

Q. Has your investigation shown this is actually an organization started by reason of the war and induced by government action to get started at that time, or do you know whether it was under way anyway?—A. I think perhaps the history of the firm in that connection would be more clearly given by the trade witness.

Q. All right.

A

PART II

Canadian Industries Limited—
Nylon Division

Average Annual Sales	Not in Operation	$3,120	$7,211
Average Operating Income*		211	2,107
Percentage of Operating Income* to Sales		6.8%	29.2%
Components of Cost			
Raw Materials		48.4¢	30.3¢
Labour		17.7¢	15.2¢
Overhead		27.1¢	25.3¢
Operating Income*		6.8¢	29.2¢
Sales Dollar		$1.00	$1.00

* As defined under Schedule D1.

Courtaulds (Canada) Limited

The figures shown for Courtaulds (Canada) Limited in the above table, being averages for the periods indicated, reflect the trend of sales and operating income from one period to another.

Schedule D-2 gives the details of these averages on an annual basis. Sales and operating income show a substantial increase in 1940 and 1941 compared with the 1939 figures. In the post-war period, the sales of 1947 reached a peak of $11,199,000 with operating income of $2,382,000, representing 21·3 per cent of the sales figure.

Components of cost on a Sales Dollar basis are shown in comparative form on the above table. Overall reductions in the material, labour and overhead content of the sales dollar have been offset by successive increases in that part of the sales dollar represented by operating income.

Canadian Industries Limited

This company states that in order to place all costs on war contracts on a uniform basis, there has been included in sales and in the cost of sales, a value for that quantity of nylon flakes received under lend-lease arrangements as "free issue" materials. This enables a comparison between the annual figures reported under the war period.

The post-war period reflects the average components of cost of the nylon sales dollar, of which 29·2 cents is represented by operating income.

However in comparing the two periods shown on the above table, consideration must be given to the fact that the military prices prevailing during the war period were considerably lower than the commercial prices of the years 1946 and 1947.

SCHEDULE D3

This schedule shows annual sales, operating income and the percentage of operating income to sales for Canadian Celanese Limited from 1936 to 1947 inclusive.

Canadian Celanese Limited is both a producer of yarn and a manufacturer of fabrics but, as the company is not able to report separately on these two types of operations, it has not been possible to group this Company with either yarn producers or manufacturers of fabrics.

During the twelve years under review, this company may be considered to have passed through three significant periods, namely:

Pre-War Years	1936 to 1939 inclusive
Pre-Price Control Years	1940 to 1941
Price Control Years	1942 to 1947 inclusive.

Price ceilings on the Company's products were imposed November 17, 1941, and continued in force until September 15, 1947. As the company ends its fiscal period on December 31 in each year, the Price Control period has been shown as 1942 to 1947 inclusive.

The following table shows the average total sales, operating income and percentage of operating income to sales for each of these periods, along with the components of cost on a Sales Dollar basis:

If you will turn to schedule D-3 you will observe the first four figures in the first column represent the pre-war period. Those figures have been averaged for those four years and give a total of $8,071,000. Likewise operating income has been averaged, and these two averaged figures are those which appear in the table on page 7. Similarly following down schedule D-3 you will observe the same figures averaged for the periods indicated. For example, the last period covers six years, and the average for those six years is $13,592,000, which appears in the last column in the table on page 7. I will now read the table.

	Pre-war period 1936 to 1939	Pre-price control period 1940 to 1941	Price control period 1942 to 1947
	(thousands of dollars)		
Average total sales	$8,071	$9,643	$13,592
Average operating income*	$1,846	$2,981	$ 4,397
Percentage of operating income* to sales...	22·9%	30·9%	32·4%
Components of cost:			
Raw materials	21·3c	18·4c	16·0c
Labour	31·5c	28·0c	31·5c
Overhead	24·3c	22·7c	20·1c
Operating income*	22·9c	30·9c	32·4c
SALES DOLLAR	$1.00	$1.00	$1.00

*As defined under Schedule D1.

The average ratio of operating income to sales reported for the pre-war period is shown in this table as being 22·9 per cent compared with an average of 30·9 per cent for 1940 and 1941 and with 32·4 per cent during the six years of price ceilings.

In comparing the components of cost in each of these periods it will be noted that the successive reduction of raw materials and overhead as a share of the sales dollar, has been offset by the increase in operating income.

As selling prices have increased in each of the succeeding periods which have been compared above on a sales dollar basis, due consideration must be given to the decreasing quantity of goods represented by the sales dollar.

SCHEDULE D4

This schedule shows annual sales, operating income and the percentage of operating income to sales for Bruck Mills Limited and 18 other companies, from 1936 to 1947 inclusive.

These companies have reported their main business as being the processing of yarn and the manufacture of fabrics, which includes throwing, weaving and dyeing.

As these companies were in the main subject to price controls imposed by the Wartime Prices and Trade Board between November 1941 and September 1947, the twelve years under review have been divided into the following periods:

Pre-War Years	1936 to 1939 inclusive
Pre-War Control Years	1940 to 1941 inclusive
Price Control Years	1942 to 1947 inclusive

The average annual sales, operating income and percentage of operating income to sales is summarized in comparative form on the following tables:

Once again, if we turn to schedule B4 you will observe that the twelve years have been broken up into periods as indicated, the first four figures in the first column being averaged at a figure of $1,613,000. That is the figure that you see in this table; and a relative operating income averaged for the first four years of $63,000 is shown also on the table, and the 3·9 per cent being the weighted average of operating income to total sales for these four years. I will now read the table.

	Pre-war period 1936 to 1939	Pre-price control period 1940 to 1941	Price control period 1942 to 1947
		(thousands of dollars)	
Bruck Mills Limited:			
Average annual sales	$1,613	$3,866	$6,658
Average operating income*	63	371	679
Percentage of operating income* to sales	3·9%	9·6%	10·2%
18 other companies:			
Average annual sales	$9,598	$14,168	$21,472
Average operating income*	368	1,010	2,523
Percentage of operating income* to sales	3·8%	7·1%	11·8%

*As defined under Schedule D1.

The foregoing table reflects the similarity of trends of the average figures for each of the three periods between Bruck Mills Limited and the 18 other reporting companies.

In the case of Bruck Mills Limited, information was requested as to the components of cost. These have been computed on a Sales Dollar basis and are now summarized as follows:

	Pre-war period 1936 to 1939	Pre-price control period 1940 to 1941	Price control period 1942 to 1947
Materials	47·9c	51·8c	55·4c
Labour	27·1c	18·7c	17·4c
Overhead	21·1c	19·9c	17·0c
Operating income (as defined on Schedule D1)	3·9c	9·6c	10·2c
SALES DOLLAR	$1.00	$1.00	$1.00

SCHEDULE D5

This schedule shows sales and the related components of cost on a Sales Dollar basis, for the four special companies of the Artificial Silk and Nylon Group, computed by quarters of years, for the 27 months under review.

The upward trend of sales reported by these four companies is reflected on the following table, the related operating income being interpreted in percentage form for each quarter:

If you will turn to schedule D5 you will observe the last line in the first column of figures will give you the total sales for the first quarter for the companies in question.

	Total sales by quarters of years	Percentage of operating income* to sales
	(thousands of dollars)	
1946		
1st quarter	$ 8,949	24·7%
2nd quarter	8,760	23·3%
3rd quarter	8,452	16·9%
4th quarter	8,800	18·2%
1947		
1st quarter	10,602	23·2%
2nd quarter	11,939	27·2%
3rd quarter	11,100	23·6%
4th quarter	12,417	25·2%
1948		
1st quarter	13,856	26·6%

*As defined under Schedule D1.

Mr. LESAGE: Mr. Knight, may I ask a question at this point?

The WITNESS: Certainly.

Mr. LESAGE: Could you tell me about these increases in the last three quarters of 1947 and the first quarter of 1948? I observe that during that period the operating income has never been below 36 per cent of sales.

The WITNESS: In studying the schedule D5 you will observe that the operating income of Canadian Celanese Limited is shown at ·317 of the sales dollar, which is 31·7 per cent; and the next quarter is 28·5 per cent; and your average across the page for each quarter is shown.

Mr. LESAGE: But since the second quarter of 1947, they have never been below 30·9 per cent?

The WITNESS: It would appear so from the figures, yes.

Mr. MONET: And that is the operating income as defined in this brief.

Mr. LESAGE: Yes. There are some deductions you have to make there to arrive at the net profit, but just the same it is over 30 per cent.

Mr. MONET: That is right.

Mr. FLEMING: And that means 30 cents out of the sales dollar.

Mr. LESAGE: Yes.

The WITNESS:

Figures reported by companies whose interim accounting periods did not coincide with the calendar month have been pro-rated on a quarterly basis to enable uniformity for purposes of comparison.

Of the 18 other companies, 13 were unable to supply operating income results on a monthly basis. The figures reported by the other five companies however, showed trends similar to those reflected on the above table.

The components of cost computed on a sales dollar basis are shown on Schedule D5 for each of the four special companies. The amount of each of these components varies from one company to another, due in part to the difference in the manufacturing operations of each company, which has been outlined earlier in this report.

SCHEDULE D6

This schedule shows finished goods inventories expressed in terms of quantities, as reported by the four special companies, grouped under two headings as follows:

Producers of Yarn:

Courtaulds (Canada) Limited
Canadian Industries Limited—Nylon Division

and

Manufacturers of Fabrics:

Canadian Celanese Limited
Bruck Mills Limited

The quantities reported in pounds by the producers of yarn, and in yards by the manufacturers of fabrics, appear in Schedule D6 grouped by periods established earlier in this report.

The following table summarizes these inventory figures:

	Producers of yarn (in thousands of pounds)	Manufacturers of fabrics (in thousands of yards)
1939	616	1,936
Average for the pre-control period, 1940-1941		1,487
Average for the war period, 1940-1945	838	
Average for the control period, 1942-1947		1,463
Average for the post-war period, 1946 and 1947	453	
1948	496	821

This table indicates that on the average, stocks of finished goods reported by the four special companies for March 1948 were not in excess of the average year and inventories maintained throughout the twelve year period, and were considerably less than the finished goods inventories reported in 1939.

Inventories of finished goods expressed in terms of quantities have been reported by the four special companies at the end of each interim accounting period from January 1946 to March 1948 inclusive. These figures have been averaged by quarter year periods and shown for each company on the attached schedule. A summary of these figures appears below:

	Producers of yarn (in thousands of pounds)	Manufacturers of fabrics (in thousands of yards)
1946		
1st quarter	723	990
2nd quarter	855	1,247
3rd quarter	558	1,433
4th quarter	427	1,367
1947		
1st quarter	873	1,092
2nd quarter	810	1,180
3rd quarter	626	1,291
4th quarter	523	1,545
1948		
1st quarter	472	994

While the inventories reported in March 1948 appear lower than at any other periods, no wide fluctuations appear to have occurred in the combined inventory figures shown in the above table.

SCHEDULE D7

This schedule shows the unit selling prices and the components of cost of articles producing a significant sales volume as reported by each of the four special companies.

Unit selling prices and costs have been shown under the following dates:

As at January 1, 1942
As at September 15, 1947
As at April 1, 1948.

Courtaulds (Canada) Limited state that the breakdown of costs between materials, labour and overhead were not available for 1947 and 1948, and consequently total costs only have been reported. The selling prices and total costs per pound reported by this company represent averages of 3 months operations.

As the nylon plant of Canadian Industries Limited did not start to operate until the middle of 1942, no costs or selling prices were available as at January 1, 1942.

The companies have, in addition to giving a technical description of each of the items reported, supplied samples of the material itself in each case.

By Mr. Monet:

Q. Now, would you stop for a moment at that point? Mr. Chairman, I think, as in the investigation concerning cotton and as stated by Mr. Knight, samples have been given to us. I believe they could be distributed now to the members of the committee. They are identified by numbers?—A. Yes.

Q. All right, Mr. Knight, I think you could proceed now.—A.

The table detailed on the following page indicates the selling prices of the items reported:

You will observe that a sheet of paper, in fact, two sheets of paper have been added to this report since it was printed. The reason for that is that it was felt the information which had been supplied on the special supplementary questionnaires by the companies, but not incorporated in this report should be put in to show the committee more clearly the exact position in connection with these prices. It is for that reason these two sheets have been included.

I think it would be better if I read the supplement to page 12, report "D", first.

Courtaulds (Canada) Limited

The selling prices shown on page 12 represent the average selling prices based on the following periods:

January 1, 1942—October to December 1941 inclusive
September 15, 1947—July to September 1947 inclusive
April 1, 1948—December 1947 to February 1948 inclusive

By Mr. Monet:

Q. Excuse me a moment; may I ask you a question to make this clear. You have given three dates, January 1, 1942, September 15, 1947; April 1, 1948.—A. Yes.

Q. You now say that under the heading January 1, 1942, the price seen there is the average price for the period from October to December 1941, inclusive; is that correct?—A. That is correct.

Q. The same applies to the other two dates?—A. That is correct, in so far as it applies to Courtaulds (Canada) Limited.

By Mr. Zaplitny:

Q. On September 19, 1947, that is the average price for what period?—A. July, August and September, the three months.

Q. These are quarterly periods?—A. That is right.

By Mr. Monet:

Q. That is, on this statement you have July to September, 1947, inclusive, that is for the date September 15, 1947?—A. Yes.

By reporting selling prices in this manner comparison may be made with the relative components of cost shown on Schedule D7 which have been compiled as averages for the same periods indicated above. Averaging costs on a three months basis is considered to be the minimum period for reasonable comparison of denier costs and selling prices.

The selling prices shown for viscose rayon yarn on cones and in skeins represent the average selling prices of all deniers sold by this company, based on the same average three month period as indicated above.

By Mr. Monet:

Q. Pardon me, but would you define what deniers is or would you rather have me ask a representative of the Courtaulds Company?—A. I would rather have you ask a representative of the company.

Q. I think a representative of these companies is likely to be called at a later date and that could be defined at that time. I am informed it is purely a measure of weight.

(At this point Mr. Maybank resumed the chair).

The WITNESS: The actual selling prices prevailing on the three specified dates are shown in the table printed below.

Courtaulds (Canada) Limited:

	Selling Prices of Best Quality Prevailing At Jan. 1/42 cents	At Sept. 15/47 cents	At Apr. 1/48 cents
100/40 Bright Cake Cones	77	90	95
100/40 Mattesco Cake Cones	79	92½	97
150/36 Bright Cake Cones	64	74½	79½
150/40 Mattesco Cake Cones	66	77	81½
200/27 Bright Cake Cones	63½	74	76
300/44 Bright Cake Cones	57½	66½	68½

By Mr. Monet:

Q. When you say, "the actual selling prices", do you mean the selling price as of today?—A. No, the selling price the customer would be called upon to pay at that date.

Q. And the prices you gave just prior to these were the average prices for the period you have just discussed?—A. So it could be more readily compared with costs, they have been compared with the same periods.

Q. To make this very clear, the price of bright cake cones at January 1, 1942, was 77 cents?—A. Yes.

By Mr. Zaplitny:

Q. Just to be clear about September 15, 1947, for the same item, the 90 cents would include the two weeks from September 15 to October 1 in the price?—A. Right.

Canadian Celanese Limited

The selling prices shown on page 12 for lingerie taffeta, dress crepe and lining represents the selling prices prevailing on the three dates indicated, less an allowance of 2 per cent for cash discount which is taken by over 90 per cent of the customers of this firm.

Components of cost for lingerie taffeta, dress crepe and lining shown on Schedule D7 represent the average cost based on the following periods:

January 1, 1942—October and November 1941
September 15, 1947—July and August 1947
April 1, 1948—January to March 1948 inclusive.

Components of cost of 150 Denier Yarn differ from the above averages for the first period only, in that, instead of October and November 1941, the average covers November 1941 to January 1942 inclusive.

	Jan. 1 1942	Sept. 15 1947	April 1 1948
Courtaulds (Canada) Limited:			
100 Denier, 40F, B.V. Rayon	$ 0.76130	$ 0.89080	$ 0.89556
100 Denier, 40F, D.V. Rayon	0.78377	0.91765	0.91807
150 Denier, 36F, B.V. Rayon	0.63930	0.74555	0.74468
150 Denier, 40F, D.V. Rayon	0.65112	0.76410	0.76502
200 Denier, 27F, B.V. Rayon	0.62873	0.73858	0.70800
300 Denier, 44F, B.V. Rayon	0.56723	0.66433	0.64191
Viscose Rayon Yarn on C.C.	0.70886	0.82348	0.81536
Viscose Rayon Yarn on S.	0.61808	0.68966	0.70524
Canadian Industries Limited— Nylon Division:			
30 Denier, as specified	Not	$ 4.09	$ 4.09
40 Denier, as specified	Made	3.47	3.47
70 Denier, as specified		3.17	3.17
Canadian Celanese Limited:			
150 Denier, as specified	$ 0.8600	$ 0.8900	$ 0.8900
Lingerie Taffeta	0.4521	0.5643	0.5888
Dress Crepe	0.5259	0.6870	0.7115
Lining	0.4423	0.5152	0.5398
Bruck Mills Limited:			
Dress Crepe (Domestic)	$ 0.70	$ 0.86	$ 0.95
Dress Satin	Not Made	1.25	1.25
Bengaline	0.725	0.845	1.15

This table shows that, with the exception of the Nylon Division of Canadian Industries Limited, which was not in operation on January 1, 1942, selling prices at September 15, 1947 and April 1, 1948 were higher than those prevailing on January 1, 1942. The fluctuation in selling prices between September 15, 1947 and April 1, 1948 varies between companies and between commodities.

SCHEDULE D8

This schedule shows capital employed compared with earnings for each of the twelve years from 1936 to 1947 inclusive and for each of the four special companies individually.

The following is a definition of the terms used on Schedule D8:

Capital Employed includes:

Common Stock
Preferred Stock
Capital and Earned Surplus
Surplus created by the Refundable Portion of Excess Profits Tax
Reserve for Contingencies

Net Profit after Taxes includes:

Net Profit shown at the foot of Statement 1 of the Special Preliminary Questionnaire

By the Vice-Chairman:

Q. Could I just ask about that refundable portion? You are treating that item as capital although at the moment it is in the hands of the government?—A. Yes, sir.

Q. It is considered as having a use in the production of wealth even though the company has not got it within its fingers?—A. Yes, sir. It is treated as accounts receivable.

Q. It is a good debt owing? I see, all right.

The WITNESS:

Percentage of Profit to Capital represents: The ratio of Net Profit after Taxes, to Capital Employed as defined above.

As inventory reserves represented less than one per cent of the figures reported, no separate calculation has been submitted of the percentage of profit to capital on the basis of figures adjusted by these reserves.

The following table shows the average percentage of profit to capital for each of the four special companies and the total average for all four together for the twelve years under review:

If you would care to turn to Schedule B8 you will observe that expressed in thousands of dollars there has been shown the capital employed at the end of each fiscal period covering the twelve years under review for Courtaulds (Canada) Limited, Canadian Industries Limited, Canadian Celanese Limited, and Bruck Mills Limited. Further, these figures on this schedule have been averaged. For example, Courtaulds (Canada) Limited show that the average capital employed over the period is $12,275,000; the average net profit after taxes was $552,000, and the percentage of net profit to capital averaged 4·5 per cent. The items were treated similarly for Canadian Industries, Canadian Celanese Limited and Bruck Mills Limited.

Mr. MONET: Pardon me, Mr. Knight, in the case of Canadian Industries Limited the average is for the years 1942 to 1947 and not for the period of twelve years.

The WITNESS: That is correct, Mr. Monet. That figure would be an average for six years.

Mr. FLEMING: The average has not been weighted there because the year 1942 was not a complete year?

The VICE-CHAIRMAN: No, it started in June.

The WITNESS: Actually we divided by six. We took the capital at the end of the year—at the end of 1942, and at the end of 1943, and so on.

Mr. FLEMING: You did not weigh it at the end of that year?

The WITNESS: No.

The VICE-CHAIRMAN: I thought you took it for six months?

The WITNESS: No, we did not weigh the average in that instance.

Mr. LESAGE: It was taken from the annual statement?

The WITNESS: It was taken from the statement submitted to us on the special preliminary questionnaire.

Mr. MONET: All right, proceed please, Mr. Knight.

The WITNESS:

	Percentage of net profit to capital employed
Courtaulds (Canada) Limited	4·5%
Canadian Industries Limited—Nylon division	8·1%
Canadian Celanese Limited	11·1%
Bruck Mills Limited	6·0%
Average for the four companies for the 12 year period	8·1%

The foregoing figures have been analysed on an annual basis for each of the four special companies and are shown on Schedule D8.

The following table shows the percentage of profit to capital by groups of companies on an average basis by periods previously established for each of these groups:

	Pre-war period 1936-1939	War period 1940-1945	Post-war period 1946-1947
Producers of yarn:			
Courtaulds (Canada) Limited	2·5%	5·1%	5·4%
Canadian Industries Limited — Nylon division	nil	2·3%	16·6%
Average for both companies	2·5%	4·5%	8·3%

	Pre-war period 1936 to 1939	Pre-price control period 1940 to 1941	Price control period 1942 to 1947
A producer of yarn and manufacturer of fabrics:			
Canadian Celanese Limited*	10·0%	10·7%	11·8%
A manufacturer of fabrics:			
Bruck Mills Limited*	1·0%	8·4%	7·2%

*No average has been computed for these two companies as each is considered to be in a line of business different from the other.

Summary

The executive of each of the four special companies have supplied all the information and extended all the assistance that I have required. The schedules attached to this report and tables included therein have been prepared from the questionnaires submitted.

I shall be pleased to furnish any further information or explanations that you may require.

Respectfully submitted.

E. H. KNIGHT,
Chartered Accountant.

SCHEDULE D1

SUMMARY OF ANNUAL SALES AND OPERATING INCOME (ARTIFICIAL SILK AND NYLON GROUP) FOR THE TWELVE YEARS FROM 1936 TO 1947 INCLUSIVE

(Thousands of Dollars)

—	Total Sales	Operating Income*	Percentage of Operating Income* to Sales
	$	$	%
Total for the individual Financial Years ended in the following Calendar Years:			
1936	23,015	2,547	11·1
1937	24,657	2,717	11·0
1938	22,153	1,558	7·0
1939	25,783	3,249	12·6
1940	30,815	4,665	15·1
1941	40,502	7,933	19·6
1942	43,555	8,018	18·6
1943	46,358	7,153	15·4
1944	50,496	7,294	14·4
1945	52,266	8,433	16·1
1946	60,170	10,583	17·6
1947	72,989	14,716	20·2
TOTALS FOR THE TWELVE YEARS	492,759	78,956	
AVERAGES PER YEAR FOR THE TWELVE YEARS	41,063	6,580	16·0

* Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

SCHEDULE D2

ANNUAL SALES AND OPERATING INCOME OF TWO PRODUCERS OF YARN (ARTIFICIAL SILK AND NYLON GROUP) FOR THE TWELVE YEARS FROM 1936 TO 1947 INCLUSIVE

(Thousands of Dollars)

—	Courtaulds (Canada) Limited			Canadian Industries Limited (Nylon Division)		
	Total Sales	Operating Income*	Percentage of Operating Income* to Sales	Total Sales	Operating Income*	Percentage of Operating Income* to Sales
	$	$	%	$	$	%
Totals for the Individual Financial Years ended in the following Calendar Years:						
Pre-War Period—						
1936	4,783	560	11·7			
1937	5,126	488	9·5			
1938	3,843	(261)	(261)			
1939	4,729	176	3·7			
Average for the Pre-War Period	4,620	241	5·2			
War Period—						
1940	6,831	1,591	23·3			
1941	9,134	2,284	25·0			
1942	7,242	1,118	15·4	925	7	0·8
1943	6,063	216	3·6	4,421	312	7·1
1944	7,777	592	7·6	4,405	175	4·0
1945	8,794	806	9·2	2,729	351	12·9
Average for the War Period	7,640	1,101	14·4	3,120	211	6·8
Post-War Period—						
1946	7,525	519	6·9	6,278	2,163	34·5
1947	11,199	2,382	21·3	8,144	2,050	25·2
Average for the Post-War Period	9,362	1,450	15·5	7,211	2,107	29·2
TOTAL SALES AND OPERATING INCOME* REPORTED	83,046	10,471	12·6	26,902	5,058	18·8

(*) Operating Income representes profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

SCHEDULE D3

ANNUAL SALES AND OPERATING INCOME OF ONE PRODUCER OF YARN AND MANUFACTURER OF FABRICS (ARTIFICIAL SILK AND NYLON GROUP) FOR THE TWELVE YEARS FROM 1936 TO 1947 INCLUSIVE

(Thousands of Dollars)

—	Canadian Celanese Limited		
	Total Sales	Operating Income*	Percentage of Operating Income* to Sales
	$	$	%
Totals for the Individual Financial Years ended in the following Calendar Years:			
Pre-War Period—			
1936	7,628	1,665	21·8
1937	8,074	1,749	21·7
1938	7,771	1,558	20·0
1939	8,809	2,411	27·4
Average for the Pre-War Period	8,071	1,846	22·9
Pre-Price Control Period—			
1940	8,045	2,163	26·9
1941	11,240	3,798	33·8
Average for the Pre-Price Control Period	9,643	2,981	30·9
Price-Control Period—			
1942	12,116	4,384	36·2
1943	12,261	4,309	35·1
1944	12,795	4,060	31·7
1945	12,932	4,070	31·5
1946	13,923	3,827	27·5
1947	17,522	5,734	32·7
Average for the Price Control Period	13,592	4,397	32·4
TOTAL SALES AND OPERATING INCOME* REPORTED	133,116	39,728	29·8

* Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposals of investments and fixed assets.

SCHEDULE D4

ANNUAL SALES AND OPERATING INCOME OF NINETEEN MANUFACTURERS OF FABRICS (ARTIFICIAL SILK AND NYLON GROUP) FOR THE TWELVE YEARS FROM 1936 TO 1947 INCLUSIVE

(Thousands of Dollars)

—	Bruck Mills Limited			18 Other Companies		
	Total Sales	Operating Income*	Percentage of Operating Income* to Sales	Total Sales	Operating Income*	Percentage of Operating Income* to Sales
	$	$	%	$	$	%
Totals for the Individual Financial Years ended in the following Calendar Years:						
Pre-War Period—						
1936	1,609	42	2·6	8,995	280	3·1
1937	1,476	63	4·3	9,981	417	4·2
1938	1,459	52	3·6	9,080	209	2·3
1939	1,908	96	5·0	10,337	566	5·5
Average for the Pre-War Period	1,613	63	3·9	9,598	368	3·8
Pre-Price Control Period—						
1940	2,823	184	6·5	13,116	727	5·5
1941	4,909	558	11·4	15,219	1,293	8·5
Average for the Pre-Price Control Period	3,866	371	9·6	14,168	1,010	7·1
Price Control Period—						
1942	5,857	560	9·6	17,415	2,039	11·7
1943	5,977	378	6·3	17,636	1,938	11·0
1944	6,130	514	8·4	19,389	1,953	10·1
1945	6,090	699	11·5	21,721	2,507	11·5
1946	7,134	860	12·1	25,310	3,214	12·7
1947	8,761	1,063	12·1	27,363	3,487	12·7
Average for the Price Control Period	6,658	679	10·2	21,472	2,523	11·8
TOTAL SALES AND OPERATING INCOME* REPORTED	54,133	5,069	9·4	195,562	18,630	9·5

(*) Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

QUARTERLY SALES AND COMPONENTS OF COST REPORTED BY FOUR SPECIAL COMPANIES (ARTIFICIAL SILK AND NYLON GROUP) FOR THE 27 MONTHS FROM JANUARY 1946 TO MARCH 1948—(Sales in Thousands of Dollars)

—	1946				1947				1948
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter
COURTAULDS (CANADA) LIMITED:	$	$	$	$	$	$	$	$	$
Sales	2,252	2,323	1,650	1,302	2,182	3,180	2,506	3,330	3,058
Analysis of components of cost:									
Materials	0.211	0.216	0.173	0.194	0.220	0.207	0.205	0.206	0.211
Labour	0.284	0.289	0.379	0.429	0.272	0.241	0.292	0.278	0.289
Overhead	0.344	0.332	0.451	0.544	0.329	0.274	0.319	0.322	0.313
Operating Income*	0.161	0.163	(0.003)	(0.167)	0.179	0.278	0.184	0.194	0.187
Sales Dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
CANADIAN INDUSTRIES LIMITED:									
Sales	1,443	1,380	1,646	1,810	2,095	1,752	2,191	2,017	2,231
Analysis of components of cost:									
Materials	0.284	0.282	0.258	0.275	0.323	0.330	0.341	0.310	0.292
Labour	0.182	0.155	0.146	0.145	0.135	0.150	0.146	0.158	0.154
Overhead	0.217	0.217	0.261	0.206	0.247	0.274	0.304	0.274	0.265
Operating Income*	0.317	0.346	0.335	0.374	0.295	0.246	0.209	0.258	0.289
Sales Dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
CANADIAN CELANESE LIMITED:									
Sales	3,505	3,409	3,248	3,762	4,323	4,523	4,177	4,500	5,916
Anaylsis of components of cost:									
Materials	0.164	0.182	0.177	0.174	0.173	0.152	0.150	0.141	0.137
Labour	0.320	0.330	0.367	0.344	0.337	0.334	0.323	0.314	0.340
Overhead	0.199	0.203	0.223	0.220	0.203	0.176	0.180	0.208	0.194
Operating Income*	0.317	0.285	0.233	0.262	0.287	0.338	0.347	0.337	0.329
Sales Dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
BRUCK MILLS LIMITED:									
Sales	1,749	1,648	1,908	1,926	2,002	2,484	2,226	2,480	2,651
Analysis of components of cost:									
Materials	0.480	0.486	0.614	0.565	0.535	0.521	0.506	0.419	0.381
Labour	0.170	0.184	0.182	0.189	0.184	0.151	0.183	0.205	0.214
Overhead	0.189	0.203	0.137	0.165	0.176	0.164	0.200	0.205	0.207
Operating Income*	0.161	0.127	0.067	0.081	0.105	0.164	0.111	0.171	0.198
Sales Dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
TOTAL SALES FOR THE FOUR SPECIAL COMPANIES	8,949	8,760	8,452	8,800	10,602	11,939	11,100	12,417	13,856

* Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

SCHEDULE D6

FINISHED GOODS INVENTORIES EXPRESSED IN TERMS OF QUANTITIES (ARTIFICIAL SILK AND NYLON GROUP) FOR THE PERIODS INDICATED

—	Producers of Yarn		—	Manufacturers of Fabrics	
	Courtaulds (Canada) Limited	Canadian Industries Limited Nylon Division		Canadian Celanese Limited	Bruck Mills Limited
	(Thousands of Pounds)	(Thousands of Pounds)		(Thousands of Yards)	(Thousands of Yards)
Finished Goods Inventories expressed in Terms of Quantities, reported by Companies at the end of each fiscal period from 1939 to 1947 inclusive, grouped as follows for comparative purposes:					
As at 1939	616	......	*As at 1939*	1,707	229
Average for the War Period (1940-1945)	753	85	*Average for the Pre-Control Period (1940-1941)*	1,294	193
Average for the Post-War Period (1946-1947)	352	101	*Average for the Control Period (1942-1947)*	1,254	209
Reported by companies in 1948	424	72	*Reported by companies in 1948*	740	81
Finished Goods Inventories averaged by quarter year periods:					
1946—			1946—		
1st quarter	604	119	1st quarter	933	57
2nd quarter	719	136	2nd quarter	1,162	85
3rd quarter	440	118	3rd quarter	1,310	123
4th quarter	304	123	4th quarter	1,367	Not reported
1947—			1947—		
1st quarter	732	141	1st quarter	926	166
2nd quarter	570	240	2nd quarter	992	188
3rd quarter	503	123	3rd quarter	1,262	29
4th quarter	448	75	4th quarter	1,545	Not reported
1948—			1948—		
1st quarter	401	71	1st quarter	913	81

SCHEDULE D7

UNIT SELLING PRICES AND COMPONENTS OF COST OF ARTICLES REPORTED BY THE FOUR SPECIAL COMPANIES (ARTIFICIAL SILK AND NYLON GROUP) AS AT THE DATES INDICATED

—	As at January 1, 1942	As at September 15, 1947	As at April 1, 1948
	$	$	$
COURTAULDS (CANADA) LIMITED:			
100 Denier, 40 Filaments, Bright Viscose Rayon Yarn on Cake Cones			
Components of selling price:			
Total cost	0.56894	0.75607	0.72335
Operating Income or (Loss)	0.19236	0.13473	0.17221
Selling price per pound	0.76130	0.89080	0.89556
100 Denier, 40 Filaments, Dull Viscose Rayon Yarn on Cake Cones			
Components of selling price:			
Total cost	0.58478	0.76956	0.74154
Operating Income or (Loss)	0.19899	0.14809	0.17653
Selling price per pound	0.78377	0.91765	0.91807
150 Denier, 36 Filaments, Bright Viscose Rayon Yarn on Cake Cones			
Components of selling price:			
Total cost	0.49874	0.64835	0.64607
Operating Income or (Loss)	0.14056	0.09720	0.09861
Selling price per pound	0.63930	0.74555	0.74468
150 Denier, 40 Failments, Dull Viscose Rayon Yarn on Cake Cones			
Components of selling price:			
Total cost	0.51630	0.70210	0.70130
Operating Income or (Loss)	0.13482	0.06200	0.06372
Selling price per pound	0.65112	0.76410	0.76502
200 Denier, 27 Filaments, Bright Viscose Rayon Yarn on Cake Cones			
Components of selling price:			
Total cost	0.49944	0.61267	0.57707
Operating Income or (Loss)	0.12929	0.12591	0.13093
Selling price per pound	0.62873	0.73858	0.70800
300 Denier, 44 Filaments, Bright Viscose Rayon Yarn on Cake Cones			
Components of selling price:			
Total cost	0.43999	0.57524	0.56723
Operating Income or (Loss)	0.12724	0.08909	0.07468
Selling price per pound	0.56723	0.66433	0.64191

NOTE: Operating Income or (Loss) represents the difference between the selling price and components of cost reported.

SCHEDULE D7—(1)

UNIT SELLING PRICES AND COMPONENTS OF COST OF ARTICLES REPORTED BY THE FOUR SPECIAL COMPANIES (ARTIFICIAL SILK AND NYLON GROUP) AS AT THE DATES INDICATED

—	As at January 1, 1942	As at September 15, 1947	As at April 1, 1948
	$	$	$
Vicose Rayon Yarn on Cake Cones—			
Components of selling price:			
Total cost	0.54187	0.70664	0.69015
Operating Income or (Loss)	0.16699	0.11684	0.12521
Selling price per pound	0.70886	0.82348	0.81536
Vicose Rayon Yarn on Skeins—			
Components of selling price:			
Total cost	0.55200	0.77588	0.75868
Operating Income or (Loss)	0.06608	(0.08622)	(0.05344)
Selling price per pound	0.61808	0.68966	0.70524
CANADIAN INDUSTRIES LIMITED:			
30 Denier Yarns—			
Components of selling price:			
Materials	Not	1.16	1.01
Labour	in	0.64	0.66
Overhead	Operation	1.04	0.87
Operating Income or (Loss)		1.25	1.55
Selling price per pound		4.09	4.09
40 Denier Yarns—			
Components of selling price:			
Materials	Not	1.16	1.01
Labour	in	0.50	0.56
Overhead	Operation	0.80	0.73
Operating Income or (Loss)		1.01	1.17
Selling price per pound		3.47	3.47
70 Denier Yarns—			
Components of selling price:			
Materials	Not	1.16	1.01
Labour	in	0.50	0.56
Overhead	Operation	0.80	0.72
Operating Income or (Loss)		0.71	0.88
Selling price per pound		3.17	3.17
CANADIAN CELANESE LIMITED:			
Lingerie Taffeta—			
Components of selling price:			
Materials	0.0583	0.0556	0.0592
Labour	0.1296	0.2265	0.2391
Overhead	0.0857	0.1169	0.1166
Operating Income or (Loss)	0.1785	0.1653	0.1739
Selling price per yard	0.4521	0.5643	0.5888

NOTE: Operating Income or (Loss) represents the difference between the selling price and components of cost reported.

SCHEDULE D7-(2)

—	As at January 1, 1942	As at September 15, 1947	As at April 1, 1948
	$	$	$
Dress Crepe—			
Components of selling price:			
Materials	0.0756	0.0728	0.0779
Labour	0.1526	0.2674	0.2846
Overhead	0.1053	0.1445	0.1490
Operating Income or (Loss)	1.1924	0.2023	0.2000
Selling price per yard	0.5259	0.6870	0.7115
Lining—			
Components of selling price:			
Materials	0.0733	0.0691	0.0723
Labour	0.1098	0.1740	0.1906
Overhead	0.0824	0.0987	0.1059
Operating Income or (Loss)	0.1768	0.1734	0.1710
Selling price per yard	0.4423	0.5152	0.5398
150 Denier Yarn—			
Components of selling price:			
Materials	0.1843	0.1606	0.1551
Labour	0.1396	0.1819	0.1802
Overhead	0.1571	0.1635	0.1676
Operating Income or (Loss)	0.3790	0.3840	0.3871
Selling price per pound	0.8600	0.8900	0.8900
BRUCK MILLS LIMITED:			
Dress Crepe—			
Components of selling price:			
Materials	0.3795	0.4696	0.5086
Labour	0.0506	0.0714	0.0799
Overhead	0.1013	0.1412	0.1451
Operating Income or (Loss)	0.1686	0.1778	0.2164
Selling price per yard	0.7000	0.8600	0.9500
Dress Satin—			
Components of selling price:			
Materials		0.4408	0.4484
Labour	Not	0.1063	0.1424
Overhead	manufactured	0.1683	0.1803
Operating Income or (Loss)		0.5346	0.4789
Selling price per yard	....	1.2500	1.2500
Bengaline—			
Components of selling price:			
Materials	0.3003	0.4311	0.5842
Labour	0.0907	0.0836	0.0948
Overhead	0.0715	0.1297	0.1615
Operating Income or (Loss)	0.2625	0.2006	0.3095
Selling price per yard	0.7250	0.8450	1.1500

NOTE: Operating Income or (Loss) represents the difference between the selling price and components of cost reported.

SCHEDULE D8

CAPITAL EMPLOYED AND EARNINGS OF THE FOUR SPECIAL COMPANIES
(ARTIFICIAL SILK AND NYLON GROUP)
FROM 1936 TO 1947 INCLUSIVE

(Thousands of Dollars)

—	Capital Employed	Net Profit after Taxes	Percentage of Net Profit to Capital
	$	$	%
COURTAULDS (CANADA) LIMITED			
1936	8,349	502	6·0
1937	8,642	478	5·5
1938	10,238	(199)	(1·9)
1939	10,411	169	1·6
1940	10,511	600	5·7
1941	10,591	1,080	10·2
1942	10,385	694	6·7
1943	10,477	231	2·2
1944	15,641	485	3·1
1945	16,157	657	4·1
1946	17,063	489	2·9
1947	18,837	1,434	7·6
Average for 1936 to 1947	12,275	552	4·5
CANADIAN INDUSTRIES LIMITED			
1942	4,487	4	0·1
1943	5,114	176	3·4
1944	3,972	101	2·5
1945	4,906	148	3·0
1946	6,080	1,047	17·2
1947	6,560	1,056	16·1
Average for 1942 to 1947	5,186	422	8·1
CANADIAN CELANESE LIMITED			
1936	14,075	1,416	10·1
1937	14,110	1,268	9·0
1938	14,305	1,209	8·5
1939	14,608	1,844	12·6
1940	14,657	1,360	9·3
1941	15,226	1,850	12·2
1942	15,752	1,861	11·8
1943	16,139	1,703	10·6
1944	16,469	1,653	10·0
1945	16,705	1,647	9·9
1946	15,772	1,959	12·4
1947	19,546	3,025	15·5
Average for 1936 to 1947	15,614	1,733	11·1
BRUCK MILLS LIMITED			
1936	1,275	2	0·2
1937	1,268	18	1·4
1938	1,270	1	0·1
1939	1,300	31	2·4
1940	1,361	63	4·6
1941	1,528	179	11·7
1942	1,647	148	9·0
1943	1,725	96	5·6
1944	1,823	33	1·8
1945	3,580	88	2·5
1946	3,666	310	8·5
1947	4,090	510	12·5
Average for 1936 to 1947	2,044	123	6·0

By Mr. Monet:

Q. Mr. Knight—

The VICE-CHAIRMAN: Just one moment. Before very long I am going to ask the committee to go into executive session for a few minutes. It is probably a little early now. I do not think it is any more than the half hour. I think fifteen minutes would be long enough.

Mr. LESAGE: It is always a little longer than we expect.

The VICE-CHAIRMAN: There is just this, that if we were to adjourn now any questions could be prepared, or we could carry on for fifteen minutes and then adjourn.

Mr. FLEMING: Perhaps Mr. Monet could indicate to us how long his questions will last.

Mr. MONET: My questions will not be very long. I just have a few because I feel the report is quit complete.

Mr. FLEMING: Why not take Mr. Monet's questions now?

Mr. MONET: I have a very few questions to ask.

The VICE-CHAIRMAN: He will not finish in fifteen minutes. He would not be finished in that length of time.

Mr. MONET: I do not think so. My questions will be short, but a few answers to some of my questions will be quite long. It may be more than fifteen minutes.

The VICE-CHAIRMAN: It is just a question of where to break.

Mr. FLEMING: Let us split it and go into executive session at twenty minutes to six.

The VICE-CHAIRMAN: All right.

By Mr. Monet:

Q. Mr. Knight, turning to page 1 of your report you say in the first paragraph:

> This report deals with the artificial silk and nylon group of the primary textile industry of Canada.

Why are artificial silk and nylon grouped together?—A. Well, I think probably one of the reasons would be that the consumer looks upon nylon and rayon as being more closely related one to the other than perhaps the relation to cotton or to wool, and it seemed to be the logical place to incorporate it in the report.

By the Vice-Chairman:

Q. Under D.B.S. reports are these held together?—A. I would have to refer, Mr. Chairman—

Q. It does not matter.

By Mr. Monet:

Q. Would you verify that tonight and be able to give the answer tomorrow? Can you do it right away?

The VICE-CHAIRMAN: I was thinking it was probably the accepted method statistically by now.

The WITNESS: I think so, yes.

By Mr. Monet:

Q. While they are looking for that, and in order to save time, you also say here that some companies are manufacturers of nylon fabrics. What companies, if any, are manufacturers of nylon fabrics?—A. Well, I think the companies that would be manufacturers of nylon fabrics would be found among the 18 other reporting companies. I did not investigate any of those companies but I think probably the trade witnesses can give you pretty full details on the names of the companies that manufacture nylon fabrics.

Q. Then, turning to page 2, I understand you have already explained the meaning of operating income, but at this stage I should like you to put this very clearly in the record. I should like you to repeat your definition again in so far as it applies to artificial silk and nylon in your report D.—A. Operating income has been used as a measure of earnings instead of net profit, as operating income is the difference between sales and all costs pertaining to those sales with the exception of income tax and financial expense. Operating income is not the net profit available to the shareholders. Operating income may be more or may be less than the net profit of the company available to shareholders.

By the Vice-Chairman:

Q. How could it be less, only if you had income say from investments or something not connected with this commodity which is under inquiry? Is that not right?—A. Yes. Operating income could be less than net profit of the company if a large revenue was derived from a subsidiary company which would be added to that operating income, and in which case the operating income would, of course, be less than the net profit.

Q. But that is the only way?—A. That is one instance. There are probably other instances. There must be many other instances where a company would have miscellaneous revenue which it did not derive from the sales of the commodity itself.

By Mr. Zaplitny:

Q. May I ask if income from investments would be included in operating income?—A. No.

The VICE-CHAIRMAN: That is noted on page 2.

By Mr. Fleming:

Q. Before we leave that point I think we should apply that statement to these companies. In any case in these companies is the operating income greater than the net income or less than the net income?

The VICE-CHAIRMAN: Not in these cases under review. There is no such instance, is there

The WITNESS: I would have to look that up. I never thought of that angle. I do not think it is.

By the Vice-Chairman:

Q. Do you not show here a percentage of operating income year by year, and in every case there is a percentage?—A. It is very easy to compare. If you will take schedules D2, D3 and D4 there you have the operating income by years, and if you will compare that for the four companies that are shown on those three schedules with the net profit on schedule D8 I think that will answer your question.

By Mr. Fleming:

Q. I was wondering what was the reason for introducing this possibility that the net income might be greater than the operating income if in fact in the case of all of these companies the operating income in each case is greater than the net income?—A. Well, in the preparation of the three reports on the basic textile industry I have tried to use a uniform yardstick so that in the final summary, report E, which has been prepared and I believe will be submitted to the committee, you will be able to compare one with the other on a uniform yardstick.

By the Vice-Chairman:

Q. You have left out of operating income interest on borrowed money and other financial charges. Give me an example of those other financial charges in order that we may understand it more clearly.—A. Interest on bonds would be another financial charge.

Q. Interest on bonds is not comprehended by the expression interest on borrowed money?—A. It forms a part of the general scheme. You have interest on bank loans, interest on bonds, interest on notes, and loans of that nature which has of necessity been deducted from operating income before the net profit, shown at the foot of page 1 on the special preliminary questionnaire, was determined.

Q. Other financial charges will not account for very much. Interest on money is the main phrase in that B. It is pretty well comprehended by the phrase, "Interest on borrowed money", is it not?—A. Yes. In other financial charges there would be taxes on income, for example, which would go in against operating income before arriving at net profit after taxes. The figure on schedule D8 is your profit after taxes. Your taxes on income have been deducted from your operating income before arriving at that figure on schedule D8.

By Mr. Monet:

Q. Have you finished giving your definition?—A. I had not finished.

Q. I did not think you were finished. Would you finish your definition?—A. I will repeat the last paragraph of my definition. Operating income may be more or may be less than the net profit of a company available to shareholders, as operating income may be increased or reduced by other income and other charges which have no direct relation to the manufacture of textile products.

The VICE-CHAIRMAN: This would be a good point to stop, Mr. Fleming. The committee stands adjourned but will continue its deliberations in camera. There is the possibility that the adjournment will be until tomorrow afternoon.

Mr. FLEMING: Or later than 11 o'clock in the morning.

The VICE-CHAIRMAN: Yes, or later than 11 o'clock in the morning. I do not know of any way we can let you know.

Mr. MONET: I can take it upon myself when I know to let these gentlemen know.

The VICE-CHAIRMAN: Interested persons can be notified, but that is about as far as we can go.

The committee adjourned to meet again tomorrow, June 10, 1948, at an hour to be notified.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 71

THURSDAY, JUNE 10, 1948

WITNESSES:

Mr. E. H. Knight, of Knight, Trudel & Company, Chartered Accountants, Quebec, P.Q.

Mr. S. G. Dixon, President, Courtaulds (Canada) Limited, Cornwall, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

THURSDAY, June 10, 1948.

The Special Committee on Prices met at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Fleming, Harkness, Kuhl, McGregor, Martin, Maybank, Mayhew, Merritt, Pinard, Winters, Zaplitny.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. E. H. Knight, of Knight, Trudel & Company, Chartered Accountants, was recalled and further examined.

Witness retired.

Mr. S. G. Dixon, President, Courtaulds (Canada) Limited, Cornwall, Ont., was called, sworn and examined. He produced, for members of the Committee, copies of answers to special preliminary questionnaire by his company.

In the course of Mr. Dixon's evidence, Mr. Knight was recalled and briefly examined, after which Mr. Dixon's examination continued.

At 6.00 p.m. witness retired and the Committee adjourned until Tuesday, June 15, at 11.30 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
June 10, 1948.

The Special Committee on Prices met this day at 4.00 p.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Gentlemen, will you come to order?

E. H. Knight, Knight and Trudel, Chartered Accountants, Quebec, P.Q., recalled:

By Mr. Monet:

Q. Yesterday, at the adjournment, you had just given the definition of operating income in so far as it applies to artificial silk and nylon referred to in report D. Turning again to your report on page 2, in the middle of the page you state that this schedule also reflects—referring to schedule D—the steady growth that has taken place during the twelve years under review of this branch of the industry. How do you account for this growth, Mr. Knight?—A. There are of course many factors contributing to the growth of this branch of the industry. Among those factors we find new firms entering the field during the twelve year period under review. For example, if we look at schedule D2, we see Canadian Industries nylon division starting in 1942. I also have a list here of seven of the eighteen firms that started during this period. There is one firm that started in 1937, for example; another firm started in 1940; another firm started in 1941; a fourth firm started in 1942, a fifth firm started in 1944; a sixth firm started in 1945; and a seventh firm started in 1946. That is one factor contributing to the growth of this branch of the industry. Again, some of the larger firms have expanded their plant facilities during the period. If you turn to schedule D8 you will see, for example, that in 1938 Courtaulds (Canada) Limited increased their capital employed by approximately $2,000,000 and again in 1944 they did the same. Likewise we find Canadian Celanese capital employed increased in 1946 from $15,000,000 to approximately $19,000,000, and so on. Those increases in plant facilities have had a natural tendency to increase the size and the importance of the industry. There is of course a third factor, the increase in the selling price over the period. These increases in sale price, as you know, are shown on page 12 for three periods out of the 12 years. That is a general statement.

Q. And those in your opinion, would be the three main factors contributing to the steady growth?—A. Yes.

Q. Mr. Lesage asked yesterday whether you would be in a position, from the examination you have made, to say whether the growth was approximately the same for each company you have investigated? If you cannot give an answer, just say so?—A. I am unable to give an answer, Mr. Monet.

Q. Now again, Mr. Knight, on page 2 of your report in the middle of the paragraph you say "it was thought that special conditions surrounding some of the companies would nullify the value of any comparison drawn up on such a basis"—referring to the basis mentioned before. Are those conditions set out on page 4?—A. Yes, those would be the conditions.

Q. On page 4 you have them listed from (*a*) to (*f*) inclusive?—A. In so far as they affect the producers of yarn, as compared with manufacturers of fabrics.

Q. Now, Mr. Knight, I am going to ask you to turn to page 3 of your report where we see a table which you read yesterday, referring to schedule D. This table, Mr. Knight, shows does it not, that Canadian Celanese Limited has the largest sale over the period covered by your investigations?—A. Yes.

Q. And it also shows that the four large companies listed there and referred to in your report have total sales of $297,197,000 out of $492,759,000?—A. By adding up the first four figures in column 1 that is the total one gets.

Q. And the difference of course would be the total sales in thousands of dollars for the eighteen other companies reporting in answer to the questionnaire?—A. Yes.

Q. I notice, Mr. Knight, on page 3 of your report that Canadian Celanese Limited show 29·8 per cent operating income to sales. The percentage is considerably higher than any of the other percentages shown on the table and is in fact more than three times the average percentage of operating income to sales reported by the eighteen other companies. Now, Mr. Chairman, while the representatives of the companies will be called later to explain such a large operating income to sales, I would like to know from Mr. Knight if there is any accounting significance in such a large variation in percentages as between one company and another? If there is such a significance I would like you to tell the members of the committee what it is?—A. I do not think one can properly compare the percentage of operating income to sales shown by the one company with that shown by another unless their operations and financial structure are identical. As I have mentioned in this report the operations of these various companies are not identical and for this reason alone it would be improper to compare the operating income as a percentage of sales of say Canada Celanese Limited, which I am informed has four operations, to the operating income of any other company. I will take an example. If you suppose there are two processes in an industry and to carry out each process requires equal capital investment, and in order to obtain a fair return on that capital it is necessary for the manufacturer to earn say 10 per cent on sales, then if you have the two processes carried out by one company it will be necessary for that company to earn an operating income of 20 per cent to sales in order to obtain the same return on its capital. So you see the more processes which are performed by one company the higher will be its operating income as a percentage to sales. If you wish to make a comparison of the relative profit-ability of the various companies, this might be more properly done from schedule D8 where the net profit after taxes, that is the amount available to shareholders, is compared with capital employed. The ratio of operating income to sales is I believe a useful one for this committee, provided that the comparison is made for the same company between one accounting period and another. The table on page 3 is given as a guide to the committee so that when one compares the operating income of each of those companies during recent years, and more particularly during the recent quarterly periods, one would have some idea as to what the company has earned relatively to sales over a period of years.

Q. Now you say, Mr. Knight, that you were informed this particular company, the Canadian Celanese Limited, had more than one operation? Is it right to say that they have four operations?—A. I inquired into that from the executive and the operations are so highly technical that I would prefer, sir, that you would ask the executive to explain.

Q. Yes, but is it a fact that Canadian Celanese Limited has more than one operation?—A. Yes.

Q. And it is a fair statement to say that they have four operations?—A. I think that is a fair statement to make.

Q. As to the particular explanation for each of those operations you are not competent to answer?

Mr. WINTERS: What does that mean? Does it mean that the company has four different processes?

Mr. MONET: Yes, they would manufacture yarn, they manufacture fabric—what would be the others, Mr. Knight, without going into detail? Would you just give the four processes?

The WITNESS: The first is the chemical process—

Mr. FLEMING: I can see we are going into some trouble.

By Mr. Monet:

Q. I just wanted the witness to say there were four operations but you would prefer, Mr. Knight, to leave that to the company?—A. Yes.

Q. Now, I would refer you to page 6 of your statement and the heading "Canadian Industries Limited." I see a note "nylon flakes received under lend-lease arrangements as free issue materials." Do you mean they are Canadian war contracts or United Kingdom war contracts?—A. This refers to United Kingdom war contracts.

Q. That is information you have received from the officers of the company?—A. That is correct.

Q. Now again on page 6 I would ask you, with respect to the comments made for Courtaulds, and with respect to Canadian Industries on pages 5 and 6, to refer to schedule D2 of your report?

Mr. WINTERS: Before you leave the lend-lease arrangement might I ask who the flakes were received from?

By Mr. Monet:

Q. Can you answer that?—A. I am afraid not.

Q. I was going to say, Mr. Winters, that the president of the company will be called as a witness later and he will give you the information.

Mr. FLEMING: May I clear up one thing. When we were going over report B with Mr. Knight, Mr. Dyde paused at the end of each division of the narrative before he began the narrative on a new schedule and there was an opportunity then for questioning. I do not wish to interrupt but there are a couple of questions which I would like to ask before we leave the subject matter of D2.

Mr. MONET: As a matter of fact I would rather have that done because I think it makes for more orderly proceedings, and I will refer to the figures on the schedules afterwards.

Mr. FLEMING: I will wait until Mr. Monet is finished.

By Mr. Monet:

Q. Referring to schedule D2 I point out to you the average percentage of operating income to sales for Courtaulds (Canada) Limited over the twelve year period of 1936 to 1947 inclusive is 12·6 per cent?—A. Yes, sir.

Q. And now referring to schedule D5 I point out to you that for the first quarter of the year 1948 the operating income to sales is 18·7 per cent?—A. That is correct.

Mr. MONET: I am referring to D2, and D5, Mr. Chairman, because I want to get in the first quarter of 1948.

Mr. FLEMING: You are referring to the last column of D5?

Mr. MONET: Yes, which I think should be brought in at this stage?

Mr. FLEMING: Yes.

By Mr. Monet:

Q. We are dealing with D2 and it covers the first quarter of 1948. Coming back to D2, Mr. Knight, comparing the year 1947 to the year 1946 I point out to you that the operating income to sales was 21·3 per cent for Courtaulds (Canada) Limited in 1947 as against 6·9 per cent for 1946? Can you, from the investigation which you have made, tell the members of the committee the reasons for such an increase?—A. There are several reasons. One reason is that Courtaulds (Canada) Limited were granted an increase in their selling price on the 1st of February, 1947. Another reason is that 1946—if you will turn to schedule D5—showed operating losses in the third and fourth quarters which of course resulted in a low percentage for the twelve months, as reflected in D2.

By Mr. Pinard:

Q. Can you tell us again when that increase was granted to the company?—A. Yes, on the 17th of February, 1947.

Q. Does that appear on page 12 in the selling prices that are listed there? Is it reflected in one of the figures that appears there?—A. It would appear in this way. The selling prices which increased on the 17th of February, 1947, were those prevailing on the 15th of September, 1947, and they are included in the figure of 90 cents, 92½ cents, and so forth.

Q. I asked that because the increase seems not to be as high as to justify an increase in the percentage of operating income. Is that one of the reasons why the operating income is higher?—A. There are two reasons that I have noticed. One reason is the increase in the selling price and the other is an increase in the volume of sales reported. You will see that on D5.

Q. And on D2?—A. Yes, and on D2.

By Mr. Monet:

Q. Are there any other reasons for the increase?—A. Not from an accounting point of view.

Q. Looking again at schedule D2 for Canadian Industries Limited I point out to you the average percentage of operating income to sales for the same period under consideration is 18·8 per cent?—A. Yes, sir.

Q. And again referring you to schedule D5 of your report I point out that for the first quarter of the year 1948 operating income to sales is 28·9 per cent?—A. Yes, sir.

Q. Comparing the year 1947 to the year 1946 on schedule D2, for Canadian Industries Limited, I point out to you that the operating income in this case was 25·2 per cent in 1947 as against 34·5 per cent in 1946. Can you, Mr. Knight, from the investigation which you have made, tell the members of the committee the reasons which would account for such a decrease?—A. One of the main reasons is that the selling price was reduced by the company.

By Mr. Pinard:

Q. But the sales increased, though, the total sales increased?—A. The volume would have increased; yes, it did.

By Mr. Monet:

Q. Did you say one of the reasons was that the selling price increased?—A. No, the selling price was reduced.

Q. Are there any other reasons?

By Mr. Fleming:

Q. Was reduced by the company?—A. By the company.

By Mr. Monet:

Q. Are there any other reasons that would explain this decrease in percentage in sales to operating income?—A. There is another reason that I know of. In August, 1947, the Canadian Industries Limited, Nylon Division, began to purchase nylon salt solution for the first time, according to their financial statement, and the polymer flake that they had been previously using ceased to be purchased and by November the company was purchasing the nylon salt solution exclusively.

Q. Could you tell the members of this committee what difference that made so far as the company was concerned and so far as the operating income to sales was concerned? What was the effect of this change?—A. I should like to take that question under advisement, Mr. Monet.

Q. I am just asking you whether you can say what the effect was.

By Mr. Fleming:

Q. Is that something within Mr. Knight's knowledge or would you be getting the information from the company anyway?—A. It would be more clearly explained by the experts.

Q. You would only have to go and get the information from the company and then give it to us second hand, is that right?—A. I would have to study their return very carefully to see the effect. I could not do that at the time.

The CHAIRMAN: We could ask them and you could be called back later if necessary.

Mr. MONET: You just say whether or not you can answer. I am finished with schedule D2. Are there any questions to be asked by the members in connection with schedule D2?

By Mr. Fleming:

Q. There are a couple of points with which I should like to deal briefly. Mr. Knight, in listing the factors of gross in production and total earnings of the company shown on page 3, you mentioned three factors. Now, Mr. Knight is there not a fourth factor namely, that they are actually bringing new products on the market?—A. That is quite possible, Mr. Fleming. As I said when I gave my answer, I gave three among many factors that I knew of from an accounting standpoint.

Q. I think it is clear from your report that nylon was not really available for the development of civilian uses during the war, but since the war there has been quite a growth in the production of nylon and nylon products. It is really a new series of uses so far as the public is concerned, is it not?—A. Yes, Mr. Fleming.

Q. Then you were asked some questions bearing on the relative showings of the different companies. I do not think we have been asked to draw any comparisons between them, but I should like to ask, in view of your study of the statistics of these companies, can they be compared? It struck me they are really making quite different products and their businesses are not precisely in the same fields, are they?—A. No, and it is for that reason we have been very careful to show their figures separately in our report.

Q. It is hardly correct, then to lump their figures in together and try to draw any conclusion based on over-all averages because of the fact their products are quite dissimilar, are they not?—A. Yes; on the other hand we felt it would be of interest to the committee to have an over-all view of this branch of the industry. I think we have, in our report, pointed out to the committee clearly the danger of trying to take these figures in bulk form. I think I have mentioned that on page 2 of my report.

Q. You mentioned the decreases made in the sales price of their products by Canadian Industries Limited. Do you know what the ceilings were on their products? Were they not under controls?—A. They were under control.

Q. Up to September 15, 1947?—A. That is correct; that is the information I have obtained from the executive of the company.

Q. And were the ceilings uniform throughout the period until September 15, 1947?—A. That is some information I did not ask the company.

Q. I suppose we could get that from the Wartime Prices and Trade Board anyway?—A. Yes, Mr. Fleming.

Q. Do you know how many decreases there were?—A. Yes, M. Fleming, there were two decreases from the time when the price was first set for domestic sales. I make it clear there were two decreases which the company made itself. I mean it was not a decrease—you were referring to The Wartime Prices and Trade Borad, and it was not a decrease requested by The Wartime Prices and Trade Board.

Q. These were voluntary reductions in the sales prices of products made by the company?—A. Yes.

By Mr. Monet:

Q. Now, we will refer to schedule D3, Mr. Knight, and proceeding in the same way I would ask you now to turn to schedule D3 which deals with the Canadian Celanese Limited. I point out to you that the average percentage of operating income to sales for Canadian Celanese Limited for the period referred to is 29·8?—A. Yes, Mr. Monet.

Q. And referring again to schedule D5, for the first quarter of the year 1948, the operating income to sales is 32·9 for the Canadian Celanese Limited, is that correct?—A. Yes, Mr. Monet.

Q. Now, I want you to compare, as we did with the other two companies, the year 1947 and 1946 on schedule D3. I wish to point out to you that the operating income to sales was 32·7 per cent in 1947 as against 27·5 per cent in the year 1946. From the investigations you have made can you make any comment or give any reasons for such an increase?—A. The Canadian Celanese Limited have reported two price increases during 1947; one on the first of April and one on the first of September. Apart from these price increases and their effect on operating income I am sure there are probably other factors from an operational standpoint but I have not explored them.

By The Chairman:

Q. What does that mean, now? What does that statement mean?—A. It means, sir, that in companies of this nature you are constantly having improvements in processes which might tend to reduce your costs of manufacture which would automatically increase your operating income. You would also benefit, perhaps, from additional machinery of a modern type which would increase your production and which would also account for that, so that it is not just a price increase alone that could be the reason.

By Mr. Pinard:

Q. In this case, there was a decrease in raw materials, too; that would be a reason for an increase in the operating income, is that not correct?—A. It might be correct. This table shows that the proportion of raw material in such and such a quarter was such and such a per cent of the sales dollar, whereas in the previous quarter raw material was a different per cent of the sales dollar.

Q. And the two price increases that were granted, were they granted under ceilings by the government?—A. That is correct, sir.

Mr. MONET: I have no more questions on schedule D3. Are there any questions by the members of the committee?

The CHAIRMAN: I do not suppose this witness knows the reason those two increases were permitted by The Wartime Prices and Trade Board?

The WITNESS: No.

The CHAIRMAN: We will get that, will we Mr. Monet?

Mr. MONET: Yes.

Mr. FLEMING: The Wartime Prices and Trade Board will be following this witness?

Mr. MONET: Not this afternoon, but they will be here.

By Mr. Monet:

Q. Schedule D4, Mr. Knight; I point out to you that on schedule D4 the average percentage of operating income to sales for Bruck Mills Limited, for the period covered is 9·4 per cent?—A. Yes.

Q. And referring again to your schedule D5, I point out to you that for the first quarter of the year 1948 operating income for Bruck Mills Limited was 19·8 per cent; that is correct?—A. Yes, Mr. Monet.

Q. If you compare the year 1947 to 1946 on schedule D4 for Bruck Mills Limited, it is to be noticed is it not, that operating income to sales has been the same for the years 1947 and 1946?—A. Yes, Mr. Monet.

Q. And the same remark would apply to the percentage of operating income of the 18 other companies referred to on D4 for the percentage of operating income to sales for the years 1947 and 1946?—A. Yes, Mr. Monet.

Q. Now, on page 7 of your report in the last line, there is a word used, "throwing". Could you tell the members of the committee what that means? —A. Well, I believe it is the twisting of yarns but I have not explored that.

Q. I suppose we could get that from the people in the trade?

The CHAIRMAN: What is the significance of that, Mr. Monet?

Mr. MONET: I merely wanted to have an explanation for my own information.

By Mr. Monet:

Q. Now, Mr. Knight, on page 9, would you tell the members of the committee why the percentage of operating income to sales shown on page 9 is higher in 1946 and 1947 than the average of 17·6 and 20·2 shown on schedule D1 for the same years? On schedule D1 for the year 1947 there is an average of 20·2 and for the year 1946 an average of 17·6, while the average on page 9 shows an amount substantially larger than the average on D1?—A. The figures shown on the table on page 9 are for the four special reporting companies, whereas the figures shown on schedule D1 are the consolidation of those four companies with the 18 other reporting companies, Mr. Monet.

Q. Now turning to page 10 of your report.

By Mr. Fleming:

Q. Just before you go to that page, that is all subject to the reservation concerning the difficulty of bulking them together, really, for any purpose, is it not, Mr. Knight?—A. Yes, Mr. Fleming, it depends for what purpose you would read the figures. If you were looking for certain information then a certain set of figures would be applicable.

Q. Talking about the artificial silk and nylon group, I suppose, we had better not over-emphasize the group idea because they are all in very individualistic lines of industry?—A. Yes.

By the Chairman:

Q. I do not understand that question and answer. Having in mind our purposes, what is the significance of it?—A. Well, schedule D1 shows the sales over the years and the percentage of operating income that has been earned by this branch of the primary textiles industry. There is the cotton branch and the wool branch. The artificial silk and nylon branch are probably more closely related and the companies shown in this group are probably more closely related one to the other as a branch of the primary textile industry than they would be say, to cotton or to wool.

Hence, as we are covering the field of primary textiles we have put them together under this heading but we have taken care to report to you that some of these companies perform one operation in that they spin yarn; others spin yarn and also weave fabrics and then again there is another group that weaves the fabrics. In order to get the picture before you, we have given you the main schedule to show you the relative importance of this group compared with, shall we say, cotton and wool. Then, we have taken pains to break it down and show you the various components as we, from an accounting standpoint, have seen it.

By Mr. Monet:

Q. On page 2 of your report, the bottom of the page, under the headings A, B and C, you have divided these companies and you have designated them as being producers of yarn only or producers of yarn and manufacturers or manufacturers of fabrics, as you have just stated?—A. Yes, Mr. Monet.

Q. Turning now to page 10, of your report, Mr. Knight; I understand that this section of your report deals with inventories only?—A. Yes.

Q. Did you in the examinations you have made of all the returns to the questionnaire submitted to these companies find any evidence of hoarding?—A. I did not find any evidence of hoarding in the artificial silk and nylon group, and I think this is perhaps best exemplified by the figures shown at the foot of page 10.

Q. Would you like to make any comment on those figures?—A. As you will see, the producers of yarn have reported in the first quarter of 1948, their average month-end inventories were 472,000 pounds. If you would care to compare those figures with those preceding it you will see that they are lower than the other figures; and likewise turning to the last column, those who have reported their finished goods inventories in yards, show a figure of 994,000 yards; and this again was considerably less than the average maintained over those two years. The situation as indicated over a longer period is shown in schedule D6, which gives you a comparison.

Q. But I notice in the last quarter of 1947 manufacture of fabrics is much larger for the fourth quarter than it was for the third; is that correct?—A. That is correct. This figure I might say, of course, is still less than the average inventories maintained at these companies in 1939, which was the pre-war period. There, as you will see at the top of the table on page 10, the average inventories of these reporting companies showed 1,936,000 yards.

Q. And that is all the companies to which this questionnaire was sent?—A. No, it is only the 4 special reporting companies we requested to give details of their inventories. These totals were called for by years for the 12 years, and by months for the 27 months.

Q. And you are satisfied from your examination that there has been no hoarding?—A. That is right.

Q. Now, I would like to refer you to page 12, of your report, but before doing so I have one question to ask: My question relates to schedule D5, and to a point which I would like to have you clear up for us. I wish to point out to you that for the overhead for the last quarter for the year 1946 for Courtauld's (Canada) Limited was 55·4. Is that correct?—A. Yes.

Q. This seems to be considerably higher than for any other of the previous quarters, and as compared to any quarters for the year 1947, and also for the first quarter of 1948. Would you have any comment to make with regard to this situation—this applies only to Courtauld's (Canada) Limited?—A. Well, this 55·4 represents the percentage of sales, and if you will observe the first line you will see that the sales in the third and fourth quarters were considerably less than in any of the other quarters reported, including 1948. In any business, it is customary for overhead to continue if you have decreases in sales which are of a temporary nature. I have enquired from the executive of the company and I was informed that during these two quarters they were unable to procure one of their basic raw materials as the supplier who was providing this raw material had a strike at that time; and, consequently, not having sufficient raw material available production was not able to continue at the normal rate; sales fell and overhead, which as I have explained, for temporary periods generally remains at the same figure, is reflected in a higher percentage at that time.

Q. Now, you have no other comment to make on this question?—A. No.

Q. On page 12, of your report—this is the part of your report which gives the unit selling price on three specific dates—January 1, 1942, September 15, 1947, and April 1, 1948—is that correct?—A. Yes.

Q. I notice that these prices vary from one date to another. Have you obtained information as to the date of these changes and the amount of the changes?—A. Yes, I wrote a letter to the chief executive officer of each of the four companies on the 21st of May, 1948. I will read this form letter to you.

Q. Yes.—A. This is addressed to each of the four companies: Dear Sir—on the schedule that is in your return you have set forth as of January 1, 1942, September 15, 1947 and April 1, 1948, the selling price of the following products —then I have listed the products of that firm—would you please—

Q. Pardon me; those are the products to which you referred in your report? —A. Yes.

Q. Have you one of them?—A. Yes—would you please advise me by return mail of the date and amount of each change in selling price for each of these commodities from January 1, 1942 to the date of this letter.

Q. Which was dated?—A. The 21st of May.

Q. Would you summarize for each company the date and the amount of these price changes?—A. Yes. The first one I have in my files is Canadian Industries Limited, and they show the selling price for the 30 denier yarns which have been reported, and the 40 denier yarns and the 70 denier yarns—there the price was shown as having been established at $5.20 by the rayon administrator. Prices were established in March of 1945 which were in effect up to the 1st of October, 1945, and from the 1st of October, 1945, to the 15th of December, 1946, when it was $3.55; the 10th of December, 1946 to the 2nd of June, 1947, $3.24; the 3rd of June to date, $3.17. That is more or less a yardstick for the different deniers reported by that company.

Q. To what company are you referring now?—A. Canadian Industries Limited—Nylon Division. Courtauld's (Canada) Limited: on the 1st of February, 1942, the prices were decreased by 2 cents a pound; that is to say, the price which you see is at the 1st of January, 1942; that was decreased by 2 cents a pound.

Q. Following January 1, 1942?—A. That is correct. Following February 1, they went down, and on the 1st of February, 1947, prices were increased for the various commodities reported, the prices varying from 10·5 cents a pound to 15 cents a pound. Then on the 1st of January, 1948, there seems to have been a sort of revision of prices in that there were four decreases on reel skeins which averaged about 3 to 4 cents a pound and an increase on two of the dates of 1 cent for one and half a cent a pound on the others. These prices have been amended both up and down in amounts equivalent to those that I have stated—then on the 1st of April, 1948, an increase of 5 cents was promulgated by the company and that price has remained in effect since that date to the date of my letter without change.

Q. When you say 5 cents a pound, do you mean 5 cents a pound on each of the commodities listed in your report or on some of them?—A. No. I mean 5 cents a pound on each of the commodities listed in my report. That 5 cents a pound is included in the figure which you see there on page 11.

Q. It is included in the additions you have made to your report?—A. That is right. The 95 cents includes—

Q. The 5-cent increase?—A. Yes.

Q. 100/40 Mattesco, the 97 cents includes also the 5 cent adjustment?—A. Yes.

Q. And so on for all the articles mentioned there?—A. Yes.

Q. Are you in a position to say, following the information you have gathered, that the prices mentioned in your report as of April 1, 1948, for the different commodities there mentioned are the actual prices?—A. Those are the prices which were prevailing on the date I wrote my letter, the 21st of May.

Q. Have you got any other prices to give the members of the committee for the other companies?—A. Canadian Celanese reported that following the prices shown on the 1st of January, 1942, for lingerie taffeta they had an increase on the 1st of April. This increase was from 46 cents a yard to 52·5 cents a yard on the lingerie taffeta.

Q. You said on the 1st of April—what year?—A. The 1st of April, 1947?

Q. Correct.—A. On the same dates similar increases apply to dress crepe and to lining. Then on the 1st of April, 1948, there was a further increase in price from the 1st of September price.

Q. The 1st of Septmeber, 1947?—A. Yes.

Q. And you say there was an increase from the April 1, 1948, price?—A. Yes.

Q. Can you give us the amount of the increase?—A. Yes, it is about 5 per cent.

Q. And dress crepe is the one you referred to?—A. It applied to lingerie taffeta, dress crepe and linings.

Q. Was the increase in the same proportion for each one of them?—A. More or less. On dress crepe actually the price rose from 70 cents to 72½ cents, which is a little bit less than 5 per cent; but on all the others it was approximately 5 per cent.

Q. And that is the information you got in reply to a letter to which you have just referred?—A. Yes.

Q. Are you aware of any increases having been made since then?—A. No.

Q. What about the last four companies?—A. Bruck Mills—Bruck Mills have shown variations in price over the period. Their dress crepe which on the 1st of January, 1942, was shown at 70 cents, was reduced to 68⅓ cents in September of 1942. The next price change was an increase on the 24th of February, 1947. A further increase on the 21st of June, 1947, to 86 cents. An increase on the 15th of November, 1947, to 95 cents; and it has remained at that price until the date of my letter. I say until the date of my letter; I mean, this is the price which was prevailing at the date of my letter.

Q. Are you aware of any increases since then?—A. I am not aware of any. Their dress crepe, shown in January of 1942 at 72½ cents, was reduced in September of 1942 to 65 cents; was increased on the 13th of February, 1946, to 66 cents and on the 28th of January, 1947, it was increased to 69 cents; on the 24th of February, 1947, it was increased again to 79·5 cents; and on June 31, 1947, it was increased to 84·5 cents; on the 1st of April, 1948, it was increased to $1.15.

Mr. MONET: That is all the questions I have to ask Mr. Knight, Mr. Chairman.

Mr. MAYHEW: The figures on page 12, in the last column to which you referred, seem to be different than the ones I have before me. Have they been corrected?

The WITNESS: Yes..

Mr. MONET: If you will allow me, that was explained yesterday to a supplement to page 12, which you have there. The prices which you have on the left of the page are correct. The prices listed on page 12, on April 1, were the prices that were for the period ending March 31; so that the price at April 1 is the one you see on the addition, the supplement which has been entered there.

Mr. MAYHEW: I noticed they did not check with the statement.

By Mr. Zaplitny:

Q. Referring to page 6, the second paragraph of that page, the following statement was made: "Over-all reductions in the material, labour, and overhead content of the sales dollar have been offset by successive increases in that part of the sales dollar represented by operating income." Can we draw the conclusions from that statement that in most cases where the actual cost of production of the product went down, due to lower cost of labour, overhead, and material, that the advantage was absorbed by operating income rather than by reduced price of the finished product?—A. Actually the components of cost on a sales dollar basis are percentages of the final figures reflected by the returns, and really where you have in one period a percentage of overhead to sales that percentage might be higher in the next period and, as a percentage to sales, it would not be a percentage to the same sales. The sales might have increased or reduced and the operating income might have increased or reduced. The share of the consumer sales dollar is reflected and the share of operating income in the consumer's dollar at a specific date is reflected by these figures.

Q. On page 7, in the second paragraph below the table on that page there is a statement made which is similar to the one which I have just quoted?—A. Yes.

Q. There again it is stated "that the successive reduction of raw materials and overhead as a share of the sales dollar has been offset by the increase in operating income."—A. I think you must read along with that the following paragraph which states "As selling prices have increased in each of the suceeding periods which have been compared above on a sales dollar basis, due consideration must be given to the decreasing quantity of goods represented by the sales dollar." That, tied in with the preceding paragraph, gives a clear view of what has actually taken place.

Q. Has there been any over-all evidence in the process of summarizing this accounting to show that an attempt was made to lower prices of the finished product in line or at the same time that the cost of production went down, or was the tendency to absorb that difference into operating income? I mean to ask whether the sale price of the finished product was a reflection in each case of the cost of production of the product or was there a tendency to absorb that difference into operating income instead?—A. I think that probably you could tell that from the figures submitted. To make a general statement would be difficult but if you take any one specific period and study the figures of that period you could more easily perhaps discuss it.

Q. It would not be the same in the case of every company?—A. No.

Q. It would vary from company to company?—A. Definitely.

By Mr. Pinard:

Q. In this case you are dealing with Canadian Celanese Limited only—with respect to the two paragraphs which Mr. Zaplitny quoted?—A. Yes, in that instance we are dealing with Canadian Celanese Limited.

Q. Would you add anything to what you said previously, that you could not draw a conclusion because there might be numerous companies?—A. I think perhaps in the discussion with Mr. Zaplitny I was off on another tangent. Perhaps you would repeat the question?

Mr. ZAPLITNY: You mean the last question which I asked?—A. Yes, please.

Q. The last question was whether there would be a variation from company to company in the tendency to absorb the advantage of lower cost of production into operating income rather than to reflect it in lower selling prices. Your answer was that it would vary.—A. I think the tendency would be to vary from company to company.

By Mr. Fleming:

Q. Those companies might be operating under quite different conditions, having regard to the fact that their production is different?—A. More especially in artificial silk and nylon.

Q. Yes, because those are relatively new industries?—A. Yes, I think we can say that when we see the new companies which have come into production during the period.

Mr. ZAPLITNY: On page 8 there is a table at the bottom of the page with three headings, "pre-war period 1936-39", "pre-price control period 1940-41", "price control period 1942-47", and there appears to be a reduction in the labour figure and the overhead.

The CHAIRMAN: And an increase in the price?

By Mr. Zaplitny:

Q. Yes, and also an increase in the operating income. I wonder if there could be some explanations given as to why, in view of the reduction in the component costs of labour, and overhead being lower, the price was not reduced? As a result the operating income was much higher.—A. I imagine that would be a matter of company policy.

Q. Perhaps. You would not be in a position to explain that?

Mr. PINARD: All these explanations should be given by the officers of each company?

The WITNESS: Yes.

The CHAIRMAN: If there are no further questions, Mr. Monet, will you call the next witness?

Mr. MONET: Before Mr. Dixon is sworn, I would like to distribute a copy of the questionnaire. There is no annual report of the company.

Mr. PINARD: Did you say there is no annual report?

Mr. MONET: It is a private company.

The CHAIRMAN: At this time I would like to point out to the committee that the two remaining companies which had not answered the original questionnaire have sent wires to us. In the case of the Cookshire Woollen Mills, Cookshire, Quebec, they say they will send their complete report within ten days. The Trenholmville Woollen Mills of Richmond, Quebec have advised the information required will be supplied in about ten days with a letter explaining their delay. The wires are both dated June 3. All companies have now acknowledged the second request made by the committee.

Mr. MONET: Mr. Chairman, I was just saying that the questionnaire which is being distributed is the questionnaire sent to Courtaulds and all other companies referred to in Mr. Knight's report A. In the cotton group it was mentioned this questionnaire would be distributed to the members of the committee for reference but it was not necessary to print it as it was purely a repetition of the report.

Mr. Shirley G. Dixon, President, Courtaulds (Canada) Limited, called and sworn:

By Mr. Monet:

Q. What is your occupation, Mr. Dixon?—A. President of Courtaulds (Canada) Limited.

Q. And your address?—A. 3236 Westmount Boulevard, Montreal, Quebec.

Q. The head office of Courtaulds (Canada) Limited is where?—A. Cornwall, Ontario.

Mr. PINARD: Is that the head office for Canada?

The WITNESS: It is a Canadian company.

By Mr. Monet:

Q. Mr. Dixon, I understand that you have been here and that you have heard the report by Mr. Knight on the manufacturing of artificial silk and nylon in respect of which certain information was supplied by your company?—A. Yes.

Q. Have you any comments to make on the report submitted by Mr. Knight?—A. It seems to me the report is very completely fair in so far as my company is concerned.

Q. As far as the report is concerned you have no comments to make?—A. No, I do not think so.

By Mr. Pinard:

Q. Can I at this stage ask the witness whether he would comment on the statement which appears at page 6 of the report in the second paragraph, in which it is said that "the over-all reductions in the material, labour, and overhead content of the sales dollar have been offset by successive increases in that part of the sales dollar represented by operating income?" Would the witness care to tell us why there was no reflection to the consumer of those reductions both in material and labour?—A. Mr. Pinard, I think you are working under a misapprehension.

Q. I am just reading the comment?—A. I know, but the explanation has been given. The cost at all times was increasing. There is no question but that labour cost was increasing and the material costs were increasing. At no time since 1942 have costs been on the down grade; they have always been on the up grade.

Q. But if I refer to this comment— —A. Those are percentages in all cases.

Q. The percentage was decreasing?—A. The percentage of the sales dollar was decreasing but the cost of making a pound of rayon was not decreasing.

Q. Your cost of labour, and your cost of raw materials were both increasing during that period?—A. Yes, at all times. If you will look at exhibit D7 you will see what I mean. At the top of the first page—

Mr. MONET: Pardon me, may I interrupt? I think it is important at this stage to have identified certain samples. These samples have been submitted to counsel but sufficient are not available for distribution to the members. I wish these, if not to be filed as exhibits, to be at least identified so that when we refer to the articles listed in this report we will know what we are talking about. Would you identify these articles and then answer Mr. Pinard's question?

The WITNESS: It will take just a moment. There are six bobbins with a couple of ounces of material on each bobbin.

Mr. PINARD: I would like to get some general comment with respect to my question?

The WITNESS: If you will let me do one thing at a time I will do better.

By Mr. Monet:

Q. You may answer Mr. Pinard, I just interrupted because I wanted to have these articles identified. They may be referred to later in your evidence. —A. If you will look at schedule D7 and take the first item, 100 denier, 40 filaments, bright viscose rayon yarn on cake cones, you will see that at January 1, 1942, it cost us 56 cents to produce it. That figure is given in the first column; on September 15, 1947, it cost us 75 cents to produce it; as at April 1, 1948 it cost us 72 cents to produce it.

Q. A little decrease there?—A. A little decrease there.

Q. Could you give us a breakdown of this to show by what proportion labour increased or decreased?—A. It is very easy to put it this way that from 1936 to 1948 our labour costs, our labour rates have increased by 132 per cent. I think I could give you the total wage bill in a minute. The wage bill has risen from $1,675,000 in 1936 to $3,526,000 during 1947.

Q. How can you reconcile those comments you have made with the statement made by the accountant which I read on page 6 of the report? I cannot understand why it is stated there was an over-all reduction in material, labour and overhead during the period of time from 1939 to 1947? I do not understand how you can reconcile those reductions which are mentioned there with what you have just stated. In other words, according to you, there seems to have been a steady increase in labour and a steady increase in raw material, in all component parts of cost?—A. That is right.

Q. While it is stated here there was a decrease?—A. There was a decrease in the percentage of the sales dollar which is a totally different thing from cost.

By Mr. Winters:

Q. The only way you could reconcile what is stated on page 6 would be if there had been a disproportionate increase in operating income which is not borne out by schedule D7?—A. Bear this in mind that between 1946 and 1947 there was an increase of something over 3,000,000 pounds of yarn made and sold; that affects your sales dollar very vitally. I think you are not getting something which is comparable.

By Mr. Fleming:

Q. Are not the questions and answers at cross purposes? One is speaking in terms of an absolute increase and the other is speaking in terms of a relative increase in percentages?—A. This is an increase in the percentage of the sales dollar which does not very vitally concern the company.

By Mr. Pinard:

Q. This would have been prepared from some figures which were taken from the company's reports?—A. There is no doubt of that. Mr. Knight made this up from our own figures.

Q. Which you stated are correct?—A. Oh, yes.

Q. Then, the percentage is based on the figures you supplied to the accountant. If those figures are true, there should have been a reduction in the material, labour and overhead, but you have stated there was not.—A. No, you are changing your proportions, Mr. Pinard. It is the sales dollar, but it does not concern the cost of making a pound of yarn.

The CHAIRMAN: What we really want to know is whether the selling prices have gone up more than costs; that is what we are after.

By Mr. Pinard:

Q. Exactly, but the witness answers it might be due to volume the percentage went down. I do not understand that at all and I cannot accept it as an explanation of what the accountant says at page 6. Somewhere in these figures there has to be something to prove there has been a decrease in material, labour and overhead?—A. That is proven by schedule D7.

Q. I do not think so. You just stated that schedule D7 showed an increase, except for the last period when there is a slight decrease?—A. As I say, the contrary is proven by schedule D7.

Q. Yes, I would feel that the contrary appears to be the case. It says here:

> Over-all reductions in the material, labour and overhead content of the sales dollar have been offset by successive increases in that part of the sales dollar represented by operating income.

In other words, it has been successive and constant. It is for that reason I do not understand how, in the face of that statement made by the accountant you would still say there was no decrease in labour, material and overhead. I do not say it is not true.—A. I say I differ from that. I say there was a very serious increase.

By Mr. Winters:

Q. In what?—A. In the cost of labour and in the cost of material.

By Mr. Zaplitny:

Q. But that is not a proportionate increase?—A. Not necessarily proportionate. I am saying there was an actual increase for which we had to write a cheque at the end of the month.

Mr. PINARD: I wonder if Mr. Knight could, at this stage, tell us what he meant by that because the witness has referred to schedule D5?

The CHAIRMAN: I think it is of importance.

Mr. PINARD: We need some explanation because I do not understand that.

Mr. MONET: Perhaps the witness could reconcile the wording on page 6 with the statement he has just made and make it clear to the members of the committee. You have heard the statement read from page 6, and you say you agree with it.

Mr. PINARD: It is an important statement because it is made concerning all companies.

Mr. KUHL: It is a matter of interpreting this statement.

By Mr. Monet:

Q. Could you reconcile the statement on page 6 with which you have agreed, with the statement you have just made?—A. No, I have not the figures here to do that.

The CHAIRMAN: I think it is up to Mr. Knight to explain it.

Mr. MONET: Shall we recall Mr. Knight? Do you wish him to explain it now?

The CHAIRMAN: He could intervene to explain it now.

E. H. Knight, of Knight & Trudel, Chartered Accountants, Quebec, P.Q., recalled.

By Mr. Monet:

Q. Could you explain what you meant by this statement made on page 6, Mr. Knight? Could you explain what you meant by this statement commencing, "Over-all reductions in the material, labour and overhead content—" and so on to the end of the paragraph?—A. If you will turn to page 5, you will see that the average for the pre-war years reflects operating income as 5·2 per cent of the sales dollar and the average for the war years, 1940 to 1945, is 14·4 per cent of the sales dollar. In the post-war period of 1946 and 1947, the average is 15·5 per cent of the sales dollar. Hence, the remark on page 6.

By Mr. Pinard:

Q. In other words, what you meant in your report, if I understand correctly, is that there appears to be on the books of the company a reduction for labour from 33·3, for instance, in the pre-war years to 28·1 in the war years and then a little increase to 29·4, and that this reduction which appears from the pre-war years and the war years has been offset by an increase in the operating income; is that correct?—A. I want to make it very clear. It could quite easily have happened that a man on the payroll of this company in 1936 had a pay rate of, let us say, 75 cents per hour and that pay rate was constant during the 1936 to the 1939 period. Now, that same man might, in the war years, 1940 to 1943, have received $1 per hour, but because the selling price went up faster than his pay went up, so far as this company was concerned, the relation of his dollar of pay to the sales went down.

Mr. WINTERS: That is what we said, there was a disproportionate increase in the operating income.

Shirley G. Dixon, President, Courtaulds (Canada) Limited, recalled:

By Mr. Zaplitny:

Q. May I just ask a question, Mr. Chairman? Would it be correct to say, other things being equal, an increase in the operating income means an increase in the net profit of the company?

Mr. PINARD: Not necessarily.

The WITNESS: Other things being equal.

By Mr. Zaplitny:

Q. Other things being equal, an increase in the operating income means an increase in the net profit of the company?—A. Yes. As I see it, operating income is simply the residue, what is left after you paid your taxes. It has been carefully defined in Mr. Knight's report, but it is not the operating income on the sales dollar that is going to determine what you are going to be able to pay your shareholders.

The CHAIRMAN: Is there any figure which shows us what the over-all gross profit or net profit of the company is and the cost of operation?

Mr. MONET: Yes, they are all there, Mr. Chairman.

By Mr. Monet:

Q. Looking at schedule D-8, you will see the net profit. It is upon that I am going to question the witness now. Mr. Dixon, I note from schedule D2—I wish to start on schedule D2 so I can make it very clear—your operating income for 1947 was 21·3 of sales; is that correct?—A. That is right.

Q. And on schedule D8 I note that the return on capital for your company for the same year, 1947, was 7·6; is that correct?—A. That is right.

Q. Would you tell the members of the committee first, what deduction must be made from the operating income which, I understand, is quite different from the net profit, will you say what deduction must be made from the operating income before arriving at a net profit after taxes?—A. Well, the main deduction is just a little over 40 per cent for His Majesty in income taxes. Right away, that takes 8 per cent from that 21 figure.

Q. From the operating income?—A. That is right.

Q. Is there any other deduction that must be made?—A. Well, the others are not too serious. In our case, in the case of Courtaulds, we had a considerable amount of money invested in government bonds awaiting the building of a new factory and those bonds have not paid us anything like the income we could have earned if we had been able to manufacture with that money. So there is an adjustment there, and I think the difference is explained in just the two things.

By Mr. Winters:

Q. The only operating expense not included in operating income is your labour, materials and overhead; isn't that right? All the other deductibles are included in operating income. That is the way it is defined here?—A. What did you say? What is that?

Q. I say the only expense not included in operating income as defined here is labour, materials and overhead?—A. No, no; those are all included in operating overhead—handling expenses and so on are included. The net operating income does not include financial expenses, income tax and revenues on investments, and loss of profit on sales investments.

Q. All the way through this statement the sales dollar has been broken down under four headings; material, labour, overhead and operating income; therefore, the only item of expenses not included in operating income are labour, materials and overhead?—A. Oh, yes; but your real financial problems are not based in that way.

Q. I know, but there is nothing else in here according to this.—A. Well, the financial item is not included.

Q. No. What I mean is this; the normal rank and file of business people in the country take labour, material and certain markups, which includes other operating expenses. Now, the only operating expense you have included in operating income is overhead.—A. I know that.

Q. All of the other expenses are still to come out of operating income, except overhead. That is the way the statement shows it.

Mr. MONET: The definition of operating income will be found on statement 2.

Mr. PINARD: That is what Mr. Winters said, there is another item.

The WITNESS: The figures shown under operating income there just read: Operating income before inventory reserves and taxes on income. Add: other income: dividends from subsidiary companies, investment and other non-operating income—

By Mr. Winters:

Q. All right, what are the other major items of operating income which you have included other than material, labour and overhead?—A. I have just explained that there is only income tax and this question of what we earned on capital which was directly employed in the business.

Q. We are talking about the same thing then.—A. Yes.

Mr. WINTERS: I was just trying to relate it back to this same statement.

The CHAIRMAN: It seems to me, Mr. Monet, if we could concentrate for the time being on the profit after taxes figure for 1947 and use that as a basis for your examination, you see we might be able to get this picture clear.

Mr. MONET: I know, Mr. Chairman; but the way the report has been made, and I think it should have been made as it was, they are showing the percentage of operating income that appears from their charges; and that is what I am dealing with now—that I think it is far from being as large an operating income as the company might have wanted; but so that there might be no misunderstanding I want the witness to explain what becomes of the difference between the operating income and net profit which goes to the shareholders. That was the basis of the questions I was directing to the witness, Mr. Chairman, I think we should have that explanation.

By Mr. Monet:

Q. Now, Mr. Dixon, would it be proper to say that following the last answer you gave as to the deductions from operating income that have to be made that the shareholders in this particular year of 1947, speaking of your company only, that you obtain a return of 7·6 per cent, which was the net profit to capital it was necessary for your company to establish a selling price for your product that produced an operating revenue of 21·3 per cent?—A. Yes.

Q. What would you consider a fair rate of return on capital invested in an industry like yours?—A. Well, we cannot keep modern unless we can earn 10 per cent; and that is based on paying 6 per cent to our shareholders and keeping 4 per cent to provide against obsolescence, which the government does not allow us to provide for.

The CHAIRMAN: You said to keep the business—what?

The WITNESS: To keep the business modern.

The CHAIRMAN: Oh, I see, to keep the business modern, and you only earned 10 per cent in one period, 1941?

The WITNESS: That is right, and we have not kept our business modern.

By Mr. Monet:

Q. What do you mean by keeping the business modern?—A. Providing for taking out machines as they wear out. You see, we are still spinning in Cornwall with the same type of machine that we used 25 years ago. At the present time there are machines available, if you have the money to pay for them, which make a distinctly better yarn and probably a little better type.

Q. You say you turn your machines in— —A. I say we were spinning with the same type of machine that we were spinning with in 1925, but there have been certain minor improvements made.

By Mr. Fleming:

Q. Is not a fact, Mr. Dixon, that in recent years there have been vast and rapid technological changes resulting in improvements in production and products?—A. Definitely.

Q. And resulting in very rapid obsolescence of machinery?—A. Our company is faced today with $10,000,000 that we should spend on replacing machinery. We are not in a position to spend it at the moment.

By Mr. Pinard:

Q. When you talk about a 10 per cent return, what do you take into account so far as wages are concerned? What is your comment on that? —A. We pay the highest wages in the industry. Our average wage today is $1.05 an hour, men and women.

By Mr. Fleming:

Q. Speaking of obsolescence, and repair and maintenance of equipment, does the country allow you to take accounts in income tax and excess profits tax of obsolescence?—A. They do not allow us anything for obsolescence. They allow 10 per cent depreciation on machinery and 2½ per cent on buildings. But nothing for obsolescence.

By The Chairman:

Q. Assuming what you say about keeping the property modern; assuming that to be the case, and I have no doubt that when you say it is, it is—but I just want to invite your attention to this; having in mind that this is an abnormal period with an inflationary tendency there is an obligation on the part of everyone to see if we cannot get that down; and the significant figure to me is not so much your percentage of net profit on capital—that is significant in 1947. The significant figure is the figure of net profit after taxes, which in that year is the highest in the whole history of your company since 1936.—A. That is significant in one respect, Mr. Chairman; but in another, not at all.

Q. In what respect is it not? Remember what my question was. I said, over a long term I can understand the importance of net profit to capital, over a long term; but having in mind the character of the period right today, that we are in an inflationary period when it is a necessity for everyone to get down to the lowest possible level; is not the significant figure your net profit after taxes in 1947, which was the largest since 1936?—A. If I might be allowed to say that in 1947 we produced 15,679,000 pounds of yarn, which was 1,600,000 more than we had ever produced in our history before. Now then, I am very glad of a public hearing to pay tribute to our labour. Our labour was at least half responsible for doing this. They have co-operated splendidly in the last two years. We have paid for it in dollars and they have paid us in production. We have been able to make certain mechanical improvements. But it is these two things, at least as much as the increase in price, which have been responsible for the fact that we are beginning to earn a modest return in 1947 of 7·6 per cent. That is still not an adequate return, in my opinion.

Q. Well, it is higher than any other period but one.—A. I know, but it just shows you what we have been up against for these 25 years.

Q. Do you not think 7 per cent is a good return?—A. Not in a business that fluctuates as ours fluctuates. After all, the Bell Telephone Company on a utility basis is guaranteed 8 per cent.

By Mr. Monet:

Q. Then Mr. Dixon, taking the answer you gave a few minutes ago, that you should make at least 10 per cent; I take it then that in order to get this 10 per cent net profit you would have to have an operating income much higher than the 21·3 per cent you have shown for 1947?—A. Yes.

Q. And what do you figure then would have to be the operating income realized the 10 per cent you have referred to?—A. I suppose about another 6 per cent on operating would do it,—6 or 7 per cent. I haven't worked it out.

Q. And if you were able to get your earnings up to a net profit of 10 per cent, that would be returned to the shareholders?—A. Yes, it would be returned to the shareholders. It would not all be paid out to them.

Q. In saying that you would have to have an operating profit of around 30 per cent?—A. Yes—around 27 per cent.

Mr. WINTERS: You mean operating income, do you not?

Mr. MONET: Operating income, yes.

By Mr. Mayhew:

Q. What is your sales relationship to capital employed; in other words, how often do you turn your capital over?—A. In the case of a business like ours that takes about a year and a half to turn our capital over. Last year it dropped from the peak year, 1947, but we still had something over $11,000,000; and we employed pretty nearly $19,000,000 to do it. That is one of the reasons why we feel we have to get a higher return.

Mr. MAYHEW: I think the committee have been dealing with some other types of business where they turn their capital over seven or eight times a year.

Mr. MONET: Referring to schedule D-5, the first quarter of the current year, 1948—

The CHAIRMAN: Are we finished with D-8?

Mr. MONET: I have a question to ask there for the first quarter. It has to do with the increase in price as of April 1.

By Mr. Monet:

Q. You have an operating income of 18·7 per cent for the first quarter of 1948?—A. Yes.

Q. Now, this is a larger operating income than for the majority of the other years, and larger than the average operating income you have earned, is it not?—A. That depends on how far back you average it, Mr. Monet. If you compare it to 1946, it certainly is very much larger. In 1946, we had a caustic soda strike in this country, and you will notice that our sales dropped in the second quarter from 2,323,000 to 1,650,000 in the third quarter; and then they were at 1,302,000 in the fourth quarter, and we had an operating loss.

Q. But it would still be larger average operating income to sales for quite a few years back, would it not? If you refer to statement D-2, at least for 1941?—A. Yes, that is right.

Q. Then would you give us an explanation of this operating income for the first quarter of 1948, as to why it was larger than it has been for a few years back; and, particularly, why it was felt necessary to raise the price on April 1?—A. We first decided to increase it on the 1st of April. We decided on that in February of 1948. At that time we were faced definitely with about $1,437,000 of an increase in cost. We raised the price by 5 cents on textile yarn only, which takes care of about 9½ billion, which were produced from $450,000 to $475,000. We are still short in 1948 by a million dollars. I could give you some of the principal items from memory. On the 1st of February of this year we put in the cost-of-living bonus which is costing us $450,000. That is a part of that. Raw materials are up in bulk about $300,000 for the year. Since the increase was decided on our freight rates have been increased adding another $40,000 to $50,000 to our bills. That does not add up to $1,437,000, but I have just given you a few of the principal items.

Q. But, Mr. Dixon, if you refer to statement D2, I see there that for the year 1947 the average operating income to sales since 1941, inclusive, was lower than the operating income for your company for the first quarter of 1948?—A. Right.

Q. But yet for the reasons you have given you felt that the price should be increased on April 1 of this year?—A. Oh, yes. I think they will have to be increased again myself, unless something happens quickly.

Mr. WINTERS: What do you mean by that?

The WITNESS: I mean, unless this general rise stops quickly we will have to increase our prices on our yarn.

Mr. WINTERS: What particular rises have you in mind?

The WITNESS: Well, this cost increase. I am faced on Monday morning with an increase of 20 cents an hour across the board for labour. I am not saying that I am giving it.

The CHAIRMAN: I suggest to you that in view of this what we call significant figure of net profit after taxation you would want to give great consideration to doing that at the present time, would you not?

The WITNESS: I would like the committee to rise before I did so.

The CHAIRMAN: That shows, of course, the value of this committee. I think we have to adjourn now. I have just been consulting informally with several of the members of the committee about our next meeting. Some of the members are not here and I want to consult them. Will it be agreeable to leave the calling of any executive session for either tomorrow or Monday to the Chair, depending upon what arrangements he has been able to make to meet the convenience of a sufficient number of members of the committee.

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: I have consulted Mr. Fleming and several others. Shall we leave it that way? That you will expect an executive session either tomorrow or Monday?

Mr. FLEMING: Mr. Chairman, you had better warn those who are standing by waiting their turn to be called as to when they may expect to be called.

The CHAIRMAN: That will be Tuesday morning next at 11.30 o'clock. There will be an executive session before that.

The committee adjourned, to meet again on Tuesday morning next, June 15, 1948, at 11.30 a.m.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 72

TUESDAY, JUNE 15, 1948

WITNESSES:

Mr. S. G. Dixon, President, Courtaulds (Canada) Limited, Cornwall, Ont.
Mr. G. H. Glass, Vice-President, Commodity Prices Stabilization Corporation Limited.
Mr. A. G. S. Griffin, Secretary, Wartime Prices and Trade Board.
Mr. H. G. Smith, First Vice-President, Canadian Industries Limited, Montreal.
Mr. R. W. Sharwood, Vice-President and Treasurer, Canadian Industries Limited, Montreal.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

ORDER OF REFERENCE

FRIDAY, 11th June, 1948.

Ordered,—That the name of Mr. Irvine be substituted for that of Mr. Zaplitny on the said committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MINUTES OF PROCEEDINGS

TUESDAY, June 15, 1948.

The Special Committee on Prices met at 11.30 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Beaudoin, Fleming, Harkness, Kuhl, Lesage, McGregor, Martin, Maybank, McCubbin, Pinard, Thatcher, Winters.

Mr. Fabio Monet, K.C., Counsel to the committee, in attendance.

Mr. S. G. Dixon, President, Courtaulds (Canada) Limited, Cornwall, Ont., was recalled and further examined.

Witness discharged.

Mr. G. H. Glass, Vice-President, Commodity Prices Stabilization Corporation Limited, was recalled and further examined.

Witness retired.

Mr. A. G. S. Griffin, Secretary, Wartime Prices and Trade Board, was recalled and further examined.

During proceedings the Vice-Chairman, Mr. Maybank, took the Chair.

Witness retired.

Mr. H. G. Smith, First Vice-President, and Mr. R. W. Sharwood, Vice-President and Treasurer, Canadian Industries Limited, Montreal, were called, sworn and examined. Mr. Smith produced copies of answers to preliminary questionnaire and of the Canadian Industries Ltd. Annual Report, 1947.

At 1.00 p.m. witnesses retired and the committee adjourned until 4.00 p.m.

AFTERNOON SITTING

The committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Beaudoin, Fleming, Irvine, Lesage, Martin, Maybank, McCubbin, Merritt, Pinard, Thatcher, Winters.

Mr. Fabio Monet, K.C., Counsel to the committee, in attendance.

A brief submitted by "La Ligue Patronale des Boulangers Indépendants" of Montreal, under date of June 14, was laid over for consideration by the committee in its executive session to be held on June 16.

Mr. Smith and Mr. Sharwood were recalled and Mr. Smith was further examined. Mr. Smith filed,

EXHIBIT No. 142—Chart showing comparison of domestic and foreign selling prices on nylon.

At 6.00 p.m. witnesses retired and the committee adjourned until Wednesday, June 16, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 15, 1948.

The Special Committee on Prices met this day at 11.30 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Order, gentlemen.

I am going to ask the members of the committee to be here on time. We have a lot of work to do. Will you proceed, Mr. Monet?

Mr. MONET: I will recall Mr. Dixon.

Mr. Shirley G. Dixon, President, Courtaulds (Canada) Limited, recalled:

By Mr. Monet:

Q. On Thursday at the adjournment, you told the members of the committee that it would probably be necessary to increase your selling prices still further, in spite of the fact that the net profit after taxation of Courtaulds (Canada) Limited was $1,434,000 in 1947 as against $489,000 in 1946. Would you care to comment further on that statement, and particularly as to why such action may be necessary at a time like this?—A. Mr. Chairman, I think what I said hangs together reasonably well. We earned, in 1947, 7·6 per cent on our capital. I did make the statement to the committee that I felt we could not carry on permanently and keep modern with earnings of under 10 per cent. At a different point in my evidence I said the company was faced in 1948 with $1,437,000 additional cost and that the 5 cent increase provided approximately $450,000 of that $1,437,000—which leaves us approximately $1,000,000 short on the basis of 1947, and which would reduce our earnings to capital considerably below 7·6 per cent. I think that will answer your question.

Q. Do you foresee any other increases in your operation for the current year? —A. Increases in our own production?

Q. Yes.—A. Not for the current year. We will bring in a very big increase I hope early in 1949. We have gone ahead and constructed a staple fibre plant which by early in January 1949 should be producing staple fibre at the rate of about 8,000,000 pounds a year and which we hope will change our profit position considerably.

Q. When we look at schedule D8 for the period covering the years 1936-47, except for the year 1941 where your net profit after taxes was a little over $1,000,000, we see that there is a big increase for the year 1947 as compared with any of the previous years?—A. That is generally speaking correct.

Q. In spite of that you feel your price will have to be increased still further during the course of this present year?—A. Yes, we will increase our prices reluctantly because I am afraid we are pricing ourselves right out of competition. On the figures, there is nothing else for it. I do not know whether the committee would be interested but this arises perhaps not directly but indirectly from your question. The price of rayon yarn for three countries, Canada, the United States, and England between 1939 and 1948 is significant. I will take 100 denier yarn and the Canadian prices have increased 28·5 per cent; the United States prices have increased 33·3 per cent; the English prices have increased 116·6 per cent.

By the Chairman:

Q. What was the last figure?—A. 116·6 per cent.

Q. That is in the United Kingdom?—A. Yes. With respect to 150 denier yarn, the Canadian prices have increased 30·5 per cent; the United States prices have increased 41·5 per cent; English prices have increased 127 per cent.

Mr. MONET: Those are all the questions I have to ask of the witness.

The CHAIRMAN: Are there any other questions?

By Mr. Thatcher:

Q. Mr. Chairman, I do not know whether the witness has covered this ground—I was not here on Friday—but if he has not done so, I wonder whether the witness would say what effect he thinks if any there will be because of the taking off of the British tariff? What effect if any will that action have on this type of industry?—A. My feeling, and it is nothing more than a feeling, is that there will be no effect because supplies are not keeping up with the demand. The minute the production situation turns the other way we may find it serious.

Q. With British prices having gone so much higher do you think you can still compete quite easily?—A. Yes, for the time being, but I am not saying what will happen when rayon becomes a surplus. It is a long way from being a surplus now. There is just one other matter and that is wages. I do not know whether the committee is interested but I will only take a minute.

Q. Yes, go ahead.—A. These are not round figures, they are the actual figures for average wage rates both male and female.

Q. Are those in your brief anywhere?—A. No, I did not submit any brief, Mr. Thatcher. What you are reading from was prepared by Mr. Knight. In 1936 we paid an average wage per hour of 37·9 cents; in 1939 we paid 44·84 cents; in May of this year, 1948, we were paying $1.053 cents per hour.

Q. Your average wage is $1.05?—A. Yes sir.

Q. What would be your beginner's wage at the present time, for girls?—A. 45 cents an hour.

Q. Until they are trained?—A. Until they are trained, and the training is a matter of not less than three months and as much as five months.

Q. Then they advance?—A. Yes, they advance to 65 cents an hour. They will have a couple of small jumps in between but I am afraid I cannot give you the exact detail on that.

Q. Have you found that your capacity is less than it could be if you could get more labour? Has labour a restraining effect?—A. No, we are all right on labour, particularly male labour. We find a great deal of difficulty in persuading our female labour to earn more than a fixed amount per week. Our female staff is not interested in incentives. At the present time we are working on a scheme which, praise God, will work, but that has been the story for three years. Our Saturday morning shifts are very hard to fill and anything that approaches a surplus over $25 to $27 a week is not of interest. That is the only place where labour is a difficulty.

Q. Has your company made any use of immigrant labour?—A. No. We may have the odd one but you could not say at all that we used immigrant labour.

Mr. MACGREGOR: You say the employees are not interested in anything over a certain wage level. Is that because of income tax?

The WITNESS: I think that has a great deal to do with it.

The CHAIRMAN: Are there any other questions?

By Mr. Thatcher:

Q. I am sorry that I have not been able to go through the evidence very carefully but has anything been done with respect to the wage increase which you suggested might have to be made?—A. No, the union asked me yesterday to postpone that matter. Perhaps they want to hear more about this.

Q. You have not made any decision as to what you are going to do?—A. No, and that decision will not be made for a couple of weeks.

Q. Is that one of the main reasons why you suggest you may have to raise prices?—A. It is easily enough put into figures. If we grant the union's request—and I like to call it a request rather than a demand—we just have to find $793,000 more. That is the figure which the 20 cents an hour will cost us.

Q. If you do not grant an increase could you maintain prices?—A. No. The $1,437,000 does not include any estimate for an increase in wages but it did include an estimate for the cost of living bonus which we have been paying since February and which is now costing us $425,000 a year.

Q. It is not primarily wages which will result in having to raise your prices?—A. Of course, if we have to pay anything like $790,000 additional wages this year we will have to put the price of yarn up about 3 cents.

Q. Perhaps I am covering ground that has been covered but what is it that is going to force the price higher?—A. The other day I gave figures, which while perhaps not accurate, would total up to an answer.

Q. I do not want it in detail but could you state the reason generally? Is it your cost of raw materials?—A. Yes. Here is what I said the other day, Mr. Thatcher: "We decided on that—the increase—in February of 1948". "At that time we were faced definitely with about $1,437,000 of an increase in cost. We raised the price by 5 cents on textile yarn only, which takes care of about 9,500,000, which would produce from $450,000 to $475,000. We are still short in 1948 by a $1,000,000" Raw materials in bulk are up about $300,000 for the year. The cost of living bonus is running about $425,000—on Monday I said $450,000 but $425,000 is the right figure. There is an increase of $40,000 to $50,000 in freight bills, and insurance, compensation, and other things all add up as your wages go up. The cost of living bonus puts the compensation insurance figure higher and the whole thing totals $1,437,000, but that does not take into account any increase in wages effective July 1, 1948. The agreement which we have with the union runs out on the 1st of July.

Q. I wonder if you would refer for a moment to page 3633.

Mr. MAYBANK: May I just interrupt there, Mr. Thatcher. Has there been any mention of the name of the union which is involved here?

The CHAIRMAN: No.

Mr. MAYBANK: Would you just put that on the record, please?

The WITNESS: Yes, I would be glad to do that. It is the Textile Workers of America, C.I.O., C.C.L., Local 779.

By Mr. Thatcher:

Q. On page 3633 of the evidence you made this statement: "I am faced on Monday morning with an increase of 20 cents an hour across the board for labour. I am not saying that I am giving it.

The CHAIRMAN: I suggest to you that in view of this what we call significant figure of net profit after taxation you would want to give great consideration to doing that at the present time, would you not?

The WITNESS: I would like the committee to rise before I did so".

My question is why would you like the committee to rise before you make that decision on wages?—A. That is a reporter's mistake. What the chairman referred to was my statement that we were going to have to increase prices. In my reply I said that I would like the committee to rise before I did so and that refers to prices and not wages. This committee has nothing to do with the decisions which the company takes about wages and these negotiations. You would agree with me, Mr. Chairman? That was the sense of what transpired on Thursday?

The CHAIRMAN: Frankly I was thinking of something equally as important about which I was going to ask you. I took from your answer that you had a holy respect for this kind of a committee.

The WITNESS: Of course, sir.

By Mr. Maybank:

Q. Did that mean that if the committee were not sitting and looking into this matter at the present time that you would jump your prices and that you are only waiting until this committee shall adjourn in order to jump your prices?—A. No.

Q. Is that what it meant?—A. Not quite that, Mr. Maybank, no.

Q. I would like to be as direct as possible?—A. I may have to increase those prices whether the committee sits or whether it does not sit.

Q. Then the words "I would like the committee to rise before I did so" did mean something? What exactly did that sentence mean?—A. I suppose if you get down to it that a price increase coming along now—actually this first price increase was made while the committee was sitting—resulted in me spending a good deal of time in Ottawa and I do not want another price increase and to have to spend a lot more time here.

Q. My question was what exactly is the meaning of the words "I would like the committee to rise before I did so"? That is my precise question. While your answer did not specifically state the meaning of those words you did answer in such a way as is causing me to infer that you are only waiting for the committee's adjournment to jump prices. I do not know whether you would think that is a fair interpretation of the phrase or the sentence which I particularly quoted? Would you think that is a fair interpretation?—A. No, I do not think so.

Q. Then would you follow through to give the exact meaning of that quoted sentence, "I would like the committee to rise before I did so"? Now, I have placed an interpretation upon that only for the purpose of clarifying things in my own mind but I have placed an interpretation on it which you say is not a fair interpretation. Will you give an interpretation?—A. I do not know. After all one interprets something that is difficult or ambiguous. I do not think there is anything ambiguous about that statement. I would sooner have the price rise occur after this committee had finished its work than during its work and that is all.

Q. Why?

Mr. THATCHER: Are you ashamed of the price rise?

The WITNESS: Not a bit ashamed. Do not let anyone misunderstand that. I am not ashamed of our price situation and I am making apologies to nobody.

By Mr. Maybank:

Q. Please bear in mind, in answering me, that the word "ashamed" was introduced by my colleague, Mr. Thatcher?—A. I know.

Q. Let us get down to a more calm type of question and answer that up until that time had been proceeding. You used the word "sooner", and you said "I would sooner have it occur after the committee rose". You betray a preference in your timing, but why?—A. I know very well the answer, Mr. Maybank, but I am not sure that I want to have it on the records of this committee, and that is not for my sake.

Mr. THATCHER: Do not be hesitant, Mr. Dixon.

By Mr. Maybank:

Q. Just a moment, please. I am not approaching this examination with a view to, shall we, say angering you— —A. No, I am not a bit angry.

Q. And I am suggesting to Mr. Thatcher that interjections of a kind might cause an emotion which I am not aiming at at all. Now you say, sir, "I know the answer very well but I am not sure that I would like to have it on the record—" but there is not any reason that this committee knows of why a truthful answer should not go on the record—

The CHAIRMAN: I do not think the word "truthful" is very fair.

By Mr. Maybank:

Q. Oh, I do not mean it that way?—A. No.

Q. I do not mean to connect the word "truthful" with the word "veracity" but my meaning with respect to "truthful" is that we have no reason for desiring to blot out any information. There is no reason that we know of why the whole story should not be heard.—A. My feeling is not information. I think you are completely entitled to ask me for information.

Q. I see what you mean. You feel that questions which go to elicit facts are rather more appropriate than mere inquiries into thought processes of your mind?—A. That is it.

Q. I see what you mean. I think there might very well be something in that. You would put it this way, then, that "I would sooner wait until the committee has risen before there should be a price increase." That is a matter of mere opinion and you are saying that you do not desire to disclose the exact reasons which make you come to that conclusion. It would be opinionative evidence. If you do not like to disclose—A. I would be very glad to tell you afterwards, Mr. Maybank.

Q. If you do not like to disclose your reason for the timing I do not think you need answer.

The CHAIRMAN: I take this from Mr. Dixon's remark. I remember during the bread inquiry this same point arose as the result of questioning by Mr. Irvine and Mr. Lesage. One of the witnesses in the bread inquiry expressed the same view as Mr. Dixon has with regard to what he believed to be the restraining effect of a parliamentary committee such as this. I take it from Mr. Dixon's remark he is making the same kind of observation as has been made by several other witnesses. This shows there is value to this kind of parliamentary body. It is hard to put your finger on, but it has a restraining effect. I take it that is what you meant, Mr. Dixon?

The WITNESS: Yes, sir, it has had a restraining effect.

Mr. MAYBANK: Well, I shall not press the point.

By Mr. Thatcher:

Q. That is a very encouraging statement, but there is one point upon which I am not clear. If you think the rise is not justified while the committee is sitting, how do you justify it afterwards?—A. I think the rise is completely justified while the committee is sitting, but I do not think it is good business to make it.

Q. I cannot reconcile your statement. Why is it good business after the committee is sitting if it is not at the present time?

Mr. MAYBANK: What you are doing is trying to cause us to sit all summer.

The WITNESS: That would be a tragedy.

Mr. MAYBANK: It would indeed.

By Mr. Thatcher:

Q. Are you afraid some political group would make political capital of it?—A. You cannot get me into politics that way, Mr. Thatcher. I had my day in politics.

The CHAIRMAN: You might be surprised if Mr. Dixon were a supporter of yours.

Mr. THATCHER: I would, yes. You stated a moment ago the union asked you to hold off your decision; did I understand you to mean in connection with the wage increase?

The WITNESS: Not the decision, the negotiations have not opened. They were to have opened yesterday but the union asked for a postponement of them. I believe Sam Baron who is head of these Textile Workers of America is in New York and that is the reason.

By Mr. Thatcher:

Q. This price committee did not have anything to do with it?—A. No.

The CHAIRMAN: Next witness.

Mr. MONET: Mr. Glass, please.

The CHAIRMAN: Thank you, Mr. Dixon.

G. H. Glass, Vice President, Commodity Prices Stabilization Corporation Limited, recalled:

By Mr. Monet:

Q. Mr. Glass, you are already sworn. You have given evidence in connection with this part of the investigation dealing with cottons. As was requested of you in connection with the cotton investigation, I have asked you to prepare a memorandum in connection with this part of the investigation. You have prepared that memorandum, have you not?—A. Yes.

Q. Would you please read it, Mr. Glass?—A. When outlining for the committee the operations of Commodity Prices Stabilization Corporation Limited with respect to cotton, I summarized the general operations of the corporation and mentioned that subsidies on imported goods were payable in accordance with the principles and conditions set forth in a series of statements of import policy.

Artificial silk fibres and yarns were eligible for import subsidy from December 1, 1941, to February 17, 1947.

As in the case of cotton, and for the same basic reasons, these importations were subsidized on a commodity formula basis.

The rayon administration of the Wartime Prices and Trade Board recommended basic costs for various types of yarn and acetate and viscose staple fibres. These basic costs reflected the costs of materials upon which ceiling selling prices were predicated, increased to result in a squeeze which varied with the particular commodity.

The limitation on subsidies arrangement, referred to in my previous remarks with respect to cotton, was also made applicable to the artificial silk industry, with respect to import subsidies paid on the various yarns and fibres.

Because of shortages which developed early in 1944, and changes in normal sources and nature of supplies due to war conditions, in some instances this corporation was authorized to bulk purchase these materials and distribute them under the direction of the rayon administration.

Q. Those are the only comments you have to make on this particular part of the investigation?—A. That is right.

Q. I have no further questions, Mr. Chairman.

The CHAIRMAN: Are there any other questions? Next witness.

Mr. MONET: Mr. Griffin, please.

A. G. S. Griffin, Secretary, The Wartime Prices and Trade Board recalled:

By Mr. Monet:

Q. Mr. Griffin, you are already sworn?

The CHAIRMAN: That is right.

By Mr. Monet:

Q. Mr. Griffin, you have already stated that on May 31, 1948 you were secretary of The Wartime Prices and Trade Board, is that correct?—A. Yes.

Q. I understand it is in that capacity you have prepared a memorandum for the committee?—A. Yes.

Q. Before asking you to read the memorandum, I should like to request that copies be distributed to members of the committee.

The CHAIRMAN: Gentlemen, I am sorry, but I have to go to a cabinet meeting. I am going to ask Mr. Maybank to take the chair. It was my intention to call an executive session of the committee at three o'clock this afternoon. We will be meeting at four, as well, in open session.

Now, some members of the committee have told me they thought three o'clock would be a difficult hour for them. Mr. Maybank and I have just been talking about meeting tonight. I have this difficulty, that my estimates will likely be reached tonight. Would ten o'clock tomorrow morning be satisfactory?

Mr. THATCHER: It is all right with me.

The CHAIRMAN: Then, we will have an executive session of this committee at ten o'clock tomorrow morning in this room.

By Mr. Monet:

Q. Would you please proceed to read your memorandum?

Mr. MCGREGOR: Before you do that, would you tell us what position he holds now?

By Mr. Monet:

Q. At present, I understand you are with the Department of External Affairs?—A. Yes.

Q. But until May 31, 1948, you were secretary of The Wartime Prices and Trade Board?—A. Yes.

Q. It is in that capacity you have prepared this memorandum?—A. Yes.

Mr. Chairman—Canada's rayon industry is a relatively young but vigorous and growing segment of the primary textile field. The industry has expanded steadily since its inception in this country and prospects for 1948 are that a record yardage of fabrics will be produced.

Unlike our cotton industry which you will remember I described as producing neither all the specific types nor the volume of yardage we need, the rayon industry at least in the fabric aspect of its operations, produces nearly all the types and volume we require. We are, however, dependent upon outside sources for part of our filament yarn supplies which are used for knit goods and in weaving fabrics for lingerie and linings. We have also, until recently, depended on imports for all of our supplies of rayon staple fibre our of which is made the yarns woven into spun rayon fabrics for upholstery and women's dresses. Two firms are, however, establishing plant facilities for the manufacture of cut staple in Canada; one of them is already in production and the other is expected to be operating by the end of the year. With these facilities fully available, Canadian requirements for fibre will be met almost entirely. The only product exclusively imported is a type of yarn known as bemberg—used in stockings and sheers.

I will just describe this table. You will see it is headed, "Apparent supply of rayon broad woven fabrics, 1935-1948", in millions of yards. The left hand column shows the years in detail; domestic production is the second column; then, imports from the U.K. and imports from the United States, with a figure representing the total import. There is another column representing export and then the net supply is shown in the last column.

You will note that, as previously pointed out, the trend of domestic production has been markedly upwards. The average for the years 1935-39 was about 44 million yards; this figure was notably increased during the war, almost doubled in fact, and the rate of production has been sustained throughout the post war period to date. The committee may wonder why it is that this high level of activity has been possible to maintain in the face of much lower production of cotton fabrics. There are several reasons. First of all, rayon is a comparatively new type of textile which has for some years been making inroads upon the field previously dominated by cotton and silk. Furthermore, imports of silk for weaving purposes came to an abrupt end with the outbreak of war in the Far East. Then also because of our comparative lack of dependence on imports, The Wartime Prices and Trade Board did not establish a subsidy program for rayon fabrics of anything like the magnitude which obtained in cotton fabrics. Finally, and perhaps most important, there has been plant expansion in the rayon industry which has been steady and substantial.

Within the fabric field supplies of spun rayon have been generally adequate for some years. Exports of garments cut from this fabric were heavy just after the war because of the plentiful supply of cloth. More recently, with import restrictions operating in our principal markets, there has been a tendency for inventories to grow. The high prices of imported staple have been a significant cost factor in domestic production.

The only limit to sufficient filament fabric supplies this year might be continuous filament yarn. The shortage of this type was one of the most persistent bottlenecks we had to face in the prices board and it continued right through to the end of 1947. In 1944 when the synthetic rubber tire program was getting into full swing an important part of Canadian viscose yarn capacity was diverted to the manufacture of high-tenacity tire cord fabric. To supplement the remaining quantity available for civilian use, supplies of both yarns and fabrics were negotiated for by the Wartime Prices and Trade Board with the United Kingdom. We were under allocation from Great Britain until mid-1947 but the quotas were always inadequate and had to be supplemented from the United States by arrangement with the U.S. War Production Board. The United Kingdom was forced to cut its allocation during 1947 owing to dislocation of production arising from the coal shortage there. The United Kingdom, moreover, prefers to export fabrics rather than yarns because of the higher dollar return. I understand the two filament yarn plants in this country are operating at capacity; there is therefore not much likelihood of increased domestic output this year. Of total supplies available, roughly 80 per cent is produced in Canada and 20 per cent imported.

Notwithstanding past difficulties the supply of filament yarn has recently been better and while there may be odd periods of temporary shortage cropping up during the year, I think supplies of fabric woven from the yarn and hence of garments cut from the fabric, will be reasonably adequate during 1948. Linings for suits might be an exception.

There was some tendency during the war for production to gravitate towards the higher priced lines and the Wartime Prices and Trade Board anticipated what might have been a resultant shortage of lower-priced garments by imposing a schedule of carefully worked out directives on the mills. These directives were dropped in mid-1947.

I have not provided any table of comparisons of domestic and import prices of rayon yarns and fabrics as I did in cotton because, unlike as in cotton, imports are a negligible factor. But my impression is that Canadian filament yarn prices, while they have increased considerably in recent years, are much lower than U.S. and U.K. prices.

There is only one manufacturer of nylon yarn in Canada and it is perhaps worth noting that in the whole textile field this is the only product where the price is lower than pre-war. Nylon is widely used throughout the knit goods industry and for sundry woven garments and household goods.

TABLE I

APPARENT SUPPLY OF RAYON BROADWOVEN FABRICS

1935-1948

(Unit-millions of yards)

	Domestic Production	Imports from U.K.	Imports from U.S.	Total Imports	Exports	Total Supply
1935	37	2	1	3	—	40
1936	45	3	1	7	1	51
1937	46	5	1	9	1	54
1938	40	4	1	8	2	46
1939	52	5	2	9	2	59
1935-1939 Average	44	4	1	7	1	50
1937-1939 Average	46	5	1	9	2	53
1940	58	2	2	7	3	62
1941	83	7	3	11	4	90
1942	80	7	4	12	3	89
1943	80	5	5	10	2	88
1944	79	4	7	12	2	89
1945	81	4	8	13	3	91
1946	83	5	6	12	4	91
1947	*88	7	12	20	8	100
1st qtr.	22	2	4	7	1	28
2nd qtr.	21	2	4	6	3	24
3rd qtr.	19	1	2	3	2	20
4th qtr.	26	2	2	4	2	28

* Estimated.

By Mr. Monet:

Q. Now, Mr. Griffin, I have just one or two questions to ask you with regard to this memorandum. On page 2, at the bottom of the page, you say; "in 1944 when the synthetic rubber tire programme was getting into full swing an important part of Canadian viscose yarn capacity was diverted to the manufacture of high-tenacity tire cord fabric". Do you know if any of these yarns are still being diverted in 1947 and 1948?—A. Of course, they are not being diverted by order of the government, but my understanding is that the industry is sending a very high volume of their viscose yarns into tire cord at the present time.

Q. You would not know, or would you know, about the present time?—A. No, I would not have any idea. No.

Q. You also say on page 3, talking about filament yarn, that we are still getting a volume of yarn from the United Kingdom but that we are paying a very high price for it?—A. Yes, we are still paying a very high price for it, and we are getting, I believe, about the same volume as we got under allocation during the war.

Q. Would there be any other comment you would like to make on this memorandum?—A. No. I think that as far as rayon is concerned the price trend is downward, that it is below what it was during the war, and the problems there have evaporated rather more quickly than they did in cotton and wool.

By Mr. McGregor:

Q. Did you say there had been no increase in the price of yarn?—A. No, I do not think I said that.

Q. You say that there is a decrease in price—A. In nylon.

Q. And no increase in the cost of that?—A. There has been a decrease in price from pre-war.

Q. Yes, why?—A. I think probably on account of technological reasons.

By Mr. Monet:

Q. I understand there was hardly any nylon in the commercial field during the war; is that correct?—A. That is right.

Mr. Monet: There is a nylon manufacturing representative here who will give all this information. I have no more questions of this witness, Mr. Chairman.

The Chairman: I did not understand this last statement by Mr. McGregor. Does that mean that nylon is cheaper now than it was before the war?

The Witness: That is my understanding, Mr. Chairman, and I also understand that the reason for it is purely improvement in technique.

The Chairman: Let us get improvement in technique in all lines.

Mr. Monet: I may say that the representative of Canadian Industries Limited Nylon Division is the next witness and I believe they have a very complete statement to make in opening their evidence.

The Chairman: All right.

Mr. Monet: Thank you, Mr. Griffin.

Mr. Fleming: Mr. Chairman, I would like to ask Mr. Griffin one or two questions. Unfortunately I was detained and I just got in now from the House. There are a couple of questions I wanted to ask Mr. Griffin similar to the ones I asked him in connection with the cotton matter. The first is this; while the industry was under control and under ceilings you in your capacity as secretary of the Wartime Prices and Trade Board were familiar I presume with conditions both as to supply and price?—A. Yes, more particularly with supply.

(Mr. Maybank assumed the chair as vice-chairman)

Q. I want to ask you the same questions that I asked you a week or two ago; did you find any evidence of hoarding or undue accumulation of supply? —A. No.

Q. Did you find any evidence of unreasonable prices being charged?—A. You mean, during the war?

Q. No, while these goods were under control?—A. No. The only thing close to that was the point I brought out in my memorandum; that there was a tendency for production to get into the high-priced lines. At one stage during the war the government met that condition by imposing a series of production directives which called for greater production on the lower-priced lines in order to match up with similar directives which the government had imposed on the garment industry; in other words, the supply of low-priced fabrics was matched with production of low-priced cloth.

Q. I suppose that is a situation which applied in many other fields as well?—A. Many other fields, almost all of them in fact.

Q. But so far as the price being charged for any particular product, did you find that prices were excessively high?—A. No; of course, they were all under ceiling and the fabrics were under ceilings.

Mr. THATCHER: Did they become unreasonable after the ceilings were taken off; that is the point?

The WITNESS: That would be a very hard question for me to answer. I think that is more a question you should answer.

Mr. FLEMING: Then, Mr. Griffin, apart from the removal of price controls or ceilings last September, from that time until the first of this month you were still operating under the general Wartime Prices and Trade Board order that provided that no one could charge prices that were more than that which was reasonable and just, and I presume the Board did make enforcement of that order. Now, did you find any evidence in the industry of people charging prices that were higher than were reasonable and just in the products with which we are dealing now?

The WITNESS: No cases of that sort came to our attention at all.

Mr. FLEMING: Thank you.

Mr. THATCHER: But I think you said in answer to Mr. Fleming that while ceilings were on you did not find any prices that were excessive?

The WITNESS: No, except the tendency toward high-priced line production.

Mr. FLEMING: Might the witness clear that up? My last question was, did you from the time of the removal of the ceilings in September last until the 31st day of May when you gave up your position—that was the date, wasn't it?

The WITNESS: Yes.

Mr. FLEMING: Did you during that time come across any prices being charged which were other than fair and reasonable?

The WITNESS: No.

Mr. THATCHER: Then, would you go one step further and tell us this; how much have these prices gone up on textiles; would you give us an estimate of that in percentage, the amount by which textiles have gone up?

The WITNESS: We did not investigate the movement of prices for this committee. In fact, in the field of cottons, I only compared prices on imported cottons with domestic prices as they exist today; but I have not undertaken any study of price movement in rayon or cotton.

Mr. THATCHER: Cotton went up quite substantially, did it not, when the ceilings were removed?

The WITNESS: No, my feeling is that they did not; certainly, after the ceilings were removed last September, the primary cotton mills held their ceiling prices for several months following decontrol, and it was only later when the cost factors became higher that they were forced to raise their prices.

The VICE-CHAIRMAN: Thank you, Mr. Griffin.

Next witness.

Mr. MONET: I would now like to call Mr. Smith and Mr. Sharwood of Canadian Industries Limited.

Harold Greville Smith, 3940 Cote des Neiges Road, Montreal, First Vice-President, Canadian Industries Limited, called and sworn.

Robert Westman Sharwood, 478 Mount Pleasant Avenue, Westmount, Vice-President in charge of production, Canadian Industries Limited, called and sworn.

Mr. MONET: Now, Mr. Chairman, before I ask Mr. Smith to present the statement he has prepared I would like to have copies of the statement together with the annual report of the company, Canadian Industries Limited, distributed for the benefit of members of the committee. A good deal of material in this prepared statement will answer many questions which I, and as well members of the committee, may have had it in mind to ask of these witnesses.

The VICE-CHAIRMAN: Gentlemen, and more particularly the French speaking members of the committee—Mr. Beaudoin, Mr. Pinard and Mr. Lesage—you will notice that the statement has been prepared in both English and French. As we have been carrying on in English we will not at this time print anything except what is read by the witness. The translator, as is apparent, has his work already done for him in this case.

Mr. BEAUDOIN: I think these gentlemen are to be complimented for their thoughtfulness in having prepared their material in both English and French for our convenience.

Some Hon. MEMBERS: Hear, hear.

Mr. MONET: Would you proceed, Mr. Smith, please.

Mr. SMITH:

CANADIAN INDUSTRIES LIMITED
NYLON DIVISION

History and Development of
Canadian Industries Limited (C-I-L)

The origin of C-I-L was the incorporation in 1910 of its predecessor company, Canadian Explosives Limited.

In the decade commencing in 1920, the company embarked upon an expansion program for the manufacture of many types of chemicals. By 1928 the company, the name of which had been changed to Canadian Industries Limited to indicate the broader field, had established the nucleus of a chemically inter-related group of products which has since been enlarged in line with the development of new products and with the industrial progress of Canada. The number of employees in C-I-L has been as follows:

1925	990
1929	2,470
1933	2,450
1938	3,670
1947	7,300

A considerable part of the capital stock of the original company was owned by Imperial Chemical Industries Limited (I.C.I.) of Great Britain and another considerable part by E. I. du Pont de Nemours and Company (duPont) of the U.S.A. and the association between I.C.I. and duPont and C-I-L has been continuous since 1910. I.C.I.'s holding in the common stock of the company is 42·6 per cent and duPont's is 41·8 per cent. Ownership of the balance of the common stock and all of the preferred stock is held by about 3,100 shareholders.

The Manufacture of Nylon Yarn in Canada

As a result of the relationship between C-I-L, I.C.I. and duPont, C-I-L receives the Canadian rights to inventions and processes developed by those companies and accordingly obtained from duPont the Canadian rights relating to nylon. The rights were granted to C-I-L free of charge and no royalty or similar payment is therefore included in the cost of the Canadian manufactured product. The granting of the nylon rights by duPont involves no control over the volume of production or determination of selling prices in Canada, which are entirely in the hands of the management of C-I-L. Converters who purchase nylon yarn from C-I-L as a raw material for their operations may export their products to any part of the world. The sale of the nylon yarn itself, regardless of the country in which it is manufactured, is subject to the assertion of patents in the countries in which they have been issued.

The product nylon is in the broad sense a member of the plastics family and is derived from benzene, ammonia and other chemicals. The Nylon Division of C-I-L is concerned with nylon in yarn form and the yarn is sold as a raw material mainly to the hosiery trade. The outstanding characteristics of nylon yarn are the strength, elasticity and resistance to abrasion.

The importation of nylon yarn into Canada was commenced by C-I-L in 1940 with the object of undertaking manufacture in Canada as soon as markets could be developed sufficiently and manufacturing techniques had been brought to a point to permit economic domestic production.

By the fall of 1940 it became apparent that the Canadian demand for nylon yarn for hosiery could be developed sufficiently to justify the erection of a plant for the manufacture of yarn in Canada. Accordingly, active consideration was given to a project for the construction of a plant for commercial purposes, but the actual construction was postponed because of the priority of urgent wartime projects undertaken by the company as part of the wartime production program. Shortly after, however, the government became concerned about the need for providing a domestic source of nylon yarn which could replace silk for parachute yarn, shroud lines, glider tow ropes and other military purposes.

Construction of Nylon Plant

In December 1940, therefore, with the knowledge of the Canadian government, the company decided to erect at Kingston, Ontario, a plant to produce approximately 400,000 pounds of nylon yarn annually, using as the basic raw material nylon flake polymer imported from the United States.

In April 1941, before detailed plans for the plant had been fully completed, it became apparent that the output of the plant would not be sufficient and, while much of the preliminary design and engineering work had proceeded on the basis of a 400,000-pound plant, it was decided to double the planned output to 800,000 pounds of nylon yarn annually.

On 7th August 1914 the importation and use of silk in Canada was forbidden by order in council. Consequently, while construction of the plant was still under way, the government on 29th August 1941 requested an increase in the capacity of the plant to 1,200,000 pounds of yarn annually. This latter change required widespread alterations in foundations and other structural work which had already been completed.

In June 1942 the plant first came into operation with an annual capacity of 1,200,000 pounds at a capital cost of $4,090,000. From the start of operations all yarn was spun to government specifications for war purposes. Throughout the period of construction the estimate of military requirements had been constantly increasing and by the fall of 1942 the company was again requested by the government to make a further extension to the rated spinning capacity to 1,475,000 pounds annually. This was completed in 1943 and brought the total capital cost of the plant to $4,254,000.

The company undertook at its own expense all the plant construction, including the full extent of the changes necessary to meet altered government requirements. No capital assistance was made by the government and the company made no claim for extra depreciation to the War Contracts Depreciation Board because C.I.L. had already been prepared to undertake the venture as a commercial development.

The entire output of the plant continued to be manufactured for the government until August 1945.

Commercial Operations

After surveying the possible peacetime requirements, C.I.L. decided in October 1945 to expand the capacity of the plant. At the same time a decision was taken to carry out in Canada more of the total manufacturing operations by constructing facilities to manufacture nylon flake polymer at a capital cost of $525,000, using imported nylon salt as the basic raw material. Although it was realized that there were disadvantages in constructing the flake polymer preparation unit during a period of high building costs, consideration was given to the fact that the importation of nylon salt rather than nylon flake polymer would reduce the over-all cost of manufacturing nylon yarn and would also save $750,000 U.S. funds in the first year with further savings as production increased. Owing to the abnormal construction delays during the period the flake polymer plant did not come into operation until August 1947.

The company commenced commercial operations in the plant in September 1945 and, since that time, the plant has operated at capacity except for a few months in 1947 when sales dropped temporarily as a result of technical difficulties in handling nylon yarn in the weaving industry.

Financial Results from Nylon Operations

At the end of 1947 the amount spent on the construction of the nylon plant was almost $7,700,000 and, in addition, a further sum of about $1,100,000 was required for working capital, making a total of $8,800,000. After deducting the amount of the depreciation reserve the net capital employed totalled $6,560,000.

Without taking into account the period in 1940 and 1941 when nylon yarn was being imported for resale the net profit expressed (1) as a percentage of sales, and (2) as a percentage of net capital employed for each of the years is as follows:

	Volume of Sales in Pounds	Net Profit as Percentage of Sales	Net Profit as Percentage of Net Capital Employed in Nylon Operations
1942	232,193	0·4	0·1
1943	1,750,546	4·0	3·4
1944	1,886,122	2·3	2·5
1945	1,027,340	5·4	3·0
1946	1,631,187	16·6	17·2
1947	2,401,119	12·9	16·1
Average 1942-47		9·4%	8·1%

Mr. THATCHER: Are the amounts shown the profit before taxes?

Mr. SMITH: No, sir, after taxes—the net profit.

Mr. THATCHER: And your 16·1 per cent is after you deducted your taxes?

Mr. SMITH: Yes.

Mr. FLEMING: Is that the weighted average?

Mr. SMITH: Yes, that is true.

The VICE-CHAIRMAN: Just a moment, the figures for 1942, are really just for a few months, are they not?

Mr. SMITH: No, sir. As a matter of fact, that is a whole year, including resale as well, but the volume is very small. That is the earnings when we started our commercial operations.

Selling Prices

When nylon yarn was first offered on the market in the United States in 1938 there was an abundant supply of silk, which was still available at relatively low price levels, and consequently nylon yarn had to seek a position in the market in competition with silk and the price was set by this competitive situation.

During the war, nylon yarns were supplied to the Government for military purposes at prices calculated to yield C-I-L an annual return of 5 per cent (before taxes) on a computed investment figure; such selling prices would not prove economically possible over a more extended period. At the end of the war the contracts were adjusted on an overall basis to bring the final selling prices into line with the formula. The capacity of the plant for military type yarns was much greater than for commercial yarns because of the limited variety of yarns, the higher deniers and the reduced need for sizing and other finishing processes.

At the end of the war the rayon administrator of the Wartime Prices and Trade Board established ceiling prices for nylon yarns at the levels at which imported yarns had been sold during the basic period—15th September to 11th October 1941. In view of the operating experience and of the fact that the demand appeared likely to permit the disposal of the output from the increased manufacturing capacity and with the object of long term development of new uses for nylon yarn, the commercial selling prices were established at prices (20 per cent to 30 per cent) below the "ceiling prices."

By December 1946 the expanded plant facilities were partially in operation and a further reduction in selling prices of nylon yarn of about 8 per cent was made effective on 15th December 1946.

The full capacity of the expanded plant was available by the spring of 1947 and the equipment to manufacture nylon polymer flake was nearing completion. On 2nd June 1947 an additional price reduction averaging approximately 9½ per cent was put into effect. Since the period, 15th September-11th October 1941, on which W.P.T.B. ceiling prices were based, selling prices of nylon yarn have therefore been reduced by amounts ranging from 35 per cent to 39 per cent.

The following is a tabulation of changes in selling prices for the three most important types of nylon yarns which comprise about 70% of total sales.

	Selling Prices Per Pound		
	30 Denier (1)	40 Denier (1)	70 Denier (2)
15th Sept. 1941 to 11th Oct. 1941	$6.30	$5.34	$5.20
1st Oct. 1945 to 15th Dec. 1946	5.10	4.30	3.55
16th Dec. 1946 to 2nd June 1947	4.79	3.95	3.24
3rd June 1947 to date	4.09	3.47	3.17
Percentage reduction in selling prices over the period	35%	35%	39%

(1) One turn, sized and oiled on spools
(2) Seven turns, sized and oiled on cones

The price reductions made in December 1946 and in June 1947 resulted in C-I-L actually receiving $1,225,000 less in the year 1947 than if sales had been made at the prices prevailing in 1946. The last price reduction was made in June 1947 and therefore affected sales for only half that year. The effect of these two price reductions, based on the quantities of nylon yarn sold in the first quarter of 1948 is calculated at $1,600,000 for a full year. In comparison with the "ceiling prices", the effect of the price reductions amounts to a very much greater sum.

Referring to the Report "D", "Companies Primarily Engaged in the Manufacture of Artificial Silk and Nylon" by Mr. E. H. Knight, C.A., in Schedule D-2 is shown the "operating income" from nylon operations i.e. the difference between sales and all costs pertaining to those sales with the exception of income tax and financial expenses (see Note below). The "operating income" from nylon operations in 1946 was $2,163,000 and in 1947 was $2,050,000. In 1946 sales of nylon yarn were 1,631,000 pounds and in 1947 were 2,401,000 pounds an increase of 47 per cent. Although the quantity of nylon yarn sold in 1947 was 47 per cent greater than in 1946, the "operating income" in 1947 was as a result of the lower selling prices actually less than in 1946.

Note: "Operating income" is not therefore the net profit available to the shareholders.

Summary of Comparison—Years 1946 and 1947

Comparing the years 1946 and 1947, the first two complete years of commercial operations, the significant changes are that in the year 1947

1. the quantity of nylon yarn sold *increased* by 47 per cent
2. the selling prices of nylon yarn were *reduced* by an amount which averages 13 per cent
3. the number of nylon employees *increased* by 15 per cent to a total of 730
4. the employees' average hourly wage rate was *increased* by 17 per cent and the hours of work per week were *reduced* from 48 to 44 (or 8 per cent) and
5. the "operating income" from nylon operations was *reduced* by 5 per cent.

By Mr. Monet:

Q. Mr. Smith, on page 6 of this memorandum you state that the commercial selling prices were established at 20 per cent to 30 per cent below ceiling prices. Would you tell the members of the committee how it was possible for Canadian Industries Limited, nylon division, to fix or establish selling prices at percentages so much lower than the ceiling prices?—A. The reason is that in 1947 the sales of nylon yarn were on an exceedingly small scale. As a matter of fact in that year we sold only 67,000 pounds—during the year when the ceiling price was established. In the year 1946 we sold 1,630,000 pounds and when we resumed commercial operation we had the expectation of selling much more than appeared likely in 1941, which made it possible to sell below the ceiling. We had actually sold in 1941 at ceiling prices but by reason of expansion and development of the market, by 1944 we were able to sell at prices much lower. In 1941 the industry was only two years old. The first sales were actually made through a large commercial plant in 1939.

Q. That is to say it was possible by reason of your anticipation of expansion and production of larger volume to sell at lower prices?—A. Yes, we had that expectation and it was borne out.

Q. As a matter of fact that is true, as shown by your figures which you have just given to the members of the committee?—A. Yes.

Q. Now on page 7 you refer to three deniers, 30, 40, and 70. Were those the only deniers that were manufactured by your company at the time of the preparation of this statement?—A. No sir, a variety of deniers are made but these three account for 70 per cent of our volume in the particular form in which they are shown. As a matter of fact 30, 40 and 70 deniers in their various forms account for about 90 per cent of the output of the works. We took those as representative of the major portion of our output.

Q. I understand that there are three samples here which have been supplied by the company and distributed to the members of the committee. They are the deniers to which reference has been made?—A. Yes.

Q. Do I understand that these three samples referred to in the memorandum and in Mr. Knight's report are the three most popular deniers?—A. Yes sir.

The VICE-CHAIRMAN: Mr. Monet, there is a point in this connection and I believe that previous samples were formally connected on the record with the written specifications. The samples were all filed as exhibits and it is a formal matter of putting them on the record. I do not know how long that identification might take but we will have between now and 1 o'clock a space of time which can be occupied by that formality.

Mr. MONET: There are only three samples to be filed in connection with this company.

The VICE-CHAIRMAN: Are those also specified on some sheet which we have already had put in evidence?

Mr. FLEMING: I think they are contained in Mr. Knight's report.

The WITNESS: Those are the same samples noted in Mr. Knight's report.

Mr. MONET: Yes.

Mr. FLEMING: You will find the three of them referred to on page 12 of Mr. Knight's report D.

Mr. MONET: Yes, and also on page 7 of the memorandum submitted by Mr. Smith.

Mr. THATCHER: I would just like to be clear on this point. Are you going through the statement afterwards?

The VICE-CHAIRMAN: The statement which has just been read?

Mr. THATCHER: Yes.

Mr. MONET: I am going through Mr. Knight's report—

Mr. THATCHER: And then you will start your questions?

Mr. MONET: No, I will start questions on Mr. Knight's report. I just have one or two questions on the memorandum and I will proceed then to question the witness with respect to Mr. Knight's report.

Mr. THATCHER: When are we to understand that we can put questions ourselves?

The VICE-CHAIRMAN: We will simply say that a question will be in order when it seems appropriate, as we have always found that suited the convenience of everyone. It is a better way of proceeding than by actually laying down rules.

Mr. THATCHER: I have a few questions to ask and I can do it after Mr. Monet is through?

The VICE-CHAIRMAN: Yes, but that will be this afternoon.

Mr. MONET: Mr. Smith, would you identify these three samples of nylon yarn, 30 denier, 40 denier, and 70 denier, referred to by Mr. Knight on page 12 of his report D as being the same samples as referred to by you on page 7?

The WITNESS: Yes, those are the same deniers.

Mr. WINTERS: In that connection has anybody defined denier yet? I have heard many definitions but has a definition been put on the record?

The WITNESS: Denier is the weight in grams of 9,000 metres of yarn and therefore the higher the denier the thicker the yarn. I do not know the origin of the definition but that is it.

The VICE-CHAIRMAN: Before we adjourn for the information of some who may not have been here, the executive session which was to take place at 3 o'clock this afternoon has been set over until 10 o'clock tomorrow morning

The meeting adjourned to meet this afternoon at 4.00 p.m

AFTERNOON SESSION

JUNE 15, 1948.

The committee resumed at 4.00 p.m.

The CHAIRMAN: Order, gentlemen.

Mr. BEAUDRY: Before you go on with textiles, may I bring to your attention a request which I think has been placed before you Mr. Chairman, from La Ligue Patronale des Boulangers Indépendants. The committee recalls that at the time of our inquiry into bread and some other products I brought to the attention of the committee the fact that some of the smaller elements in the various industries and businesses into which we were examining at times suffered from what might be termed unfair practices. This is the case of an association of independent bakers from both Quebec and Ontario. These bakers are making representations to the effect that since most of our investigation dealt with the price of bread as it affected very large bakers—

The CHAIRMAN: I wonder if I might interrupt you there, Mr. Beaudry. I must say in all fairness that as a matter of procedure this should be raised either with the steering committee or the committee in executive session. This morning Mr. Thatcher spoke to me about a matter which he wished to bring up and I told him that probably the place to bring it up was in the steering committee. I do not see how I can tell Mr. Thatcher that and not insist on the rule being followed now. If we deviate from that practice there will be no order to our proceedings.

Mr. BEAUDRY: If you will bear with me for a moment—

The CHAIRMAN: Then I will have to bear with Mr. Thatcher.

Mr. BEAUDRY: But you will not have to bear with me very long. I only want to bring out one point. I am not going to ask the committee to call these witnesses and I am not going to ask the committee to listen to their briefs but I am going to ask the committee to decide at a later date in executive or steering committee session to come to a decision with respect to these cases, and similar cases which affect other industries, which have been placed in a somewhat invidious position. I want to bring to your attention the request of some of the independent bakers of Quebec and Ontario that they be allowed to state either in written or oral form before this committee certain reasons which have forced them to effect a rise in prices.

The CHAIRMAN: I will bring that to the attention of the steering committee. I just point out to you, Mr. Thatcher—as you have been absent for a moment—that I wanted to be fair in this matter and I have asked Mr. Beaudry not to bring this matter up here and it will go to the steering committee which will be meeting tomorrow.

Mr. BEAUDRY: Now that it has been turned over to the steering committee may I bring up another point?

Mr. FLEMING: Do you mean that the meeting tomorrow is a steering committee meeting?

The CHAIRMAN: No, it will be an executive session.

Mr. FLEMING: This matter will be referred to the executive session.

The CHAIRMAN: Yes.

Mr. BEAUDRY: If through difficulties or necessities of this investigation we have placed some industries in a slightly difficult position it would be our hope that we would give them considered justice and a fair share of equity. We should consider their position in our report because it may be that public opinion has been affected adversely.

The CHAIRMAN: We will certainly consider that tomorrow morning at the executive session.

Mr. THATCHER: Mr. Chairman, I have a couple of things which I would like to have considered.

The CHAIRMAN: I would ask you not to bring them up now, Mr. Thatcher.

Harold Greville Smith, 3940 Cote des Neiges Road, Montreal, First Vice-President, Canadian Industries Limited, recalled:

By Mr. Monet:

Q. I would like to refer you, Mr. Smith, to schedule D2 of Mr. Knight's report but before questioning you on that schedule I understand that you were present when Mr. Knight's report was made to the members of the committee and you heard the reading of that report?—A. Yes sir.

Q. Have you any comments to make on Mr. Knight's report in so far as Canadian Industries Limited, the company you are representing here, is concerned?—A. No sir, the figures in the report are drawn from those supplied in the questionnaire and I have no comment to make.

Q. As you have just stated, I understand the figures given in Mr. Knight's report were derived from the answers to the questionnaire which was sent out to your company a while ago?—A. That is correct.

Q. The figures in report D would be what we might call key figures found in the questionnaire answered by your company?—A. Yes sir.

Q. Turning to schedule D2, Mr. Smith, in so far as Canadian Industries Limited is concerned and we find the company figures on the right hand side of the page, I notice that your operating income is—

Mr. THATCHER: Excuse me, Mr. Monet, where are you reading from now?

Mr. MONET: I am reading from report D of Mr. Knight's report, schedule D2. As it has just been pointed out by the witness, and as it was pointed out last week, report D was read and put in the evidence by Mr. Knight as a summary of the key figures given in answer to the questions contained in the questionnaire, a sample of which was given to the committee members.

By Mr. Monet:

Q. On schedule D2 I note that the operating income as a percetnage to sales for the year 1946 was 34·5 per cent and in 1947 it was 25·2 per cent?—A. Yes, sir.

Q. Now, you mentioned this morning in the course of your memorandum that your company had reduced its selling price some time during the year 1947. Is that correct?—A. Yes, sir; at the end of 1946 and during 1947.

Q. I think the last reduction was on June 2, 1947?—A. That is right.

Q. Was this reduction of operating income to sales, to which I have just referred due to the fact your prices were reduced some time in 1946 and 1947, and would it indicate that you reduced your price more than proportionately to your reduction in cost?—A. Yes, sir; as a matter of fact the costs in 1947 are practically unchanged from 1946 regardless of the increase in production. Only at the end of the operating period was the full benefit of production obtained and consequently the decrease in operating income reflects an actual decrease in selling price.

Q. Rather than a reduction in cost?—A. Yes.

Q. I wish you would turn now to schedule D5 and I notice on schedule D5 the percentage of operating income to sales has risen from 20·9 in the third quarter of 1947 to 28·9 in the first quarter of 1948?—A. Yes, sir.

Q. You have informed us this morning that the last price change made by your company was on June 3, 1947?—A. Yes.

Q. Then this change did operate before the beginning of the third quarter, did it not?—A. Yes, sir.

Q. Does this increase in the percentage of operating income to sales from the third quarter of 1947 to the first quarter of 1948 mean that the company's costs have been falling over the period of the last six months? That would be the reverse of the first question which I put to you?—A. Since the end of the year 1947 we have begun to obtain the benefits of the expanded nylon operation to which I made reference in my report. As I mention there in the case of 1947 we were able to start our own production of flake instead of importing flake during the third quarter and our cost rose instead of going down, but by the end of the year we had begun to get those benefits and hence the higher return. 1948 reflects the advantage of that increased capital expenditure.

Q. And that is the way you explain the smaller percentage?—A. Yes, and in addition the increase in volume is a factor. Throughout 1947 we gradually got into operation more and more of the extensions, so it is a combination of the lowering of costs by undertaking more manufacture in Canada—the multiple operation of which we spoke earlier.

By Mr. Thatcher:

Q. May I interject. Do I understand from these figures upon which you are questioning, Mr. Monet, that in the first three months of this year the profits made by Canadian Industries Limited are almost double the wages paid out? Of the consumer's dollar it shows operating income of ·289 as against ·154 for labour. Am I correct in that?—A. That is correct, but it is before taxes and half of that amount is paid out to the government in taxes. That is the operating income before taxes.

Q. Your operating income is almost double all the money you paid out for labour?—A. That includes all direct expenses.

By Mr. Winters:

Q. That covers a lot of other items besides taxes?—A. It includes obsolescence which is not allowed for taxation purposes.

Q. Does it include depreciation?—A. No, depreciation is included in operating costs but obsolescence is not and the latter has amounted to a considerable sum.

By Mr. Monet:

Q. Following your last answer, Mr. Smith, in connection with the percentage of operating income to sales and your statement that company costs have been falling over the past six months, you spoke about a reduction in expenses and said that accounted to a great extent for that state of affairs? Would that indicate a further reduction in the selling price of nylon can be expected in the near future—in view of the statement you have just made?—A. As I am on oath, I am sure you would not ask me to commit myself to dates and amounts, but seriously the record of price reductions which we have made to date shows the trend of the policy which the company is following. In the case of a new product such as nylon it is our long-term policy to lower the selling prices as an instrument in broadening the market and thereby building up the volume of business. Actually the timing of price reductions depends upon a number of factors such as the trend of costs, competition for the consumer's dollar, and upon business judgment. I can assure you we have that in mind. I feel the record since the beginning of commercial operations just over two years ago is an indication of the practice we intend to follow. I cannot be as specific as to the exact amounts. There are developments in yarn processes which may increase our cost and of course we are encountering increased labour and material costs the same as is everybody else. The policy, however, has been as I have indicated.

Mr. THATCHER: Would you compare the net income figures with wages? This ·289 is operating income but what would be the net profit for the three month period?

Mr. MONET: I will come to that in a few minutes, Mr. Thatcher. I just have two or three questions and then I shall leave it to the members of the committee to ask all the questions they wish.

By Mr. Monet:

Q. When you say you have this matter in mind, without indicating any specific date you say the company is contemplating further reduction at a time you cannot mention?—A. We certainly hope to do so and we shall be disappointed if it is not possible to make further reductions.

Q. I wish to refer you, Mr. Smith, to schedule D8 of Mr. Knight's report and dealing there with percentage of net profit to capital, not operating income but sales to net profit, I notice that your return on capital invested for the years 1946 and 1947 are shown as 17·2 per cent and 16·1 per cent respectively as against 3 per cent in 1945? Do you not consider this 17·2 per cent net profit on capital in 1946 and 16·1 per cent in 1947 an excessive return on the capital invested?—A. In answer to your question in considering the return on investment there are a number of factors which have to be taken into account. In the case of nylon we are dealing with an industry in the first two complete years of its commercial operation in Canada. In other words we are still in the pioneering stage. In the beginning years a new industry is bound to be subject to a large amount of obsolescence because of improvements and developments of manufacture. To take as an example, the actual obsolescence incurred to date since commercial production of nylon started amounts to $417,000 and we are shortly to be faced with further obsolescent losses as we will require to make changes in the plant to keep abreast of new developments which we have in mind. At this time nylon has established only a single market and that is for women's hosiery. It is a luxury market subject to the vagaries of fashion and it is strictly limited in its potentialities with respect to volume. As we expand nylon to new uses we shall be involved, and we have already been involved, in considerable changes and developments ranging over a long period of time and the special qualities of some yarns will involve in all probability higher costs of operation. I would say, sir, in considering the matter that it is worth noting that the present price of nylon is well below the price of silk before the war, and silk is our competitor. It is below the price of silk before the price of silk rose, and in fact it is at or around the levels at which silk was in 1934 or 1935, and for below what silk would have been if there had been no nylon today. Another point in the consideration of nylon is that in a pair of stockings the value of nylon as we sell it today is about 17 cents a pair. That would possibly be of some interest.

Q. The value of nylon in a pair of stockings is what?—A. The value of nylon as we sell it, and of course it is further worked by the textile companies who must do a great deal of processing and the necessary twisting of certain braids and so on, is 17 cents a pair.

Mr. THATCHER: Mr. Monet, I am still not clear on this page where you are dealing with schedule D8. For 1946, the percentage for instance of net profit was 17·2 per cent.

Mr. MONET: Right.

By Mr. Thatcher:

Q. The net profit after taxes was $1,047,000. Now I would like to compare that to the amount paid out in wages on schedule D5. Could you give a dollar comparison, Mr. Smith?—A. What was that last question?

Q. Could you give us the dollar figures for the amount paid out in wages?—A. I think we may have that, Mr. Thatcher.

Q. For 1946 and 1947?—A. I will give it to you in just a moment. The figure for 1947 is $1,198,177 and for 1946 the figure is $989,751.

Q. That was your total wage payment?—A. That is factory wages and salaries, not including office salaries.

Q. What that means is that your nylon division in 1946 took profits of $1,047,000 and only paid wages altogether of $989,000. In other words, you took greater profits than you paid your whole group of employees, and in 1947 almost the same thing is true. Would not that leave the committee to conclude your profits were not only abnormal, but excessively so?—A. Not necessarily, sir. The investment of over $8,000,000 has increased the volume and you must relate profit to volume. There is a very large investment involved in the nylon operation and of course you must also consider the amount of risk, and the obsolescence which I have mentioned as being $417,000. Also, sir, I said that we were in the pioneering stage.

There are, of course, other synthetic filaments in development; there are some on the market today and some in development and there is a very considerable risk element. We are still in the first two years; and until we have shown a trend—and in the first two years I think the trend is one of considerable importance in showing where we hope to be able to go.

By Mr. Thatcher:

Q. Of course, at the same time in D-5 your wage trend in the last period of time has been downward, while your profits trend has been going up.—A. No, sir.

Q. Is not that true from schedule D-5?—A. No, sir.

Q. Well, your operating income has been going up?—A. No, sir; I think that is a point that can be explained; the operating income in 1947 was about one and one quarter million, almost, as I mentioned this morning, less than 1946. These, sir, are percentage figures. The fact that the wage percentage can be lower does not indicate that the wages themselves are lower.

In fact, wages increased. In reality, hourly rates increased 17 per cent.

Q. Sure; but they are not increasing in the same proportion as your profits and your cost of material?—A. The wages in 1946 increased.

Q. But your profits and other things went up?—A. No, they went down; $1,225,000; the operating income was down $1,225,000 from 1946 to 1947.

Q. Now, Mr. Smith, maybe I do not reconcile those figures.—A. I think it is the percentage which gives you the difficulty.

Q. Your wage percentage is downward comparing the last two quarters on Schedule D-5; your wages were ·158 in the first quarter and they dropped to ·154 in the first quarter of 1948; and taking your operating income at from ·254, there was a jump to ·289?—A. That is because there has been a change in the volume. It does not indicate that the rate itself is low. It rose slightly so that the amount paid out in wages was lower.

It is a difficult point and I sympathize with the difficulty that you have found over that percentage there; but may I put it this way: supposing that wages are 20 cents in a dollar; and supposing that the article rose from $1 to $1.10. The wages are still 20 cents, or twenty per cent in a percentage wise, but the wages would be lower, even though the amount paid should be exactly the same.

In our case the price is not going up. I am not sure how to explain it satisfactorily.

Q. It does seem to me that at a time when your company is taking profits greater than you are paying out to your employees in salaries, that at that time your proportion of wages to the consumers' dollar—the trend is downward; and

I do not just understand why that should be.—A. The trend of wages is not downward, Mr. Thatcher. Bearing in mind, of course, in 1947 that our volume is 47 per cent above the previous year, the actual increase in wage rates in the year was 17 per cent; the hourly wage rate has increased, not the wages themselves, by about 20 per cent, or thereabouts, but the number of employees has also increased during that year.

Q. Would it be fair for this committee to say that in 1946 the profits you took had more to do with the prices than the wages which you paid to your employees?—A. No, sir, I do not think that is so.

Q. If your profits are greater than your wage figures, why is not that so?

The CHAIRMAN: It is a matter for deduction by this committee.

By Mr. Thatcher:

Q. Well, that is my deduction and if it is not so, I would like to know the reason why?—A. In 1947 we achieved production at a higher rate than we had expected, so that was the reason why we were putting in a price reduction even at the end of our first year; and in the middle of our second year of operation—I still want to stress that we have had to risk a very large investment of over $8,000,000 which had been invested at a risk for those first two years, and we expected this trend to continue.

Q. Of course you would assume, if you continued to make a net profit after taxes, that after that it would not belong until you have no investment at all?—A. I hope that the new expansion which was started this year will add to the investment considerably.

We are not concerned with short-term profits, but rather with the long-term building up of the business.

We want to get into a tonnage business rather than into an "ounceage" business, and I expect that our investment will grow and keep on growing at a faster rate than at the present time.

Q. It seems to me that your company has made a greater profit than the wages paid to its employees, more so than any other company which has come before this committee.

The CHAIRMAN: But the evidence is that these people have lowered their prices.

Mr. THATCHER: I was coming to that point later.

The CHAIRMAN: And yet their profit is higher than the other companies.

Mr. THATCHER: Well, I do not think they have lowered it enough.

The CHAIRMAN: Certainly, it is exemplary; and if they could do it, then we want to know why the others could not do it.

By Mr. Fleming:

Q. Mr. Smith has referred repeatedly to obsolescence in this industry and mentioned a figure of $416,000, I think, which was written off for obsolescence last year. Is that reflected in the figures given here of profit? Have you allowed for that?—A. Not allowed for taxes; $97,000 allowed for taxes; $320,000 was not; so the net cost to the company was about $360,000 for obsolescence; this was not allowed, of course, in taxes to the company.

Q. That represents a loss of capital?—A. Yes.

Q. Which, if you were to carry on, you must make up that loss in capital as well as trying to make a return on your investment?—A. True.

Q. What year was that for, that $360,000?—A. That is from 1945, October, 1945, when we began commercial operations, to date, in 1945, 1946, and 1947.

Q. To the end of 1947?—A. Yes, sir.

Q. And is that process continuing?—A. Yes, sir. I expect that we shall come out with a very substantial obsolescence in the next extension which I hope we will be able to undertake in the next few months. We increased the capacity of the plant.

Q. Can you make any comment to the committee as to whether the amount will be written off by way of capital in this way—that it is going to be increase as compare to your net loss of capital this year to the end of 1947?—A. No, sir, I cannot.

Q. It is too early yet?—A. Yes. There is a good deal of development still going on. We are still in the pioneering stage and I cannot state what, in two years time, may come along.

In the earlier stages, it is bound to be a fairly substantial amount; but it is changing rapidly and I could not forecast whether it will be greater or less, sir.

By Mr. Irvine:

Q. I have some difficulty in understanding you, Mr. Smith, when you say that your wage scale had not been lowered; while we find that in the last quarter of 1947, for labour, you have ·158 and in the first quarter of 1948, you have ·154.

Would you mind trying, once more, to explain why that does not mean that there is a drop there of the amount spent in wages?—A. I do not know how to explain it, sir, without a very involved calculation.

But I can assure you, sir, that wage rates are, in fact, increasing and are slightly higher in the first quarter of this year than they were in the last quarter of last year.

Q. Did you have fewer employees?—A. No, sir, in fact, we have a few more employees. The number of employees is increasing, while, as the volume is also increasing, both the rate paid, the number of employees, and the total dollars paid out in wages are increasing steadily and have been doing so over 1945, 1946 and 1947, and that is still continuing.

By Mr. Fleming:

Q. There is a further question I have on that point: Mr. Smith refers to schedule D-8 of the report, with respect to the loss of capital, that is, the net loss of capital reflected in the second last column, the net profit after taxes?—A. Yes, sir, it is.

Q. Account of that has been taken in this statement?—A. Yes, sir.

Mr. THATCHER: Might I proceed now?

The CHAIRMAN: Yes.

By Mr. Winters:

Q. Is that a fund which you set up for obsolescence? Are those machines actually taken out?—A. Obsolescence has been incurred by the equipment and on the buildings in making the changes.

Q. Would you turn then to the first page of your report and I would refer to the general report?—A. Yes, sir.

Q. Now, on page 1 of that brief you said that the common stock in this company is owned, 42·6 per cent by Imperial Chemical Industries; 41·8 per cent by Duponts Limited.

The CHAIRMAN: What is the purpose of your question?

Mr. THATCHER: I want to know, first of all, if these companies—the American or British companies—exercise any influence with respect to your price policy or any influence with respect to policies generally?

The WITNESS: No, sir. The answer is definitely no.

By Mr. Thatcher:

Q. No influence, none whatsoever?—A. As I mentioned—in the report itself, on page 2:

> The granting of the nylon rights by du Pont involved no control over production or determination of selling prices in Canada, which are entirely in the hands of management of C.I.L.

Q. You are stating then categorically that they exercise no control or that they have nothing to do with your policy?—A. They do not exercise control over the determination of selling prices.

I have been on the Board of Directors for eight years and I say, of my own knowledge, that that is not done; it is in the hands of the management themselves, sir.

Q. There is one thing that makes me wonder if, indirectly, they might do so and I would like to quote a paragraph in the McGregor report entitled, "Canada and International Cartels". This report has to do with your company, and I would refer to pages 19 and 20, if I might place this material on the record:

> The understandings with respect to Canada between I.C.I. (or its predecessors) and du Pont, as has already been shown, have extended over a great many years. Some of the arrangements were made as informal agreements while others have been made as formal contracts. The most comprehensive of the latter is the Tri-Party Agreement made on December 1, 1936, between du Pont, I.C.I. and C.I.L.

I wonder, Mr. Smith, if you are familiar with the Tri-Party Agreement if it is still in effect?—A. Yes, sir.

Q. You say it is still in effect?—A. Yes, sir.

Q. And you are familiar with its terms?—A. Yes, sir.

Q. Then, reading further from the McGregor report as follows:

> Under the terms of this agreement I.C.I. and du Pont agreed to grant C.I.L. exclusive licenses for Canada, and Newfoundland under patents, inventions and processes they then owned or might thereafter acquire. C.I.L. agreed to grant I.C.I. and du Pont similar licenses for the rest of the world outside of Canada and Newfoundland in conformity with their respective license territories established by agreements.
>
> The fields covered by the Tri-Party Agreement included coated textiles, cellulose film, plastics, paint and finishes, fertilizers and insecticides, explosives and general chemicals.

And then he went on to say that there were three main factors of that agreement, according to Mr. McGregor.

Mr. FLEMING: Is there anything there about nylon?

Mr. THATCHER: "Coated textiles". I would imagine that that would include nylon.

The WITNESS: No, sir; coated textiles does not, in any way, include nylon.

By Mr. Thatcher:

Q. Are you saying that you have no agreement concerning nylon yarn, such as might have to do with patents or any agreement of any kind?—A. On the contrary, as a result of the relationship between the three countries, we did receive the right from du Pont free of charge, with no royalty or payments. Yes, sir, we got that under the agreement.

Q. Yes, on page 2 of your brief you state, that as the result of the relationship between C.I.L. and I.C.I. and du Pont, C.I.L. received the Canadian rights to inventions:

> As a result of the relationship between C.I.L., I.C.I. and du Pont, C.I.L. received the Canadian rights to inventions and processes developed by those companies and accordingly obtained from du Pont the Canadian rights relating to nylon.

And I would like to know if, in return for those rights, which have been given to you, if you agreed in anyway to restrict your wares to the Canadian market?—A. I dealt with that on the following page:

> The sale of the nylon yarn itself, regardless of the country in which it is manufactured, is subject to the assertion of patents in the countries in which they have been issued.
>
> Converters who purchase nylon yarn from C.I.L. as a raw material for their operations may export their products to any part of the world. The sale of the nylon yarn itself regardless of the country in which it is manufactured, is subject to the assertion of patents in the countries in which they have been issued.

That covers the entire situation without any other arrangement of any kind whatsoever arising out of the agreement, be it tri-partites or otherwise.

Q. That last sentence, it may be that I do not understand it, but would it not be possible to assume from that, that because of those patents, that you can only sell in Canada?—A. No, it means we could not sell unless it were in a country where no patent has been issued. But let us say that in a country where a patent has been issued to somebody else, which is common practise with all patents, that if there is no patent, let us say in France, we can export nylon yarn to France; but if there be a patent there, in other words, a local right has been granted to a company or to some party in return for some consideration, then they would take action against us if we exported. But we are not prevented from exporting except to places where there is a right which is protected; if they have given a consideration, that is the general patent law, and it is not peculiar to nylon or to ourselves.

By Mr. Fleming:

Q. But have you reached a point where you are in a position to export from Canada?—A. A considerable amount of nylon was exported during 1947 because of the acute world shortage. Most of that nylon was exported, I would think, by our own customers; and the value of the exported stockings, the nylon stockings exported, made of our yarn in 1947, was about $3,000,000.

By Mr. Thatcher:

Q. Is it not a fact that nylon yarn was not exported from Canada during the last two years?—A. I think a considerable amount was exported by our customers.

Q. But I thought you stated that there were no exports; I do not remember the page?—A. We estimated that about 480,000 pounds of nylon were exported in 1947.

By Mr. Monet:

Q. By your customers?—A. By our customers.

By Mr. Thatcher:

Q. According to this Tri-Party Agreement, clause C, the C.I.L. was to confine its operations to Canada:

Paragraph (*C*) C.I.L. is to confine its operations to Canada and is not to engage in any export trade even when it is in a favourable position to do so through tariff preferences or other causes.

Does that hold for nylon?—A. No, sir that does not hold for the Tri-Party Agreement today.

By Mr. Fleming:

Q. I think we must get this clear: if this agreement refers to nylon in any way, then the questions are in order; but if the agreement does not apply to nylon, then the questions have no relationship to the matter before us.

The CHAIRMAN: I think that is right.

Mr. THATCHER: I shall try to establish that.

The CHAIRMAN: He has said that the agreement does not refer to nylon.

Mr. THATCHER: Nylon yarn; does that Tri-Party Agreement, or any other agreement your company may have—have they anything to do with restricting your sales of nylon yarn?

The WITNESS: May I answer the question you are asking at the moment: whether we, under the Tri-Party Agreement, are restricted only to the extent that a patent may exist in a country in some way.

If you get the right to manufacture any article from a third party, your right would be restricted to the country from which you bought the rights; anybody who patented those rights in another country would, naturally, prevent an export coming in, because he has paid a consideration for his rights.

Q. And would that apply also to rights of the United States, to exclusive rights there?—A. They invented the process and they are the only ones who are operating it.

Q. So, when you say that they are your parent company—

Mr. FLEMING: No, he did not say it was his parent company.

By Mr. Thatcher:

Q. The company which holds the patents in the United States, this du Pont company, they could prevent you from shipping down to the United States?—A. The owners of the patent, whoever they may be—in this case it is the du Ponts, yes, sir.

But there is nothing to say that the du Ponts would not grant to us a license in return for shipping to the United States if it were possible to do so.

Q. Well, this is a time of dollar crisis, and if all the companies did as you have done, it would be pretty hard for us to build up our exports to the United States. You are letting a patent agreement stop you from exporting from the United States?—A. No, sir. With the plants in the United States, the smallest of which is about four and a half times bigger than ours, there is no possibility of our exporting to the United States; and with the duty, as it is, it would cost higher than in Canada so that we are not overlooking the possibilities there at all, but it just does not exist because in the United States today the production is nine times ours in two plants which are four to five times as big. Both these plants have expanded for a huge domestic market.

Q. Is there any agreement between the du Pont or the du Pont organization that they won't send nylon yarn to compete with you on the Canadian market?—A. There is not, but as owners of the patents, we could take action to protect our position. Once we have the right, no one else can. It is a common thing under the grant, under a patent, but there is nothing to say that they won't do it and their products do, in fact, cross the border freely.

Q. But would it be fair to say that so far as the Canadian market is concerned, you have an absolute and complete monopoly in Canada because you have the patents which prevent competitors or any other company from competing in here, unless you give them a permit?—A. We have all kinds of domestic competition.

Q. You mean, in competition with your nylon yarn?—A. No, sir; we are in competition with silk and with other fibres. There is not, in actual nylon, but I think it is a fact that before the war, for example nylon was displacing silk in the market which was pretty well supplied with silk and that is an indication that there is competition today.

Q. But so far as nylon is concerned you have an absolute and complete monopoly in Canada?—A. We sell to our purchasers of nylon.

Q. And you have no foreign or domestic competition?—A. We have not at the present time, no sir.

By Mr. Fleming:

Q. You mean in Canada?—A. Yes.

By Mr. Thatcher:

Q. Therefore, would it be fair to say that competition does not enter into the matter of setting prices of nylon yarn?—A. No, sir. The price of nylon yarn was set by competition with silk, and since that time it has been lowered.

Q. You have not met that competion until recently?—A. Silk stockings will sell at lower prices than nylon, if they can be moved.

Q. On page 5 of your statement you said: "After deducting the amount of the depreciation reserve the net capital employed totalled $6,560,000". Now, if I might go over to another page, according to statement No. 1 on page 4 of your other brief you show that 1946, the operating income of your nylon division—I am referring to statement 1 on page 4.

The CHAIRMAN: Page 4.

Mr. MONET: That would be the one, Mr. Chairman.

By Mr. Thatcher:

Q. You say that your operating income, that is, of your nylon division in 1946, was $2,163,000 and some odd dollars. That works out to 33 per cent, if my figures are correct; 33 per cent of your investment before taxes.

The 1947 figures which are computed in the same manner, show that you made 31 per cent on your investment?—A. Yes.

By The Chairman:

Q. Before taxes?

By Mr. Thatcher:

Q. Before taxes, yes. That his operating income now—would not it be fair—do you agree, with those, Mr. Smith?—A. Your figure for 1946 was 33 per cent odd.

Q. And 31 per cent for 1947?—A. 30 per cent.

Q. It is right in there?—A. Before taxes, of course.

Q. Before taxes?—A. Yes.

Q. And I take it that it would be fair to say that you have made a couple of price increases?—A. Three price increases, yes.

Q. Yes; but at a time when you are showing such an astronomical profit on an investment, would it not be fair to say that you have taken advantage of the lack of competition to keep the price of nylon up a lot higher than it should be?—A. There is no doubt that we could have sold all our nylon at ceiling prices, but we have reduced the prices by $1,225,000 during the first year; and the second year—we had expected, as we developed a market—but if we are restricted to a narrow market, we shall find that we are not able to earn this return. It is in the expectancy of further development.

Q. Yes, but if every company in Canada should take a whacking profit like that, then our price structure would really go up.

Mr. FLEMING: Yes, but if every firm reduced its prices such as this firm has, then the prices would come down.

Mr. THATCHER: Here is a company which takes more in profits than they pay to their wage earners. There would seem to be something abnormal about that.

Mr. IRVINE: If every company did the same thing, they could never purchase all they produce because they would never have enough wages to do it with.

Mr. THATCHER: How do Canadian prices compare with similar American and British prices?

Mr. MONET: If you will excuse me, Mr. Thatcher, I have a chart which I would like to file. My last question was with respect to a comparison between United States prices and Canadian prices, and this chart was to be filed by the witness on that point, so if you do not mind, we may want to question the witness on that point.

Mr. THATCHER: Certainly.

Mr. MONET: Mr. Smith, while we are waiting for questions that may arise from your examination, a question has been asked by Mr. Thatcher with respect to this matter and would you tell the members of the committee in view of the fact that from 1946 to 1947, bearing in mind the two reductions in your prices that have already been made, would it not have been possible for your company to reduce by a larger margin than you did, or to make another reduction in your price in view of the fact that even with those reductions your net profit for the years 1946 and 1947 was 17·2 per cent and 16·1 per cent respectively?

The WITNESS: I think the answer to that question, Mr. Monet, is the point I mentioned earlier. We have made reductions in expectation of volume increases and as that volume has begun to be shown, unless we find there are also higher costs, we expect to continue the trend.

Mr. MONET: To lower prices?

The WITNESS: Yes. As I said, we shall be very disappointed if we cannot do so.

By The Chairman:

Q. When, Mr. Smith?—A. I cannot say specifically when.

Q. About when?—A. I am hopeful that we shall be able to do so.

Mr. MONET: Can you give the members of the committee any idea of the volume you would expect to reach before you could consider another reduction in prices?

The WITNESS: I am afraid I cannot offhand sir.

Mr. WINTERS: Does that statement assume stability in labour costs?

The WITNESS: As I say we have had some increases in costs and we have no doubt that we shall have higher labour and material costs. We hope to offset those additional costs by volume and lower the price notwithstanding, as in fact we did in 1947.

The CHAIRMAN: So that would mean the price would be lowered away below the pre-war level?

The WITNESS: They are very far below that now, sir.

By Mr. Monet:

Q. I understood you to say this morning that the prices are lower by 20 per cent to 30 per cent?—A. They were below the price ceiling by 20 to 30 per cent and they are now about 35 per cent lower than the price ceiling, and that itself is lower than the price in 1939.

Q. Before I finish my questioning, there was a reference to the United States prices. I have a few questions to ask with respect to United States prices.

The CHAIRMAN: Mr. McCubbin, I know, would like to see you lower prices before the committee rises.

The WITNESS: I beg your pardon?

The CHAIRMAN: Mr. McCubbin, from the expression on his face, would like a further reduction in prices before this committee rises.

The WITNESS: As I said we have it constantly in mind and I hope we shall be able to do so soon. I cannot say whether it will be before the committee rises, but I do feel as soon as we can see prospects of steady expansion we will do that.

Mr. FLEMING: May I ask the chairman a question? When is this committee going to rise?

The CHAIRMAN: When the committee thinks it has done its job, and Mr. Fleming is a member of the committee.

Mr. THATCHER: Mr. Smith, you made one statement on which I am not clear. I think you stated that the tri-party agreement was still in effect?

The WITNESS: I did, sir.

Mr. THATCHER: On page 20 Mr. MacGregor makes this statement—

Mr. FLEMING: Is this question in relation to the agreement on nylon?

Mr. THATCHER: I will try to establish that in a moment if I may read just one line.

Mr. FLEMING: You must establish that first.

Mr. THATCHER: May I, in one sentence? In speaking of the tri-party agreement Mr. MacGregor says "Under the terms of this agreement—"

Mr. FLEMING: That is not the right way to proceed.

The CHAIRMAN: Mr. Fleming is raising a point of order.

Mr. FLEMING: May I suggest that is not the right way to proceed. Mr. Thatcher must establish that the tri-party agreement does cover nylon.

Mr. THATCHER: I am trying to do so, and will you let me have just one sentence?

Mr. FLEMING: If Mr. Thatcher establishes that he can go on and read from the agreement.

The CHAIRMAN: We have had an answer from Mr. Smith in the negative and now Mr. Thatcher is trying to disprove that statement.

Mr. IRVINE: By quoting from Mr. MacGregor.

Mr. THATCHER: Perhaps I do not read this rightly and I would like to get it clear in my own mind.

The CHAIRMAN: You can read all right.

Mr. THATCHER: Of course in 1936 nylon could not have been included because there was no factory. "Under the terms of this agreement ICI and du Pont agreed to grant CIL exclusive licences for Canada and Newfoundland under patents, inventions and processes which they then owned or might thereafter acquire". If Mr. Smith says that agreement is still in effect why was nylon made an exception, or was it made an exception? I would take from that statement it was not an exception.

The CHAIRMAN: You have put two questions and you have not given him a chance to answer.

The WITNESS: It was not an exception. The difference in the relationship between CIL and du Pont—

By Mr. Thatcher:

Q. It was not an exception?—A. No.

Q. Then the tri-party agreement applies.—A. Yes, sir.

Mr. THATCHER: May I proceed now, Mr. Fleming?

Mr. FLEMING: Would Mr. Smith repeat his last answer?

The WITNESS: The tri-party agreement as it exists does apply to nylon.

Mr. THATCHER: Then may I proceed? "(*a*) CIL is given exclusive rights in Canada to any processes owned by either of the major parties. (*b*) CIL is made sole distributor for any products shipped to Canada by either ICI or du Pont. (*c*) CIL is to confine its operations to Canada and is not to engage in any export trade, even when it is in a favourable position to do so through tariff preferences or other causes".

That, then, must apply to nylon.

The WITNESS: No, sir.

By Mr. Thatcher:

Q. You are contradicting yourself?—A. No, sir. I tried to answer before but there was some confusion. This provision no longer applies under the tri-party agreement.

Q. You said it was in effect?—A. Yes, but this provision did not apply to nylon. We are not prevented from exporting unless the patents belong to somebody else.

Q. When was that provision withdrawn?—A. Offhand I cannot tell you but I would say that perhaps it was three or four years ago. I do not recall exactly.

Q. Of course the McGregor Report is only two years old and it apparently applied to them?—A. Gathering all that information probably took a year, I would say. We are not restricted in our exports except in so far as the patent may be owned by somebody other than ourselves or du Pont.

Q. Then you would be prevented from shipping to the United States?—A. The patents prevent anybody from shipping.

Q. It might be I suggest the policy of your inter-company patents which may be hurting Canadian export and the obtaining of American dollars?—A. I tried to indicate there is no possibility of that. On the other hand, by working the patents in this country we make an enormous saving of American dollars as a result of obviating the necessity of importing from the United States. Eight million dollars worth of Canadian nylon is replacing $8,000,000 worth of U.S. nylon which would undoubtedly come into the country. I think there is a great advantage in that feature, and nylon would still arrive in this country if it were not made here.

Q. You think there is no possibility of increasing your capacity and getting American dollars by shipping to the United States?—A. I think the possibility is quite remote of being able to manufacture more cheaply than the United States due to the fact that the United States production is far greater.

Q. Is it not remote because your patent agreement is preventing you from shipping?—A. No, sir.

Q. You are contradicting yourself?—A. It is not that the patent agreement prohibits it. The cost of production here is certainly not more favourable than in the United States and our current cost is much higher. I am speaking generally and not just for nylon. The current costs in Canada are higher. Also, a plant of the same size costs very much more here than in the United States. I do not think the situation you ask about is possible because we have no inherent advantages in this particular operation.

Q. If the clauses of the tri-party agreement are no longer in effect what advantage is there in still having it?—A. Because by virtue of the agreement we obtain the right to new processes in Canada and the opportunity to develop them.

Q. What do you give in return? You must give some consideration?—A. No, sir, we do not.

Q. You mean that out of the goodness of their hearts— —A. No, as we mentioned—

Q. You are stating on oath all these three clauses are no longer used by the companies?—A. I am stating we are not restricted in our exports other than to the extent that a patent may exist in the country where it has been taken out. It may be a patent owned by some other party which conflicts with ours and we may not be able to operate, even though du Pont now owns it. We are not restricted by the shipping provision.

Q. But you are restricted by patents?—A. Everybody is.

Q. You are rstricted by patents of the two companies which own you?—A. We are not more restricted by their patents than we are by some patents which we have bought from a third party.

Q. As far as price is concerned you have a complete monopoly in the market?—A. No, sir, we have strong competition—

Mr. FLEMING: What we want is questions and not statements.

Mr. THATCHER: You have a complete monopoly in the domestic field, as far as foreign competition is concerned, in nylon yarn. It is true there may be some competition in silk but there is no competition in nylon yarn and you have an absolute monopoly?

The WITNESS: We are the sole manufacturers of nylon but we sell it in competition to displace other material.

Mr. MERRITT: Nylon is a trade name?

The WITNESS: No, it is a term for this type of polymer. It is a coined name in the same way that rayon was a coined name. Anyone who manufactures that particular product may call it nylon and it becomes CIL nylon, du Pont's nylon, or ABC's nylon.

Mr. WINTERS: Does the patent cover nylon?

The WITNESS: The patents cover the production of the material but whether they cover the material as such I cannot say, I do not know.

Mr. THATCHER: Would you mind giving us the price figures for the United States and Britain?

Mr. MONET: Mr. Chairman, there is a chart to be distributed.

Mr. FLEMING: I have a couple of questions before we go on to something else.

By Mr. Fleming:

Q. About these arrangements, Mr. Smith, under which without paying any consideration you receive the patent rights from the du Pont firm in the United States, if there were no such arrangement between the companies and you had to buy those patent rights and use capital to that extent, I presume your profit proportionately would be reduced?—A. I would expect so, substantially. There would also be royalties to take into consideration and in the light of the importance of nylon they would be considerable.

Q. Yes?—A. To some extent our profit is higher because a royalty has not been paid at all.

By Mr. Monet:

Q. A chart has been distributed to the members of the committee. It will be filed as exhibit 142. This is the chart which you have supplied to the committee, Mr. Smith?—A. Yes.

Exhibit 142—Nylon 40-denier hosiery leg yarn. Comparison of domestic and foreign selling prices.

By Mr. Monet:

Q. Would you explain the chart to the members of the committee?—A. This chart, sir, shows at the top the ceiling prices established for nylons which were in effect, and the prices at which we did sell nylon in 1941, the basic period. The first reduction is the price at which we established the selling price when we began commercial production in Canada. Then in December 1946 we made a reduction and in June 1947 we made the last reduction. The dotted line indicates the time when price controls ceased.

Q. That was in September?—A. In September 1947 price control ceased and the ceiling price ceased to have any validity at all.

Q. At the end of the line, Canadian prices, I see a price of \$3.47?—A. That is the export price for 40-denier yarn.

Q. That is the most popular one?—A. I would say it has the largest volume, yes.

Q. And the price is \$3.47?—A. That is right.

Q. Would you tell the members of the committee if that has been the price since June of 1947?—A. Since June 2, 1947.

Q. And that was when the last reduction in your price took place?—A. Yes, sir.

Q. What have you to say as to the United States price?—A. The lower figure shows the nylon price since 1944. There was a slight increase in March of 1945 and a reduction was made in February of 1947, since which date the price has been constant. The price in the United States is for an entirely different material from that sold in Canada in so far as the Canadian material is sized, oiled, and put on cones or spools as the case may be, whereas the United States process excludes sizing, oiling, and spooling, which operations are done by other people in the industry. Consequently there is an amount to be added to the United States price in order to bring it up to a comparable material to that sold in Canada. The figure is 73 cents shown for sizing and oiling, and then there is ½ of 1 per cent exchange, and there is a duty at the present time of 25 per cent, which duty came into effect on the 1st of January of this year. Prior to that time it was 30 per cent. The right-hand column is the British price, which is \$4.58, and there is a duty of 92 cents, making a total of \$5.50. Therefore, the Canadian price at present is \$3.47, the price of the United States nylon landed in Canada is \$3.61, and the price of the United Kingdom nylon landed in Canada is \$5.50.

By Mr. Fleming:

Q. You say \$4.58 is the price of the production in Britain?—A. Yes, sir.

Q. That is the price at which it is being sold in Britain?—A. That is the price from the price lists which show comparable material as offered in the United Kingdom.

Q. With all the price controls in that socialistic empire the cost is greater than in this free enterprise country of ours, where the figure is $3.47?—A. The United Kingdom figure is higher, sir; and that is a statement of fact.

Q. It is about 30 per cent higher over there?—A. Yes.

The CHAIRMAN: The real answer to that of course, Mr. Fleming, is good government in Canada.

Mr. FLEMING: That is not the last answer, Mr. Chairman.

Mr. MONET: I have a few questions to ask with reference to the United States price. You said a moment ago that the same quality of nylon, 40-denier, which costs $3.47 in Canada, costs $3.61 if it is imported?

The WITNESS: Yes.

Mr. WINTERS: On the same basis in the United States it would cost $2.88?

The WITNESS: $2.89.

Mr. MONET: There is ½ of 1 per cent exchange. I had the figure $2.88 also until I included the figure of ½ of 1 per cent. The comparable United States price is $2.88 per pound. Is that correct?

The WITNESS: Yes.

By Mr. Thatcher:

Q. Why is the British price so high? It is because of these patent agreements and the fact there cannot be outside competition in England?—A. I do not know because it is not manufactured by ICI. A licence has been taken by somebody else and I simply have not the knowledge.

Q. ICI does not manufacture it?—A. No, and I simply cannot tell you. We are not in any way associated with that concern. I merely have the price at which it is being sold.

By Mr. Monet:

Q. I take it from this chart, Mr. Smith, that the Canadian price is 58 cents above the comparable price in the United States. Would that be correct?—A. Yes, $2.89 and $3.47.

Q. There is 58 cents difference?—A. Yes.

Q. Can you tell the members of the committee what reduction it would require, percentagewise, to sell nylon for the same price? I have figured it out to 17 per cent. Would that be a fair statement?—A. I think it would be correct.

Q. It would require a reduction of 17 per cent to bring the price of nylon, 40 denier, to the same level as exists in the United States?—A. Yes, I would take that as a correct figure.

Q. This will be my last line of questioning and perhaps your answer may be a repetition of what you have already said. However, in view of the fact that the company made, for the first quarter of the year 1948, 28·9 per cent operating income to sales, would it not be possible to bring the Canadian price down to the United States level—to reduce it by this 17 per cent which I have just referred to?—A. That is a substantial reduction, sir. First of all, of course, and I have mentioned this earlier, the United States output is so large that we could hardly expect to achieve anything comparable. Their output is nine times as large as ours.

By Mr. Winters:

Q. Why do you say that? Do your machines not run at capacity?—A. Oh, yes, sir. However, if you have eight machines in one unit instead of two machines, the unit costs are very much reduced. Many of the servicing operations require the same number of people whether you are servicing eight machines or two.

Q. You are not at a volume where you get the maximum efficiency?—A. No, not on a unit basis.

By the Chairman:

Q. If you came down to the American level what percentage would that give you?—A. 6·9 per cent operating income to sales, which is something quite beyond what we contemplate.

Q. It would be lower than Courtaulds (Canada) Limited?—A. That is before taxes. After taxes it would be about 3·5 per cent.

By Mr. Thatcher:

Q. Did you say that was your objective?—A. No, sir. As a matter of fact I would say quite seriously that our objective is one day to meet the American price.

Q. What did you say about the 6·9 per cent?—A. I was answering the chairman who asked if we made the reduction of 17 per cent what the effect would be and I said it would have the effect of reducing our operating income to sales to 6·9 per cent and after taxes of 3·5 or 4 per cent. I think that is quite impossible and under those conditions the industry would not prosper at all. I would like to refer to that point as being something which is not perhaps of general knowledge. The return from the chemical industries all over the world has been somewhat higher than other industries. It is also a well established fact that the chemical industry is one of the most progressive industries in the world. I think there must be some relation to the fact that there must be a sufficient return to enable it to scrap obsolescent plants and enormous increases in production and employment are due to the fact that they have been in a position to do that scrapping. They have not had to carry on with absolute minimum requirements which would have thereby retarded technical progress. I think it is true in most countries of the world that the chemical industry is a very progressive industry which has developed at a tremendous rate.

By Mr. Irvine:

Q. Would you tell us why our price is $1.50 higher than the price in the United States?—A. Did you say our price?

Q. Yes?—A. The United States price does not refer to the same material as we make and there is a difference of 73 cents there. The United States material comes straight from the spinning machine onto the bobbin but our material is sized, oiled, twisted and packed on cones or spools as the case may be. That operation in the United States costs 73 cents per pound.

Q. Then your comparison is useless?—A. No sir, on the right we show $2.88 against $3.47. That is a proper comparison because these operations have to be carried out in any event.

By Mr. Monet:

Q. In other words it costs $2.88 in the United States to manufacture the same quality which you manufacture at $3.47?—A. Yes, sir.

Q. $2.89 because there is ½ of 1 per cent exchange?—A. Yes, sir.

Mr. WINTERS: What other factors contribute to the higher cost in Canada?

The WITNESS: The capital cost of the plant. For example, in this country much of the equipment is subject to a substantial duty on import. Again, sir, you will appreciate that in Canada plants are built, necessarily because of the climate, much more substantially than they are built in the United States. If I may digress, during the war we operated a large smokeless powder plant for the government at Salaberry which was almost identical to a plant in Virginia.

Anyone who saw the two plants would see the difference in cost because of the climate here when compared with Virginia. In fact our plant costs in connection with duty and taxes were slightly over $700,000 which on the investment of probably $6,000,000 would be 11 per cent. That does not allow for the fact that we had to build more substantially because of the climate. It is necessary as part of the process to air-condition a section of the plant in order to get the correct humidity for fibering. A comparison of the plants, with our temperature below zero, will show that we have a more difficult construction job than let us say in Virginia or Tennessee where plants are now in operation. Then you must add our heating costs and the service costs on that heating are high.

By Mr. Monet:

Q. You mentioned a few moments ago 6·9 per cent. I do not see the figure but it is 28·9 per cent for the first quarter of 1948?—A. I was referring to 1947.

Q. I just want to have it clear on the record that I was referring to the first quarter of 1948?—A. Yes.

Q. Where the operating income to sales was 28·9 per cent, which, less 17 per cent would give 11·9 per cent, is not that correct?—A. Yes, sir.

Q. I just wanted to have the record clear.—A. Yes, and I was referring to the statement given by Mr. Knight, the statement on page 4.

By Mr. Winters:

Q. On this matter of comparable prices again how much are the United States labour rates above ours?—A. I am not sure but I would think probably on the order of 30 per cent. I would not like that to be taken as a statement under oath but I think it is approximately correct, perhaps even as high as 40 per cent.

Q. Our operating costs, after the initial higher plant expenditure, are probably somewhat lower?—A. Yes, but that is offset by the volume which I have mentioned. We have more operators per unit. It is true that our unit rate in Canada is lower than the rate in the United States.

Q. Yes, and that is offset again by inefficiency or operating below efficient volume?—A. To a point.

Q. But not in full?—A. No.

Q. So one could expect after a plant was in operation for some time there would be a decrease in costs—after you got the plant written off?—A. I think we have indications now of decreased cost as a result of going back to flake manufacture ourselves.

Mr. Irvine: Going back to what?

The Witness: Flake manufacture. That is one of the things which has encouraged me to think we shall meet a period of reduction.

Mr. Winters: That is one of the factors which enters into a further decrease of price?

The Witness: Yes, sir.

By Mr. Monet:

Q. Can you tell the members of the committee to what extent the fact that you have now manufactured flakes has to do with a decrease in price to which you have just referred? Can you give us some information about that?—A. We estimate when the plant is in full operation the decrease will be about 20 cents a pound. We hope so, anyway.

Q. Because you manufacture the flakes here instead of importing them?—A. Yes, we will be saving $750,000 at present going out to the United States.

Q. And there is no doubt that you would have been put in a position to reduce prices?—A. We hope to be able to reduce costs when we have the full Polymer plant in operation.

I am sorry to have to use those terms. I have forgotten that I was more familiar with them than you are. That Polymer is the base material we manufacture.

Q. It is the flakes. Are you manufacturing the flakes from salt?—A. We are not going back to the original materials which I mentioned, benzine and ammonia, but one day I hope that we shall.

By Mr. Winters:

Q. Do you obtain those raw materials in Canada?—A. No, sir. In 1940 and 1941, we imported the finished nylon yarn and sold it. Then we started to manufacture the yarn here from finished flakes which we imported.

As volume increased, we foresaw the possibility of going on to make our own flakes from salt, and that is the operation we are doing.

I hope that if we hit the tonnage mark, we will go back and make our own salt. We imported flakes and now we import salt. We are only a part of the way, so far.

Q. And all of this has resulted in a decrease in your operating costs, I presume?—A. Yes, but also a very large increase in investment, with not necessarily a great return on our investment.

Q. I suppose the speed with which you perfect these savings will be a factor in how soon you will pass along those savings to the public?—A. Yes, but our last operation took nearly two years to complete.

Q. What was that one?—A. That was making polymer flakes. We were no different from other people in that experience.

Q. Who did you purchase the salt from?—A. From the du Pont Company who manufacture it at their plant, but on a large scale and so we get the benefit of that large scale operation.

Q. But you do have it in mind to manufacture the salt yourself?—A. Yes, sir.

Q. How far is that in the future?—A. I would say, and I speak without technical advice at the moment, but I think we should treble our present output in order to do that.

Q. You do not have to wait for that for a further decrease in price?—A. I certainly hope not. I would like to say, yes, next year, but there will be a good deal of money expended before that development occurs. That is probably a ten-year prospect.

Q. When may we look for the next decrease in price?—A. We have it constantly in mind, and I hope, very soon, sir—I would not want to say it on oath, just when we could do it, but it won't be long, provided we do not hit higher costs. We have had higher costs by reason of the increases in freight and the increase in raw materials and in wage rates in the United States.

Not everything is going down, that is, not in 1947; our costs did not actually go down per unit, because the savings were offset by higher wages, by higher wage rates and higher raw material costs.

Q. Do you expect to get down to the United States price?—A. I think it unlikely, sir; I would like to; I would be proud of it, but I think it unlikely because there is nothing in Canada which gives this country an inherent advantage; it is not a big power country which depends on hydro. There is always going to be a larger market in the United States, so while we shall make available to you our reductions when we get them, I do not think they will be reflected in price.

Q. The only advantage we have is with respect to labour?

Mr. FLEMING: There is a disadvantage of higher taxes.

The CHAIRMAN: Still there are pretty high profits of seventeen.

Mr. FLEMING: I had a question on page 8 of your statement which you read this morning, Mr. Smith:—

> No. 2. The selling prices of nylon yarn were reduced by an amount which averages 13 per cent.

To whom do you sell that class of purchases?

The WITNESS: The main portion, about 80 per cent of our sales, would be to manufacturers of ladies' hosiery, a list of perhaps twenty companies who are manufacturers of hose in Canada. Then, small quantities are going to weaving and knitting companies.

Knitting other than hosiery knitting has made more progress than weaving, but it is still in the experimental stage. Primarily, today we are the one industry, ladies' hosiery, and 80 per cent goes to the hosiery manufacturers.

Q. That is where you encounter competition with other forms of silk and artificial silk?—A. Yes, sir.

By Mr. Monet:

Q. You mentioned the same line of questioning in the course of your evidence: that there was seventeen cents' worth of nylon in a pair of stockings?—A. Yes, sir, approximately seventeen cents' worth of nylon as we sell it from our works.

Q. Can you tell the committee what would be the per cent of income to the company on a sale of seventeen cents?—A. On the seventeen cents' worth of nylon in a pair of ladies' hose, the operating income of the company would be approximately four cents, and the net profit to C.I.L. would be two cents, based on 1947.

Q. Based on the lowest price you have given us?—A. In 1947, yes, sir.

Q. What would be the yarn that would be used; or do you use any particular kind of yarn?—A. The main one is 40 denier, yes.

Q. And the price would be $3.47?—A. Yes, that is 40 denier yarn.

Q. That has been mentioned on the chart which is filed as an exhibit herein?—A. That is so.

Q. So the net profit to the company would be two cents on a pair of stockings?—A. Yes.

Q. Made with this 40 denier yarn?—A. 40 denier, yes, sir.

Q. And last of all, this may be a repetition, but I want this to be very clear: You do not feel, with this net profit of 16·1 and 17·2 for the last two years, that you would be able to bring your price down to the United States level at the present time?—A. No, sir, because we would be down to an amount of four or five per cent net profit, which, in an industry in the pioneer stage would lead to a complete stoppage of development in any industry at this early stage.

By Mr. Fleming:

Q. Just to enlarge on that idea of the stoppage of development in a pioneer industry, I think you might tell us something about the use of the profit that you are making in order to develop this pioneer industry.

By Mr. Irvine:

Q. Before you answer Mr. Fleming's question, I would like to ask you a question arising out of the question asked of you by counsel.—A. Yes, sir. What we are doing at the present time: we are doing experimental work on our own. We have, in our experimental laboratory on nylon, experimental looms and experimental knitting machines and we are experimenting with the weaving of various types of yarn into different kinds of fabrics which we then take to the trade and try to develop, with them, uses.

At the same time, we have a good deal of promotional work to do with the new formulas, and all of this means a good deal of expenditure on the technological end that we have to make.

But we have hope yet of getting cheaper raw materials from which to manufacture nylon, cheaper than the present ones. These experiments are in the laboratory stage. I do not think you would want to ask me to discuss the research details which have not yet come into fruition; but we have cheaper raw materials and cheaper nylons, all of which is carried on at considerable expense, but all of which is part of the cost of development.

By Mr. Fleming:

Q. My point was as to the extent to which you may be using these profits for the purposes of developing the industry?—A. I cannot give you the actual figures of development.

Q. It was just a question as to policy of the company, the policy which the company has followed, as to whether the policy of the company is to use profits for the development of the industry and the enlargement of it as a new industry?—A. Undoubtedly any enlargement whatsoever would come off our investment.

Q. Whereas, it results in greater employment?—A. Oh, yes, sir, employment has increased fifteen per cent during the past year.

By Mr. Winters:

Q. Mr. Thatcher made a statement here today that the employees had received less in wages than the company received by way of profits which would lead one to believe that if it had not been for these profits there would not have been so many employees employed?—A. Well, there might not have been any nylon industry at all, in which case we would have been importing nylon from the United States.

By Mr. Fleming:

Q. This permanent development mentioned has really meant more employment, and it is a saving of Canadian dollars?—A. Yes, sir. The development of the nylon flake manufacture is a saving at the current time of over $150,000 each year.

Q. And you expect to increase that saving as your developmental work gets under way and it is intended to have the effect of saving Canadian dollars? —A. Yes, sir, it will increase them.

By Mr. Irvine:

Q. Well, our women might be going around with bare legs?—A. That is the reason why the return is somewhat higher than in a more stable industry. There were bare legs—I am not a married man myself and I do know too much.

By the Chairman:

Q. You are not putting yourself forward as an expert?—A. No, sir; this is purely hearsay. But I was told in Ottawa that there were a lot of bare legs two years ago.

By Mr. Thatcher:

Q. But a lot of American dollars could be saved. My point is: That C.I.L.—and we have just mentioned nylon but if they could have completed the manufacture of eighteen to twenty different products and refused to export them to the United States because of some sort of cartel arrangement, then we would be losing a lot of American dollars; a lot of them are cartel arrangements.

The CHAIRMAN: The price is $4.58 in the United Kingdom today. What was the price which they had which would compare with the Canadian prices before the war?

The WITNESS: To the United Kingdom?

By the Chairman:

Q. Yes.—A. There was no price before the war because the manufacture only started in 1933 or 1934, sir. It was later than in Canada. We started to manufacture here a year or two before the rights were taken up in England. I think I am right in saying that.

By Mr. Thatcher:

Q. That accounts for the difference, possibly, because they have been manufacturing nylon a couple of years, but your own company—possibly your price was equal to the price in England two years after they started, but they have not reached the point you have?—A. With a larger plant than we have, that is the reason why the British price is so much higher.

By Mr. Fleming:

Q. Would not the fact that the plant is larger have a tendency to enable them to effect economies and bring down the price?—A. The first price we made in Canada was lower than the British price today.

By Mr. Thatcher:

Q. Very slightly?—A. Very slightly; but that was the first one we made for commercial manufacture.

By Mr. Fleming:

Q. Two years after you began commercial manufacture; but take your price today and let us compare it; what was your price two years ago, after you commenced commercial operations?—A. $3.47.

Q. And your price two years after commercial operation is—I presume they started commercial operations after the war, as we did?—A. $4.58.

By Mr. Thatcher:

Q. Their price is lower than yours because you include the duty?—A. No, sir. When we started it was $4.24. The ceiling price was higher than theirs. We never sold at ceiling prices from our own manufacturing.

Q. Your price—your highest price was $4?—A. $4.34.

Q. $4.34 as against about what?—A. $4.58.

By the Chairman:

Q. I think you will have to put your political philosophy on a stronger basis than that.—A. They and we both, during the war, manufactured for the government so we both started from scratch.

They manufactured during the war for the government and we only started from scratch, presumably in 1945, to make civilian nylons.

We operated for three and one-half years before that time making wartime production of a different type and they did the same; we both started from scratch to make commercial yarn.

By Mr. Thatcher:

Q. You have been going two years longer than they?—A. Yes, but not on commercial yarn.

By Mr. Fleming:

Q. But at the same time, the same length of time on commercial operations since the war?—A. To the best of my knowledge that is correct. We are not associated, and I do not know the details.

By Mr. Irvine:

Q. That is the trouble with all of us; we do not know the details of the British plants and I do not think we ought to compare them unless and until we know the facts. I understand that you expressed the hope that in the near future there will be another reduction in the price of your products?

The CHAIRMAN: Yes.

By Mr. Irvine:

Q. Then later on I understood you to modify that to this extent: that your price reduction would depend on your overall price reduction to you because your costs had to be considered. Is that not so?—A. We have to take into account the tendency of rising costs. I did not say it was dependent upon the cost to us. I said you had to take into account, two things, the rising costs and the prospect of increasing volume.

The CHAIRMAN: That is the line I hope you will pursue a little further; we cannot press Mr. Smith unduly but we are anxious to see a reduction in the price of these things, if we can, as quickly as possible.

By Mr. Irvine:

Q. The next question that I wanted to ask is: I understood that your profits on your capital investment last year were around 30 per cent. Is that so?—A. No, sir. The operating income and net profit was 16, I think, according to the report; 15·1.

Q. Before taxes, 30 per cent?—A. The operating income.

Q. You say 16 per cent of net?—A. Yes, sir.

Q. What would you consider to be a fair income or profit that you would absolutely have to have in order to assure success of the business and make a reasonable profit after taxes?—A. I do not think, sir, there is a definite answer that can be given to a question like that for all time.

The returns of industry depend upon a variety of factors, namely, the rate of progress in the industry; the risks that we run, such as the bare legs that you mentioned; the risks that we run on our investment, and the prospects of the company being able to develop a market.

As I was saying, economically, our industry throughout the world has had a somewhat higher rate than others, which has enabled it to keep at a rate of progress that few other industries have been able to do. Looking at the returns at the present time, we must bear in mind that we are in the pioneer two years; we are still in between that pioneer two years and we hope to do it and we have some confidence of doing it, but we have not a certainty that we shall.

We are casting our bread on the waters. We did so at the end of 1946 and I expect that we will cast it further, but much will be dependent on the matter of employment, wages, and the quantity of nylon that we manufacture here.

Q. What was the ceiling price prior to the removal of price control?—A. $5.34, on page 7 of my submission, on the 40 denier yarn, $5.34.

By Mr Fleming:

Q. When that ceiling came off in September, 1947, you were already selling at $3.47?—A. That is correct.

By Mr. Irvine:

Q. Your profits were very much higher?

The CHAIRMAN: Would you mind if we continued this tomorrow.

Mr. IRVINE: Sure.

The CHAIRMAN: We have a little business matter to raise now.

Mr. FLEMING: Is there very much more? He has been here for a week.

Mr. THATCHER: I hesitate to hold Mr. Smith over, but I have a few questions I would like to ask tomorrow.

Mr. FLEMING: Could we not finish them in ten minutes?

Mr. THATCHER: I do not think so. Unless it is exceedingly inconvenient, I shall not want to press it otherwise.

The CHAIRMAN: If Mr. Smith told us he was going to have a big reduction right away, then we would not question him further.

I know that Mr. Smith has an important engagement; it is a meeting of his board of directors; but I am in hands of the committee.

Mr. FLEMING: We tried to accommodate the other witnesses under similar circumstances, so why not let us hear him now.

The CHAIRMAN: I did not want to cut Mr. Irvine off, but there is a matter I wanted to discuss with the committee.

Mr. THATCHER: There is certain information on which I am not quite clear and I would like to check with Mr. McGregor; and if it checks one way I am quite satisfied; but if it does not, then I want Mr. Smith back.

The CHAIRMAN: Would you like to meet tonight at 9.30?

Mr. THATCHER: I do not know if I could get Mr. McGregor then.

Mr. FLEMING: Is there anything that we could get by way of correspondence?

Mr. THATCHER: Could Mr. Smith come back if it were necessary?

Mr. IRVINE: That is the way to put it.

The WITNESS: Yes, sir.

Mr. IRVINE: My question was to be: It seems that the profits of the last two years have been five or six times as much as during the war, and it does seem to me that there ought to be a much larger reduction now, since the profits during the war evidently kept the business going and you are able to proceed from there; so it seems that there ought to be a larger reduction now.

The WITNESS: I would like to answer that, if I may.

During the war, the nylon plant was operated on a service charge basis, whereby we received a return on a computed investment which was not dependent on the volume of product; and it did not matter whether one million or two million pounds were produced.

Nineteen hundred and forty-six was the first year of commercial operations; and the selling price was established at below the ceiling price, having regard to the capacity of the plant and the costs that we were likely to incur.

I would add that the total net profit during the war period, 1942 to October 1945, was less than the obsolescence and that the company—not allowing for taxes—the company paid profits smaller than obviously a company could have existed on, because the total net profit was actually less than the obsolescence we actually incurred.

Mr. IRVINE: Seeing that it is about six o'clock I will stop anything else that I might have said.

Mr. THATCHER: There is just one point there I would like to get clear. I do not think that I need Mr. Smith back, but I would like to have some understanding that if we should have something that the committee wants, that the committee will not object to calling him back.

Mr. MONET: Certainly.

Mr. FLEMING: Unless it be something that we could get by correspondence.

Mr. THATCHER: I will talk until six o'clock and get him back in the morning if he won't give me that assurance.

The CHAIRMAN: I think the committee will agree to that.

Mr. FLEMING: I never spoke that way in this committee in my life and I do not intend to start now.

The CHAIRMAN: Now, gentlemen, I think we will just have a brief executive session.

The committee adjourned.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 73

WEDNESDAY, JUNE 16, 1948

WITNESSES:

Mr. E. H. Knight, Knight & Trudel, Chartered Accountants, Montreal, P.Q.

Mr. C. W. Palmer, Executive Vice-President, Canadian Celanese Limited, Montreal, P.Q.

Mr. A. Gordon Allan, Treasurer, Canadian Celanese Limited, Montreal, P.Q.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

Wednesday, June 16, 1948.

The Special Committee on Prices met at 4.00 p.m., the Vice-Chairman, Mr. Maybank presiding.

Members present: Messrs. Beaudoin, Irvine, Lesage, McGregor, Maybank, Merritt, McCubbin, Pinard, Thatcher, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

A communication from the Bank of Canada giving information supplementary to Mr. G. F. Towers' evidence given on May 27 and 28, was placed on the record.

Mr. E. H. Knight, Knight & Trudel, Chartered Accountants, Montreal, was recalled and further examined.

Witness retired.

Mr. C. W. Palmer, Executive Vice-President, and Mr. A. Gordon Allan, Treasurer, Canadian Celanese Limited, Montreal, were called, sworn and examined. Mr. Palmer produced copies of answers to special preliminary questionnaire and copies of Canadian Celanese Limited Annual Report, 1947. He also filed samples of Canadian Celanese Limited products identified as follows:

Exhibit No. 143—Cone of 150 Denier yarn.

Exhibit No. 144—Sample of Lingerie Taffeta, D-1444; Dress Crepe, D-1380; Lining, D-1043.

During the temporary absence of the Vice-Chairman, Mr. Merritt took the Chair.

At 5.55 p.m. witnesses retired and the Committee adjourned until Thursday, June 17, at 11.30 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
June 16, 1948.

The Special Committee on Prices met this day at 4.00 p.m. The Vice-Chairman, Mr. R. A. Maybank, presided.

The VICE-CHAIRMAN: Gentlemen, I see a quorum. Before a witness is introduced, I have this letter signed by Mr. Beattie of the Bank of Canada and addressed to Mr. Arsenault. It reads as follows:

> I am enclosing herewith a table giving certain money and price statistics for selected countries for the years 1939 to 1947. These are the figures which Mr. Towers undertook to provide when he was giving evidence before the committee (pages 3374-5 of No. 65 Minutes of Proceedings and Evidence).
>
> Yours very truly,
>
> (Sgd) J. R. BEATTIE
> *Chief of Research Department.*

I think these are the figures for which I asked. I suggest, at this point this letter and these statistics should be recorded in the minutes as being the supply of evidence which had been promised earlier.

Mr. IRVINE: And relating to—?

The VICE-CHAIRMAN: To Mr. Towers' statement. There were certain figures he did not have with him and I said, "Could you supply them?" He said, "Yes," and these are they.

	Canada			United States			United Kingdom		
	Money supply in Dollars millions	Indexes on base 1937=100		Money supply in Dollars billions	Indexes on base 1937=100		Money supply in £ Sterling billions	Indexes on base 1937=100	
		Cost of living	Wholesale prices		Cost of living	Wholesale prices		Cost of living	Wholesale prices
1939	1,370*	100	89	36·2	97	89	1·75	102	94
1940	1,563	104	98	42·3	98	91	2·05	119	126
1941	1,901	110	106	48·6	102	101	2·58	131	140
1942	2,349	116	113	62·8	113	114	3·02	141	147
1943	2,726	117	118	79·6	120	119	3·49	145	150
1944	3,153	117	121	90·4	122	121	3·96	148	153
1945	3,514	118	122	102·4	125	123	4·47	149	156
1946	3,996	126	132	110·0	149	163	5·20	150	166
1947	3,944	144	170	113·7	163	189	5·29	164	187

	Australia			New Zealand			Argentina		
	Money supply in £ Australia millions	Indexes on base 1937=100		Money supply in £ New Zealand millions	Indexes on base 1937=100		Money supply in Argentina Pesos millions	Indexes on base 1937=100	
		Cost of living	Wholesale prices		Cost of living	Wholesale prices		Cost of living	Wholesale prices
			**			**			
1939	204	105	100	58·5	107	105	2,551	101	96
1940	248	110	110	69·3	112	117	2,594	103	110
1941	287	115	117	76·3	116	128	3,332	106	129
1942	396	125	131	101·0	120	139	3,917	112	167
1943	510	129	138	120·8	123	148	4,688	113	180
1944	613	129	139	129·9	123	152	5,882	113	188
1945	649	129	140	150·0	123	155	6,964	135	193
1946	703	132	141	167·9	123	153	9,013	167	214
1947	741	140	159	174·6	133	173	10,900	185	228

	Sweden		
	Money supply in Kroner billions	Indexes on base 1937=100	
		Cost of living	Wholesale prices
1939	2·35	106	101
1940	2·38	119	128
1941	2·70	135	151
1942	3·27	146	166
1943	3·71	148	171
1944	4·11	149	170
1945	4·38	149	170
1946	4·55	152	168
1947	4·70	163	179

Source:—International Financial Statistics, April 1948, published by the International Monetary Fund. The figures are compiled to be as closely comparable as available statistical sources permit.

Money Supply figures are in general year-end data.

Cost of Living and Wholesale Price figures are annual averages except for 1946 and 1947 when, in general, year-end data are given. In making comparisons it should be noted that price stabilization subsidies are being paid in the United Kingdom at the rate of £400 million per year. The latest available information (for the year ending June 1948) indicates that similar subsidies amounted to about £ Australia, 26 million in Australia and £ New Zealand, 13 million in New Zealand in that period.

*Money Supply in Canada at Aug. 31, 1939 was $1,128 million.

**Wholesale Prices Indexes for Australia and New Zealand cover "Home Consumed Goods" only.

June 15, 1948.

Mr. Monet: Before calling Mr. Palmer of the Canadian Celanese Limited, I wish to recall Mr. Knight for two or three questions.

E. H. Knight, of Knight & Trudel, Chartered Accountants, Montreal, P.Q., recalled.

By Mr. Monet:

Q. Mr. Knight, you are already sworn?—A. Yes.

Q. I understand, Mr. Knight, that on page 3622 of the minutes and proceedings of evidence of Thursday, June 10, 1948, about the middle of that page, speaking of the Canadian Celanese prices, I asked you the following question:—

> Q. And you say there was an increase from the April 1, 1948, price? —A. Yes.

Following a conversation we had, it was clear there was a misunderstanding of my question and your answer should have been no, is that correct?—A. That is correct.

Q. In other words, there was no increase in prices by Canadian Celanese Limited in the items quoted in your report after April 1, 1948, up to the date of the letter you addressed to that company sometime in the month of May?—A. That is correct.

Q. Would you give the date of the letter which you sent in the month of May?—A. May 21.

Q. I understand you also wish to make a comment as to the price of 150 denier which you did not make when you gave your evidence previously?—A. Yes, Mr. Monet. In reply to my letter, the Canadian Celanese Limited stated:

> There has been no price change in 150 denier yarn other than that, due to a change in packaging from double ended bobbins at 86 cents per pound to yarn on cones at 89 cents per pound. These two prices are considered to be equivalent in value.

Q. Now, the third question I have to ask you is with regard to the statement made on page 7, of your report D. In one of the paragraphs there which I am now going to read you say: "in comparing the components of cost in each of these periods it will be noted that the successive reduction of raw material and overhead as a share of the sales dollar has been offset by the increase in operating income." I understand you have a statement to make with regard to that statement on page 7?—A. In order to complete this paragraph in so far as it concerns the table on page 7, I wish to add the following remarks: If one compares the second period with the first it will be seen that the reduction in raw materials, labour and overhead is offset by the increase in operating income, and if one compares the third period with the second it will be observed that the reduction in raw materials and overhead, amounting to 5 per cent has been offset by the increase in labour of 3·5 per cent and operating income of 1·5 per cent. That is all.

Mr. Monet: That is all I have to ask of Mr. Knight at this time.

The Vice-Chairman: All right, who are the next witnesses.

Charles Wilfred Palmer, Executive Vice-President, Canadian Celanese Limited, 3940 Cote des Neiges Road, Montreal, called and sworn.

Arthur Gordon Allan, 4626 Patricia Avenue, Westmount, P.Q., Treasurer, Canadian Celanese Limited, called and sworn.

Mr. Monet: Now, Mr. Chairman, at this time I think should be distributed as previously for the other firms the questionnaire that has been answered by the company, and the annual report of the company.

Mr. Thatcher: Mr. Monet, what is this? Is this some sort of specialized product which Canadian Celanese make?

Mr. Monet: I am going to ask them the nature of their operation in a moment.

Mr. Thatcher: Oh, I see.

Mr. MONET: Now, Mr. Chairman, I wish to draw your attention and the attention of members of the committee to a few corrections that had to be made in this questionnaire. The printing of it did not show the red figures, they turned out black; so, in fairness, and to give the real figures as they should be understood there are a few corrections which I wish to make at this moment. If you will refer to statement No. 1, page 2, you have under the provision for inventory and other reserves—that is the third item above the bottom of the page—for the year 1942 you have the figure there of $10,000. That should be minus $10,000. And for 1945, instead of $13,000 that should be changed to minus $13,000.

Now, if you will turn to statement 2, page 1, for the month of December—that is the last column at the top of the page under the heading "miscellaneous operating income"—you have a figure there of $681. That should be minus $681.

On the same statement No. 2, page 3, of the statement for the months of June and July—that is in the middle of the page in the third item under the heading "miscellaneous operating income for the month of June"—that should read minus $773; and, for July, minus $194.

Those are the corrections which should be made for the reasons I have just stated.

By Mr. Monet:

Q. Now, Mr. Palmer, would you tell us where the head office of Canadian Celanese Limited is situated?—A. 1401 McGill College Avenue, Montreal.

Q. Would you tell us when the fiscal year of the company ends?—A. December 31.

Q. At the end of the calender year?—A. Yes.

Q. Now, Mr. Palmer, would you please describe the nature of the operations of the company you are now representing; and, principally in this connection I would like to bring out whether or not your yarn is different from the one manufactured by Courtaulds Canada Limited; and also I would like you to refer to the four major processes of manufacturing that we were informed previously are carried on by your company?—A. We manufacture cellulose acetate yarns.

By the Vice-Chairman:

Q. Excuse me a moment, I didn't get that myself.—A. Cellulose acetate.

The VICE-CHAIRMAN: It is quite understandable but I did not just get it.

Mr. IRVINE: Now that you have got it, what is it?

The VICE-CHAIRMAN: I haven't got it.

Mr. IRVINE: Yes, you have it.

The VICE-CHAIRMAN: I think I have still to get it.

Mr. MONET: Would you repeat that?

The WITNESS: I said cellulose acetate, that is the acetate of cellulose.

The VICE-CHAIRMAN: I understand that, now; you say you manufacture cellulose, and what else?

The WITNESS: Cellulose acetate yarn, staple fibre, woven fabric, knitted fabric and hosiery. This is a vertical and integrated company. There are four definite stages of operation, each of them having an end product which is a commercial product and can be bought.

The VICE-CHAIRMAN: Each of them?

The WITNESS: Each of them. Just to make it clear, the first process is the manufacture of flake which is like the nylon flake you were talking about, but we just say it is acetate flake.

Mr. MONET: That is the first process?

The WITNESS: That is a chemical process in which we take cellulose, a purified form of cellulose; we have a highly purified form of cellulose and treat it with some very expensive chemicals—acetic acid and acetate anhydride—made incidentally at Shawinigan—then that flake is precipitated over a series of processes. That flake is a commercial product in the United States market with a sale price. I mean, it can be bought. This flake comes from this process No. 1.

The VICE-CHAIRMAN: Excuse me just a moment, in the processes that you are going to describe this is your first process?

The WITNESS: There are four processes one after the other.

The VICE-CHAIRMAN: Yes.

Mr. MONET: You are now about to describe the second?

The WITNESS: Process No. 2; the flake is taken and dissolved in another expensive chemical, namely, acetone. Acetone is a volatile solid. This solution is extruded through fine holes and collected after evaporation of the volatile quality in the form of filaments which are wound as they are formed. They go through a long hot chamber in which they form a filament yarn. This is a cone of filament yarn. (Produces cone of yarn).

Mr. MONET: That is the result of the second process; is that correct?

The WITNESS: That is a result of the second process for making filament yarn. It is not produced on that cone. It is produced on a bobbin, which is another winding process.

The VICE-CHAIRMAN: Yes.

The WITNESS: Also, in the second process, as an alternative end product of the second process we produce these filaments which are cut into lengths of predetermined measurement; 2 inches, 2·5 inches, 1⅝ inches; a product known as staple, staple fibre or staple. It is like cotton and is used for spinning under the cotton system. I am sorry I have to use so many technical terms. So the second end product is filament yarn or staple fibre. In the third process the staple fibre or the filament yarn—I will take the filament yarn first as they go different ways.

By the Vice-Chairman:

Q. And when you use the expression end product are we to understand, (*a*) that there is a sale of this flake?—A. We do not sell the flake but there is a sale. It is an end product that has a sale.

Q. It is a saleable product but you use all of your own material?—A. Yes.

Q. Then there is the filament, and that is saleable, and perhaps you do sell this; and then the other?—A. The staple.

Q. The same remark applies?—A. Yes.

Q. Is by reason of the fact that there is a market for it that it is given the term "end product"?—A. Yes.

Q. I see. All right.—A. That is the point I am emphasizing. Those are for end products.

By Mr. Thatcher:

Q. How do these differ from the product put out by C.I.L.?—A. Well, in the first place, it is chemically different. C.I.L. has a chemical which is not cellulose acetate. I would not like to give you the formula of it. I do not know it and anyway it is a long name.

Q. I would not understand it anyway.—A. They also have flakes, and as we heard yesterday C.I.L. bought their flakes and brought them in from the United States.

Q. Is it for the same purpose?

Mr. LESAGE: No, it is nylon.

The WITNESS: Nylon is after all a sort of artificial silk when it is taking the place of silk in hosiery, but artificial silk is a very generic term.

Mr. MONET: Then you are not manufacturing the same product?

The WITNESS: Oh, no.

Mr. MONET: Nylon is considerably different from the product which is now on the table here before the committee.

Mr. THATCHER: I am still not clear. It is a product of your own company?

The WITNESS: Yes.

Mr. THATCHER: You are the only one who has this?

Mr. LESAGE: You are not the only producer of artificial silk?

The WITNESS: No.

Mr. PINARD: But that kind here which is called celanese is the only one manufactured in Canada, I am told.

The VICE-CHAIRMAN: That is the trade name, is it not?

The WITNESS: Celanese is our trade name.

Mr. MONET: Yes.

The WITNESS: This is celanese acetate rayon, or artificial silk.

Mr. THATCHER: But there are other companies who make it?

The VICE-CHAIRMAN: Wait a minute, please. Don't be so impetuous.

Mr. THATCHER: I just want to get this clear.

The VICE-CHAIRMAN: Mr. Thatcher, let the witness continue so he can complete his statement.

The WITNESS: There are many companies which make this type of rayon or artificial silk in the world. There are three making it in England. There are four or five making it in the United States. There are companies making it in Italy, in France, in Belgium; and I hear they are starting to make it in Japan. We are the only people making this form of artificial silk in Canada.

The VICE-CHAIRMAN: Now that clears it up for you, Mr. Thatcher?

Mr. THATCHER: Yes, thank you.

The VICE-CHAIRMAN: I had to interrupt you a moment ago when I wanted to make sure that you had received your answer, and if you had not I wanted to give you an opportunity of asking your further questions.

Mr. MONET: And I understand also that you are the only company in Canada that would have the full process that you have just explained to members of the committee.

The WITNESS: We are the only company of which I know who are carrying out these four processes.

The VICE-CHAIRMAN: You came to the end of process 3; or, process 2 rather, which resulted in three end products?

The WITNESS: Two end products, staple and filament yarn.

Mr. MONET: I would like you now to come to process No. 3.

The VICE-CHAIRMAN: But there were three end products which you have referred to so far, were there not?

The WITNESS: Oh yes, the first was the flake, and then the staple and filament yarn.

The VICE-CHAIRMAN: Yes.

The WITNESS: Process No. 3, as a part of filament yarn is the process of weaving or knitting of the conversion into a grey goods fabric, as we call it; into woven or knitted fabric which has not been dyed or finished. This is a piece of our 1380, the stage at which it comes from the mill before it is dyed and finished. I speak of that as an end product because in many companies the process of dyeing and finishing are carried out by a separate company from the company which does the weaving, not only in Canada but in various other countries. So that the end product of the third process is undyed woven or knitted fabric. You can use as an alternative to that, starting with the staple fibre; that goes through a process of spinning and of weaving, and is an end product similar to the filament yarn end product; namely, undyed woven fabric.

The VICE-CHAIRMAN: Yes.

The WITNESS: Now, the fourth process which we do in this series is a process known as converting or dyeing and finishing. There are several companies that do nothing else in Canada. We dye all fancy rayon products.

The VICE-CHAIRMAN: You do both. You sell that last one?

The WITNESS: We do not actually sell the grey goods.

The VICE-CHAIRMAN: Oh.

The WITNESS: Because that is not a commercial form. I want to make it clear that that is an end product because certain companies do get it dyed and finished outside by another company. We do not sell any grey goods at all.

By Mr. Monet:

Q. When you refer to grey goods you refer to the end product of the third process?—A. The undyed fabric.

Q. And you say you do not sell any of that product?—A. No, we do not sell any of it.

Q. Now, what do Canadian Celanese Limited do with regard to the fourth process?—A. In the fourth process, which is the dyeing and finishing process, when the fabrics are through this process they are finished and ready to be used by the cutting up trades, or to be sold across the counter in the retail stores. Those are the four collective processes.

Q. And you have supplied the committee with samples of this last or fourth end product process?—A. Yes, I have given you samples of products made through all the processes as a result of the four processes.

Mr. MONET: And then, Mr. Chairman, it might be useful at this stage to have them identified, but I do not know just the right way of doing that, while we are talking about them.

The VICE-CHAIRMAN: You may as well identify whatever Mr. Knight reported upon.

By Mr. Monet:

Q. Yes, now may I direct your attention to page 12, of Mr. Knight's report, Mr. Palmer, where you have listed four different products of Canadian Celanese Limited. 150 denier is specified; do I understand that this is the denier that has been put on the table?—A. That is a cone.

Q. There has been distributed to the members of the committee samples of these four processes to which you have referred. The first is the one bearing the number D-1444; would that be the lingerie taffeta?—A. Yes.

Q. Then that is followed by the dress crepe which is numbered D-1380?—A. Yes.

Q. And fourth and last is the lining, which would be D-1043?—A. Yes.

Q. And you identify those as corresponding to the items referred to by Mr. Knight on page 12, of his report?—A. Yes.

The VICE-CHAIRMAN: Now, the three last produced are in one part. They will be exhibit 144.

Then the cone of denier—150, which has been produced will be identified as exhibit 143. You will notice that I have reversed the order of numbers, and I did that because of the fact that the cone of denier yarn was the first placed before the committee.

By Mr. Monet:

Q. Now, Mr. Palmer, I would like to refer you to Mr. Knight's report, but before I do so I would like to ask you if you were present when Mr. Knight was presenting his report D?—A. I was.

Q. You heard his evidence, and you have also taken communication of his report since; is that correct?—A. Yes.

Q. Have you any comment to make as to the figures and statements made by Mr. Knight in his report? Of course, I mean just referring to your own company.—A. Oh yes. Well, I think that the report is a very fair statement of the summary of the data we supplied, and I have only one remark which I think might be made about it at this time; and that is on page 7, of the report in which comparisons are made between three periods—pre-war, pre-price control and the price control period. These three periods and the component costs are broken down into raw materials, labour, overhead and operating income. What I would like to point out is that the deductions that could be made from these are very slight because of the extreme difficulty of averaging out not only the production over a number of years but a large number of differing components. We have for example in this figure 50 or 60 major woven and knitted fabrics; we have filament yarns; we have staple yarn and we have hosiery, which is another product I have not mentioned yet.

By the Vice-Chairman:

Q. You got so far as to speak about the end product, the flakes, the filaments, the staple and the fabric; and in addition to that you have at least one other which I might call—I do not know whether this is right, but it is a layman's way of speaking—which you call a fabric fashioned into an article?—A. Yes.

Q. And that is hosiery. There is nothing else that you make except the different fabrics?—A. No, we do not make any others. We have a process in which we take the woven fabric and cut it into ribbon.

Q. Oh, yes.—A. So that we have another saleable article in the form of ribbon.

Q. I see.—A. That is done by a special process whereby the thermoplasticity, the fusible nature of the yarn is made use of so that the edges of the fabric can be sealed with a hot cutting knife.

Q. Mr. Irvine has written me a question which I was going to ask but perhaps it has been explained now.—A. I was going to point out that in arriving at these component costs there are a number of products all of which have different percentages of raw materials, labour, overhead, and operating income in them and consequently when you average not only the years but also the various quantities of these things you will get changes in the percentage of raw materials in one period which mean very little. I just wanted to point out we cannot get much out of this table unless we are going to take into account varying percentages of labour and material.

By Mr. Monet:

Q. I understand in this particular part of your evidence, Mr. Palmer, you agree with the statement made by Mr. Knight on page 7, with the exception of the addition which you have made this afternoon?—A. Yes.

Q. You say one cannot draw, shall we say a drastic conclusion, from the figures which are tabled there?—A. That is really what I wanted to say.

Q. But the statement is accepted by you?—A. Yes, it is perfectly in order as far as we are concerned.

By the Vice-Chairman:

Q. Would it be right to say what we have in front of us is rather a simplification, and we have to bear that in mind when we think of it as being an accurate representation of one kind of cost as against another kind of cost? This is a bit more simplified than you in the trade would offer in the interests of 100 per cent accuracy?—A. Yes, I would not say it is low in accuracy but it is low in utility because of the considerable differences in the percentages of components in the different types of products. For example, in the last period we have a considerable increase in the sale of yarn. Yarn happens to have a very low labour content and a high material content, so when you compare the figures from period to period you have this change in percentage of components.

Q. In one period there might be much more yarn used and in another period there might be much greater production of one of those other end products?—A. Yes.

Q. I presume each of those would drastically throw out of line the price set down for raw materials as against labour?—A. Yes, and the breakdown of the sales dollar.

Mr. MONET: Now, Mr. Palmer, I would like to refer you to page 3?

By Mr. Pinard:

Q. Before you leave page 7, I think it is a proper time to ask a few questions along the lines of the evidence you have just given. When you say for the pre-war period labour cost you an average of 31·5, and it decreased in 1940-41 to 28 and increased again to the first period figure of 31·5, can I assume your over-all labour cost remained the same for the first period as it is now?—A. No, our labour costs have gone up very considerably but the percentage of labour in a dollar of sale is approximately the same in the last period to what it was in the first period, and it is 3·5 per cent more than it was in the second period. That means only the amount of labour that is in one dollar of sale. The various products have different amounts of labour in the dollar sale.

Q. This is an average for your total production?—A. That is an average for the products that we make.

Q. Again if I refer to raw materials there was a decrease from 21·3 to 16 on all your purchases for raw materials?—A. That would be on all our purchases of raw materials for all our products.

Q. There is also a decrease in the overhead from 24·3 to 20·1?—A. That is correct.

Q. Taking those factors into consideration, I see on page 12 of Mr. Knight's report where you give figures concerning your selling prices and there are three items mentioned, lingerie taffeta, dress crepe, and lining, that there was an increase in the selling price?—A. That is correct.

Q. I am referring to schedule D8 and I see your percentage of net profit increased in 1947 to 15·5 per cent and I wish to have your comments as to why you increased your price on those three items when your net profit has increased substantially? From page 1 of the report I also see that your net profit amounted to $3,325,000 compared to $1,972,000 in 1946. I would like to have your general comments on that situation?—A. That covers a tremendous amount of ground.

The VICE-CHAIRMAN: I was just going to say something there, Mr. Pinard. I was going to make a comment something similar to that which the witness has made himself. Counsel had a series of questions designed to arrive at the point at which you are coming but that will take a little time.

Mr. PINARD: I have no objection.

The VIBE-CHAIRMAN: May we then turn it back to Mr. Monet and if the end result is not the elicitation of the information you desire then you may bring out that information.

Mr. PINARD: Yes.

Mr. THATCHER: Could he not first answer the question which Mr. Pinard asked?

The VICE-CHAIRMAN: That will be one of Mr. Monet's questions.

Mr. THATCHER: Mr. Pinard has a very significant point there. Costs are going down but prices are going up and I do not see why we could not have that answer now.

Mr. IRVINE: I think we had better hear Mr. Monet's questioning first.

By Mr. Monet:

Q. Mr. Palmer, would you refer to page 3 of Mr. Knight's report and I notice there that the percentage of operating income to sales earned by your company is shown as 29·8 per cent?—A. Yes, Mr. Monet.

Q. I also see on the same page a little lower down, under the heading of "eighteen other companies" which I understand manufacture fabrics, the figure 9·5 per cent?—A. Yes.

(Mr. Merritt took the chair).

Q. Can you explain to the committee why your company needs 29·8 per cent operating income to sales when the other companies apparently operate satisfactorily with less than $\frac{1}{3}$ of the operating income required by your company?—A. There is a little problem in arithmetic involved here. When you have a company which operates a series of processes you will find that arithmetically the profit it makes on its sales dollar is greater than the amount made by two companies adding doing two halves of the process. I can make that clearest Mr. Chairman, if I give an instance in which I think we can carry the figure in our heads, instead of trying to go through four processes which would be a complicated arithmetical problem. If you take for instance a truck, of which one manufacturer makes the chassis for $500, and the second manufacturer whom we will call "B" makes the body which he puts on the truck chassis which he has purchased from "A". "B" sells the truck for $1,000. Now if each of those two manufacturers make 20 per cent profit on their sales dollar it can be shown very simply that if the process was done all in one operation, paying exactly the same wages, making exactly the same truck, with no difference whatever except the accounting was done in one operation, the profit would be 30 per cent on the sales dollar. I think I can show that in this fashion. $500 is the price of the chassis; the percentage of profit was to be 20 per cent so there is $100 of operating income and therefore $400 for components, materials, labour, and overhead. "B" buys the chassis for $500 and starts off with $500 worth of material. He sells his product for $1,000. We said he made 20 per cent so he makes $200 profit and he adds $300 of extra material, extra labour, and extra overhead. You have two manufacturers who make 20 per cent, one making the chassis and the other finishing off the truck. Now if those two people were just to combine or to have manufactured singly the whole truck, the identical truck, the cost of the chassis would be $400 to start with; it would be transferred to the second department at $400 because as we saw the doing of the body work was $300. The total cost which would go into that man's account would be $400 plus $300, or $700 and he would make $300 profit on operating income which would amount to 30 per cent. So when we have integrated an industry you can take the same rate of profit on operating income and it will not be the same as the sum of the two. So our 30 per cent, shall we say, is naturally greater than in the case of somebody doing one of the processes. Is that clear, Mr. Monet?

By Mr. Pinard:

Q. It is not clear to me, anyway. If you multiply your products you will finally come to the conclusion that the cost is increasing. If you produce many things the cost will multiply all the time?—A. No, it is not a case of producing many things.

Q. I would like you to make some conclusion from that statement in relation to your own products?—A. I think I can make that clear if I take our processes. As I said we have four processes at the present time—we make our product in four stages. I will show what happens if we were to have a fifth stage. I said we buy purified cellulose—we spend about $1,000,000 for purified cellulose which we buy largely from the United States.

By Mr. Thatcher:

Q. Have you an exclusive monopoly in buying that in Canada?—A. No, no, not at all.

Q. Anyone can buy it?—A. Anyone can buy it. That represents about 6 per cent of our sales dollar. Assuming we were to make that ourselves, and to make 20 per cent on that process, we should make an additional operating income of 20 per cent of 6 per cent on the sales dollar or 1·2 per cent extra operating income on the sales dollar without having changed anything except the doing of one additional process. By adding another process you add to the profit and you add to the operating income.

By Mr. Monet:

Q. In the case of your company, Mr. Palmer, may I refer you to schedule D3. For the year 1947 your operating income to sales was 32·7 per cent. If I refer you to Schedule D8 for the same year, the net profit to capital was 15·5 per cent. Is that a correct statement?—A. Correct.

Q. On schedule D3 for the year 1947, operating income to sales was 32·7 per cent?—A. Yes.

Q. And net profit to capital is 15 per cent.—A. I would like to make a remark about that net profit to capital of 15 per cent.

Q. You are perfectly entitled to make any remark you wish. Does it not seem to be very high compared to 1946 which was already higher than 1945? —The figures jumped from 9·9 per cent in 1945 to 12·4 per cent in 1946, and to 15·5 per cent in 1947?—A. It has been 12 per cent and 11 per cent, averaging around that figure for some years, and the difference in the last two years particularly is due to the fact that we financed in these last two years by the sale of debentures. Now debentures are not allowed by the auditors as capital employed and we think it is quite sound auditing practice, but as far as we are concerned it is money. We built a new plant with that money so we actually have in 1947 nearly $10,000,000 of debentures or money which we are using and on which we are earning some net profit.

Mr. THATCHER: It would come off the other way when you took off the bond interest?

The WITNESS: I am correcting for the bond interest, if we were to do that. Supposing I were to correct and add back the bond interest and were to be allowed debentures as capital, that figures would come somewhere near 11 per cent.

By Mr. Monet:

Q. You mean the net profit to capital in 1947 would be 11 per cent, or are you speaking of 1946?—A. I think the figure for both years would be about 11 per cent because the last $5,000,000 of debentures was taken on in 1947. There was only $5,000,000 in 1946.

Q. But I would not think the $5,000,000 spent in 1947 would have borne any results as yet?—A. I think a lot of the capital that is shown here is in cash. You have to have some capital—you have to have working capital. It is not a matter of 100 per cent of the capital being in buildings.

Mr. THATCHER: What page are you reading from, Mr. Monet?

Mr. MONET: Schedule D8, net profits to capital, the last page of the report. We are discussing the net profit to capital for 1946 and 1947 with reference to 1945.

By Mr. Monet:

Q. When did you issue these bonds?—A. We issued the first $5,000,000 in the fall of 1944.

Q. That was for the first $5,000,000?—A. Yes.

Q. And the second $5,000,000?—A. We issued the second $5,000,000 in April 1947.

Q. Have you figured exactly what the reduction would be if you had taken into consideration the additional capital employed as a result of the debentures? Have you figured exactly what the reduction in the percentage would be for 1947? —A. No, I did not figure that exactly because there are quite a number of variations in this allowing of the bond interest back in the capital. Which one accountant might do differently from another. I merely wanted to point out it would be something on the order of 11 per cent.

By Mr. Thatcher:

Q. Of course every company is being treated in the same way?—A. I am not complaining about the accountancy.

Q. The percentages here are calculated in the same fashion as for other companies?—A. If they have not had any bonds or debentures they are not affected, but all I wanted to point out is that we have received that money. That is the way in which we did finance and if we had financed as preferred stock, or if tomorrow we were to change those debentures to preferred stock or to common stock, then that figure would be changed but actually we have not got greater earnings on the amount of money we have in the business.

By Mr. Monet:

Q. You agree the net profit to capital would still be approximately 11 per cent?—A. Yes I do.

Q. What do you consider to be a fair return to capital in an industry of that kind?—A. I think that is about what you need.

Q. 11 per cent?—A. Yes.

By Mr. Thatcher:

Q. Mr. Monet, just before you leave this, I am still not clear on one point. You say you need a per cent—I think it was Mr. Pinard pointed it out—which is three times higher than the average of those other eighteen companies?—A. Are you talking about—

Q. I am talking about that operating income on page 3. You gave us an explanation but would not the reason for the fact you have such terrific profit or operating income compared with other companies be due to the fact you have exclusive patents?—A. I am afraid not. This is an average over twelve years, I think.

Q. But have exclusive patents for your processes; did you not say that earlier?—A. I have not said it yet, but I will say so. We have some patents. Most of the basic patents for the production of our product have expired.

Q. You are the only company, though, that is making this product?—A. We are the only one, yes, but we cannot help that.

Q. No, no, but is that not a fact? You can get larger profits compared with the other companies due to the fact you have an exclusive product and are protected thereby from competition?—A. We are not protected and we have not an exclusive product because there is nothing of which I know to stop anyone from manufacturing. Three people are manufacturing in England, one of which is British Celanese.

Q. They can sell in competition with you?—A. Oh, they do.

Q. Is there any tariff protection given to you?—A. On yarn we have only a 5 per cent tariff protection. We had tariff protection taken away from us some years ago; that is to say, it was taken off cellulose acetate. There was a difference between cellulose acetate, artificial silk and viscose artificial silk. Because we were not selling yarn or we were not selling enough yarn to satisfy some people, it was considered we should not have the tariff protection.

(At this point Mr. Maybank resumed the chair).

By Mr. Pinard:

Q. Has your company any connection with British Celanese?—A. No, we have no connection except the connection that some of the members of their board are also members of our board.

By Mr. Thatcher:

Q. No inter-shares held?—A. No, there are no inter-shares held with them. With the third, with which we have to deal at the same time, American Celanese, they do not hold any shares, either.

Q. You are a strictly Canadian company?—A. We are strictly a Canadian company owned by Canadian people, in the main.

By Mr. Pinard:

Q. Are you producing the same thing as British Celanese?—A. We are producing under the same processes.

By Mr. Thatcher:

Q. Did they give them to you?—A. They did not give them to us, we bought them from the same concern.

By Mr. Pinard:

Q. Does that apply to American Celanese, too?—A. That applies to the American Celanese. They all bought their patents to operate. We have a friendly relationship in that we tell each other of the improvements we make and we allow each other to use the patents which we take out.

By Mr. Thatcher:

Q. Is there any restriction whatever between the three companies as to markets?—A. No, not at all.

Q. Last year, for instance, did the American company and the British company send any products into Canada?—A. The British company has been sending products into Canada steadily for years and years and now we are driving them out of the market because we are selling our product below their price. The American company sent some yarn into Canada during the war, particularly, but the tariff prevents them from competing and they are short of yarn.

By the Vice-Chairman:

Q. You have adequate protection from your point of view against the Americans but not the English?—A. The English protection is all right at the present time, Mr. Maybank. I am not complaining about the protection at all.

Q. I did not mean to frame my question in that way. You were saying you had been cut out of the tariff protection with respect to the English some time back and then when you later began to speak about the Americans I only wanted to draw from you, if it is a fact, there is a fully protective tariff against the United States but that is not the case with the British?—A. That is so.

Q. That the British can come and compete but the Americans, however, are debarred from competing in Canada by reason of the tariff. Is that the way you would have us understand it?—A. Yes, that is, I think, correct. The tariff is the same for viscose and for acetate from America but it is lower for acetate from England.

Q. I did not mean my question to draw from you whether you were complaining about it or not complaining about it?—A. No, I beg your pardon.

By Mr. Monet:

Q. I just want to finish a few questions with regard to this 15½ per cent and 12·4 per cent on schedule D8, and the $1,000,000 more in net profit after taxes in 1947 than in 1946. I understood from what you said a few minutes ago that, due to financing through bonds, the percentage of net profit to capital shown here for the year 1947 as 15·5 and for the year 1946 as 12·4, would be lower if it had not been financed that way; is that correct?—A. That is correct.

Q. But it is a fact it was financed that way?—A. It is a fact.

Q. And it is a fact the shareholders, for the year 1947, got 15½ per cent for their investment; is that correct?—A. No.

By Mr. Pinard:

Q. You said you built a plant with the difference between 11 per cent or whatever it was and the 15·5 per cent?—A. No, I did not intend to state that. I said we have built a plant using the debentures which we bought.

Q. That comes to the same thing?—A. Is that the same thing?

The VICE-CHAIRMAN: Just a moment; I do not want any misunderstanding between you and Mr. Pinard.

By Mr. Pinard:

Q. I understood you to say your debentures cost you the difference between 11·2 or whatever it was and 15·5; is that correct?—A. Well, if you allow the debentures as capital employed, the earnings for 1947 would have been approximately 11 per cent on the capital used. That is the difference which allowing the debentures as capital makes.

Q. But you used that money, you said, to build another factory?—A. Yes.

Q. Is that the Sorel plant?—A. That is the Sorel plant and extensions to the other. We did buy debentures instead of issuing preferred stock because it was more convenient at that time. I merely point out we might change our minds and we might redeem the debentures and issue preferred stock.

By Mr. Monet:

Q. In which case it would be 11 per cent?—A. Yes.

By the Vice-Chairman:

Q. You built with borrowed money instead of subscribed capital. Had it been subscribed capital, there would have been more capital on which it would be expected dividends should be paid?—A. Yes.

Q. Since it was borrowed capital, there was no expectation there would be dividends paid; it is rather a rate of interest which is the rent of the money?—A. Absolutely correct.

Q. That is intended to point up the difference between those two figures for 1946 and 1947?—A. Exactly.

By Mr. Monet:

Q. Would you give the rate of interest for those bonds?—A. I will have to ask Mr. Allan to give that.

Mr. ALLAN: For $2,000,000 it is $2\frac{1}{4}$ per cent, serial debentures, and $8,000,000 of 3 per cent debentures. They are fifteen year debentures and they were issued April 1, 1947.

By Mr. Thatcher:

Q. Before you leave this column, there is one question I should like to ask. I am speaking of the column upon which Mr. Monet was questioning you, Mr. Palmer, schedule D8. I assume, from that per cent of net profit from 1939 onwards, you paid for your complete investment. In 1939, you showed 12·6 per cent; then 9·3 per cent and if you come down to 1947, you have a total of 106 per cent of your investment out of your net profit. You have paid for your investment in those nine years. Am I correct in assuming that?—A. The nine years—?

Q. You start there with 1939?—A. Oh, I see what you mean.

Q. If you total the column commencing with the 12·6 per cent, you will get about 106 per cent during the nine year period. I am asking you whether I would be correct in assuming that in those nine years you paid completely for your investment out of profits?—A. I do not know that that would be quite correct. By multiplying the earnings on the capital by the number of years, you will arrive at the complete investment. You will arrive at 100 per cent. I think you could say, in the same way, that a bond at 3 per cent pays for itself completely in 33 years; that would be the argument, would it not?

Q. Along those lines.—A. Yes. I think you would find you would have to pay for your bond and as well you would still have the debt at the end of the 33 years.

Q. From 1939 to 1947 you have paid for your asset, and without interest charges, then, I will admit that. On top of that, you set up reserves on your balance sheet of almost $8,000,000?—A. This is on top of it?

Q. Out of expenses each year, you set aside your depreciation reserves and things of that kind?—A. Oh, depreciation reserve?

Q. I just think that would be pretty steep?—A. I do not think so, really.

The VICE-CHAIRMAN: You are into the field of opinion, there, Mr. Thatcher. Mr. Thatcher is under the impression that when you get your plant all depreciated and keep on making profits that that is a fairly profitable show and, perhaps from his point of view, too profitable a show to be allowed as a moral thing in the community. You do not feel his opinion in that regard is quite correct, but that is about where it ends.

Mr. THATCHER: Could I enlarge upon that now?

The VICE-CHAIRMAN: I was just commenting. I think if you have any direct factual questions they would be appropriate, but let us keep to that because if you get off too far into the realm of philosophy—parliament does have to prorogue some day.

By Mr. Thatcher:

Q. All right, then. What we are interested in is the price of this product. The raw material trend has been down; the labour trend has been down; the overhead trend has been down and the only thing that is up in the sales dollar is operating income, so that must be excessive. It must be what is keeping these prices where they are instead of permitting them to drop. It would look that way to me.

The CHAIRMAN: I would not go so far as to say that is a fair conclusion. I do not want to make any comment but it is a conclusion at which you have arrived from the evidence.

Mr. THATCHER: Would the witness care to say that is not right?

The WITNESS: I would not say that is correct. It is definitely wrong.

By Mr. Monet:

Q. Would you comment on that, then, and explain your statement, Mr. Palmer?—A. I think we would have to take individual fabrics or our individual products and see what has happened, what the price changes have been.

I tried to warn you or I stated when I started that we were going to run into difficulties if we went into making deductions from the averages of all types of products.

By the Vice-Chairman:

Q. That is when you were dealing with page 7?—A. That is what we are dealing with now.

Q. When you began dealing with page 7 of these, shall I call them ratios?—A. Yes.

By Mr. Monet:

Q. Would you take one product and answer the question asked by Mr. Thatcher?—A. I think if we turn to D7, we will see what our sales policy has been with regard to the bulk of the standard range of fabrics. These fabrics which were selected, not by ourselves but by the auditors representing the fabrics in the largest volumes, show a history from January, 1942, through September, 1947 to April, 1948. The first one of these is lingerie taffeta.

Q. That is schedule D7 on page 1?—A. It will be seen that the materials in this particular fabric in cents per yard remained substantially constant. It will be seen under the heading labour that 12·96 cents per yard of labour became, in April, 1948, 23·91 cents per yard.

Q. What would that mean? Would you explain to the members of the committee what that means?—A. That means we paid so much more money to our labour to produce one yard of fabric.

Q. And this is a percentage of the dollar sales?—A. No, this is not a percentage of dollar sales, this is cents per yard.

Mr. THATCHER: I am sorry, I cannot find this schedule.

Mr. MONET: It is D7, column 1, the last item on the page, lingerie taffeta.

By Mr. Pinard:

Q. You have, in all the other products, decreases in material costs?—A. I will come to those.

The VICE-CHAIRMAN: You have jumped to the next page a trifle too soon.

The WITNESS: These costs here represent our policy and what we have been doing. They are not just incidental.

By Mr. Monet:

Q. Just follow that up, then, Mr. Palmer.—A. Overhead has increased from 0·0857 to 0·1166, from January 1, 1942, to April 1, 1948. The operating income was ·1785 in 1942, and is ·1739 as of April 1, 1948; that is to say in this particular case the operating income per yard has been substantially constant and the labour per yard has increased over 8 per cent.

Q. What was your increase in price?—A. To 58 cents. That represents an increase of 30 per cent.

By The Vice-Chairman:

Q. Does that come to mean this; that you increased your price per yard, get more money for each yard, but you did not retain quite so much of each penny that you got over these several years because your overhead went up and your labour cost went up, and that is where the increase in price went?—A. Yes.

Q. That is the way of that, is it?—A. That is the way of that.

The VICE-CHAIRMAN: There was an increase of almost 100 per cent in cost, and your increase in price was, what?

The WITNESS: 30 per cent.

By Mr. Monet:

Q. Now, I want to make this very clear, Mr. Palmer; and I think this is the first time we have had it quite clear, and I want to thank you for it; taking this one, there was an increase of 13 cents in lingerie taffeta from January 1, 1942 to April 1, 1948?—A. Yes.

Q. And while there was an increase in selling price of 30 per cent the company got 17·85 operating income in 1942 and it was a little bit less in 1948?—A. That is correct.

Q. And the difference in price was caused by labour, raw materials and overhead?—A. Yes.

Q. Would you now proceed to the second one?—A. The second one is the dress type of materials. There you will see that the materials are substantially constant; labour from January 1, 1942, to April 1, 1948, increased from 15 cents to 28 cents.

The VICE-CHAIRMAN: I suppose that is about 90 per cent, is it not?

The WITNESS: 86·5 per cent. The overhead has increased from 10·5 to almost 15 cents; and the operating income increased from 19·24 cents to 20·10 cents; again, substantially constant.

By Mr. Monet:

Q. There has been an increase in price from January 1, 1942 to April 1, 1948 of 19 cents; not 19, 18·5 cents?—A. 18·5 cents.

Q. So the operating income of the company showed a difference of $\frac{3}{4}$ of a cent; would that be correct?—A. That is right.

Q. Before we go on to the next item would you tell the committee what a difference of $\frac{1}{4}$ of a cent would be in net profit; or, can you give us that?—A. Yes; $\frac{3}{4}$ of a cent would be—about $\frac{3}{8}$ of a cent.

Q. I just wanted at this stage to make that clear.—A. That is about the same story; labour and overhead represents the increase in price.

Q. Are you now talking about lining?—A. Lining—again, the materials are substantially constant; labour has increased from almost 11 cents to 19 cents; and overhead from $8\frac{1}{4}$ cents to $10\frac{1}{2}$ cents; and operating income has increased from 15·68 to 17·10 cents; the selling price increased from 44 cents to 54 cents, almost 23 per cent. I might make this observation here, that is the line of fabrics which are in great demand. I might point out that during the time from 1942 to 1948, cost of material has increased very considerably indeed; by spending many millions of dollars we were able to hold our own and make economies to offset the increased cost of materials, but it did cost us a lot of money.

By Mr. Thatcher:

Q. As far as yarn goes, the cost of yarn is apparently fairly constant. Your labour and cost of materials in that case is less?—A. In which case?

Q. More recently, within the last 5 years; as compared to what it was 5 years ago?—A. Yes, I think it probably is less.

Q. Yes.—A. We have been concentrating on that end of our business for some time to try to get our cost of materials down.

Q. I see all those things, but I still do not see how you reconcile it, or how we are supposed to reconcile it with this page 7, of report D-3. The figures are completely different. As a matter of fact, I don't just follow them.

Mr. IRVINE: How could these things be made to gibe?

The WITNESS: I presume you are referring there to volume of sales of this product. That is just one of our products.

Mr. PINARD: Would that justify the increase in the net profits?

The WITNESS: In dealing with the sales policy we have to deal with all the products. We can't deal with an average product. We have to sell at some price.

Mr. THATCHER: Let me put it this way. In this statement D-3, page 7, you have shown 100 cents of your sales dollar, and in making that up you include your labour, materials, overhead and operating income. Now, your raw materials is going down, your labour is stationary, your overhead is going down; then, are we to assume that your labour and other cost components are the main things that are going up?

The WITNESS: We are sixes and sevens now, I am afraid, because we are dealing with two different things. This is the average period from 1936 to 1939. We were just coming up for air in 1936; and the last column of the averages is the average for 5 years; so that if you are comparing this with page 7, you are comparing a series of years which were definitely prior to the period which we have just been discussing. So, you see, we are sixes and sevens.

The VICE-CHAIRMAN: Yes, quite. Just following that for a moment, Mr. Palmer, the figures with which we are dealing on each of these four products are the figures prepared by Mr. Knight; of course, they were supplied to you by Mr. Knight, but they were submitted to us by Mr. Knight in his report prepared at the direction of the committee; so, as a matter of fact, they come to us from Mr. Knight. That is correct, is it now?

The WITNESS: That is correct.

The VICE-CHAIRMAN: Now then, of course, he is pointing out what it was on a certain date, January 1, 1942; what it was at a certain other date, September, 15, 1947; and again, a chosen date in 1948. But over on page 7, of Mr. Knight's report he has given the number of years together. He has also grouped a number of dates together; and he has told what he believes is the story with regard to these several years and these several dates, all bunched in together. So the question can be one way when dealing with the approaches with which Mr. Palmer was dealing, and they can be put another way when they are shown as they are on page 7, in Mr. Knight's statement.

Mr. IRVINE: Are not the page 7 figures the ones in which we are most interested?

The VICE-CHAIRMAN: I do not know which we are more interested in.

Mr. IRVINE: I mean, they tell us a general story.

The VICE-CHAIRMAN: Mr. Knight submitted page 7 to us.

Mr. THATCHER: Page 7 shows the average.

The VICE-CHAIRMAN: He also submitted other figures to us. That is his summary from one point of view.

Mr. IRVINE: Looking at page 7, I think it would be impossible for us to reconcile that with the statements just made by Mr. Palmer.

The WITNESS: Beg your pardon, I didn't get that.

The VICE-CHAIRMAN: I think this is a correct summary of it. Mr. Irvine was remarking that looking at that page D-7 one would never expect from those figures to get a story similar to what we have on page 7?

Mr. IRVINE: That is right.

The VICE-CHAIRMAN: And you agree to that, of course.

The WITNESS: No. This is all down in the last period. We have not gone back on page 7, to the pre-price control period; you see, this is more or less historical. To my mind, at least, it is historical, as it is a record of the company's operations from the period when we were just surviving a very bad depression; and, certainly the business was not as I view it in very good shape.

Mr. PINARD: Still I would like to know how you account for the increase in net profit. What is responsible for that? Was it the increase in price or volume of sales?

The WITNESS: Volume of sales and greater efficiency in production. I think that was the most important factor all the way through, in producing cheaper, particularly materials.

Mr. PINARD: The other question I wanted to ask is this; when we see on schedule D-8, that your net profit for 1946 was 12·4, I would like to know why, when you were making that amount of profit, you took advantage of the opportunity of raising your prices again so as to obtain a higher net profit? I think you told us previously that 11·2 would be considered a satisfactory net profit by your company?

The WITNESS: But the figure of 12·4 has to be brought down a little, to 11 cents; if we allow for the $5,000,000 of debentures that we issued we do not feel that that 12·4 presents a fair picture; I mean, from the business viewpoint, or from financial point of view either; and, consequently, we were not earning more on our capital than we were earning in the year 1939; nor are we earning significantly more on the average.

By Mr. Monet:

Q. But the figures show that your earnings for 1936, were 12·4?—A. 12·4, the net.

Q. And you referred to 1939, which shows you earned 12·6?—A. That is right; but we are not earning more than we were earning in 1939 on our capital.

Q. Then your net revenue on capital was approximately that figure of 12·4?—A. 12·6.

Q. I mean in 1939 it was 12·4?—A. But the 12·4, in our opinion, should be changed to read 11.

Q. Well then, how do you account for the fact that while your material costs remained fairly constant—I would like to know why there is this increase which took place mostly between 1946 and 1947 in your net profits?—A. Because of the much greater turnover and the use of much greater capital.

Q. Then would it not have been possible to leave the price at the same level rather than to have increased it?—A. I had to have volume and increase in price. We increased the price in 1947.

Mr. LESAGE: I would just like to point out, Mr. Monet, that in 1947 there was a reduction in taxation which would account for the higher net profit.

By Mr. Monet:

Q. Would it not have been possible for the company in view of the expectation of larger production which you have just told us about, because you have built a larger plant through this bond financing; would it not have been possible for the company to at least have left the price at the same level and still get what I would say is a fair profit to capital employed, of 10 or 11 per cent?—

A. I do not think so. We could not arrive at the percentage of 11 per cent if that had not been raised. We would not have arrived at that same figure.

Mr. PINARD: You realize that you are the only company selling these products in Canada?

The WITNESS: I do not realize that, and we are not the only company.

The VICE-CHAIRMAN: No, Mr. Pinard, that is not in accordance with the evidence.

Mr. THATCHER: I thought you were the only company manufacturing this product?

The VICE-CHAIRMAN: You are the only company manufacturing this particular product, but you do have competitors?

Mr. IRVINE: And you have a protective tariff of 5 per cent against imports from the United States.

The VICE-CHAIRMAN: There is protection against imports from the United States but the British product is coming in. I think that probably is the fact now; of course, I think you did say, did you not, that you were driving the British out at the moment by lower prices?

The WITNESS: Oh, yes.

The VICE-CHAIRMAN: Your lower price or their higher price, whichever way you care to put it.

The WITNESS: I do not think it matters which way you put it.

The VICE-CHAIRMAN: As long as you drive them out, it doesn't matter which way it is expressed.

The WITNESS: We are setting our prices with a view to supplying a maximum quantity of product, whether it is yarn or fabric, in order to arrive at the time when prices can come down. That is our objective.

By Mr. Thatcher:

Q. When you come to 1948, or the first three months of 1948, your net profit gets even higher in statement No. 2, page 6.—A. Are you looking at another picture?

Q. I may be. This is Canadian Celanese Limited, special preliminary questionnaire, statement 2, page 6.—A. Yes.

Q. Have you got it now?—A. I have it.

Q. Your net profit on these first three months would almost approximate $1,200,000. Is that not right?—A. Yes.

Q. On your invested capital; and that would mean that you had a net profit, if my figures are correct, of almost 24 per cent.—A. That is for three months of the year. I do not know what it is going to be for the rest of the year. I know that we have brought in new plants which are making our men's and women's suitings—like the suit I have on; and which we are selling, but which does not I am afraid really represent a fair profit in our account. Up to the present time we have not yet proved entirely that we are going to be able to finish this product, at least with efficiency. What I am trying to say and what I want to point out is that that will be showing an abnormal profit because some of the merchandise is being kept back which we may have to sell at a loss. It is not good business. We have inexperienced weavers who are weaving bad materials. We are selling some of the product. It will be offset. But apart from that we have a considerable increase in yarns and staple which we are selling. Whether that will proceed throughout the whole year, I do not know. I do not know that I can multiply that by four and arrive at Mr. Thatcher's figure. Now, unless we are able to maintain our volume, and unless we sell more than we have been able to so far, we may have to take a loss on that particular part of the business. That, of course, will affect this apparent increase in the early part of the year. You see, you cannot just take and multiply that by four.

The VICE-CHAIRMAN: Gentlemen, before you ask any further questions, you will recall that we were to have an executive session at 7.30 o'clock this evening, and it occurred to me that it would be of advantage if the committee were to stop a few minutes before six o'clock. And I suggest that this would be a convenient point at which to stop, so we will now adjourn until 7.30 o'clock.

—The committee adjourned to meet in executive session at 7.30 o'clock this day.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 74

THURSDAY, JUNE 17, 1948

WITNESSES:

Mr. C. W. Palmer, Executive Vice-President, Canadian Celanese Limited, Montreal, P.Q.

Mr. A. G. Allan, Treasurer, Canadian Celanese Limited, Montreal, P.Q.

Mr. E. H. Knight, Knight & Trudel, Chartered Accountants, Montreal, P.Q.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

THURSDAY, June 17, 1948.

The Special Committee on Prices met at 11.30 a.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudoin, Fleming, Harkness, Irvine, Kuhl, Lesage, McGregor, Maybank, McCubbin, Merritt, Pinard, Thatcher, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. C. W. Palmer, Executive Vice-President, and Mr. A. G. Allan, Treasurer, Canadian Celanese Limited, Montreal, were recalled and Mr. Palmer was further examined.

During proceedings, Mr. Kuhl took the Chair in the temporary absence of the Vice-Chairman.

At 1.00 p.m. witnesses discharged and the Committee adjourned until 4.00 p.m.

AFTERNOON SITTING

The Committee resumed at 4.30 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Beaudoin, Fleming, Irvine, Kuhl, Lesage, McGregor, Martin, McCubbin, Pinard, Thatcher, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. E. H. Knight, Knight & Trudel, Chartered Accountants, Montreal, was recalled and further examined. He read into the record Report "C", being report of information returned by companies primarily engaged in the manufacture of woollen yarns and cloth.

At 6.00 p.m. witness retired and the Committee adjourned to the call of the chair.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
June 17, 1948.

The Special Committee on Prices met this day at 11 a.m. The Vice-Chairman, Mr. R. Maybank, presided.

The VICE-CHAIRMAN: Gentlemen, I have a short announcement. It would seem quite clear that the present witness will be on the stand for the balance of this morning, and whether or not for the afternoon we cannot tell now, but that much, at any rate, would seem clear. Mr. Dyde will be prepared to go on with wool this afternoon. That does not mean it has to be done. It all depends on how we stand with regard to the present witness. Mr. Monet has to round out the record in a number of respects by the filing of certain papers that have come in pursuant to requests, and that sort of thing. Therefore it would appear that the morning is set for the continuation of the celanese inquiry. All right, Mr. Monet.

Charles Wilfred Palmer, Executive Vice-President, Canadian Celanese Limited, recalled.

By Mr. Monet:

Q. Mr. Palmer, at the adjournment yesterday afternoon you were being questioned on page 6 of statement 2 in the questionnaire the answers to which were prepared by your company. I should like you to refer to that statement No. 2 on page 6. It was pointed out to you then that for the first quarter of the year 1948, that is, for the months of January, February and March of this year, that the net income before provision for inventory reserves and taxes on income was $1,909,000. Is that correct?—A. That is the addition of—

Q. That is the addition of the three figures; that is correct?—A. I think the addition is correct.

Q. It was also pointed out to you the profit of the company for the same period was $430,000 in round figures for the month of January, $393,000, for the month of February, and $375,000 for the month of March, for a grand total of $1,200,000 as the net profit for the first quarter of the year 1948. Would that be correct?—A. Yes, I think the addition is correct. I have not made it, but I think it is correct.

Q. Now, Mr. Palmer, I am now going to ask you a very direct question. In view of what I would call these very large profits, $1,200,000 for the first quarter of the year, can you tell the members of the committee why the company felt that prices should be raised on April 1, 1948 which was the first day after the expiration of the first quarter? I understand prices were raised on April 1st, is that correct?—A. Yes.

Q. There was an increase in price on April 1, 1948? —A. There was.

Q. Would you tell the members of the committee what percentage? Is it right to say 5 per cent?—A. Oh, less than 5 per cent.

Q. What was the rise?—A. The rise based upon the quantity of the fabric sold in 1947—those fabrics that were raised would be about $400,000 turn-over. I should like to say, Mr. Monet, in answer to your question that this raise was decided upon in February. We had no figures, but we had just made a wage agreement with our employees which we calculated would raise our costs by $1\frac{1}{4}$ million dollars. We did not know at all how this year was going to work out. We raised certain prices a little bit in coformity with the policy of keeping the cents per yard constant on an estimated $400,000 increase, leaving us $850,000 or so of excess expenditure which we would have to offset with economies or with profits from the increased production, from our other sales. We faced that situation.

I should also like to say that the first quarter, as I said to Mr. Thatcher yesterday, cannot be taken as an indication of the profits for the whole year. I think there is no greater mistake that any business man could make than to take one quarter and multiply it by four, particularly the first quarter in a year, to estimate your annual profit or your annual turnover. I would also point out that in this first quarter we sold out of inventory in finished fabrics an amount equal to approximately 1,000,000 yards. We might refer to the inventory figures which are somewhere in this book. It is on statement 5 of our report. At the end of December we had 1,743,000 yards of finished fabric in stock. At the end of March we had 739,000 yards of finished fabric in stock which means we sold something over 1,000,000 yards that we did not produce. Now then, if you take that 1,000,000 yeards—and I do not know what it would be in dollars on the average but it must be $700,000 or $800,000—away from the sales for the first quarter you would very materially reduce the turnover. You would very materially reduce the operating income and very materially reduce the net profit. So that the first quarter with that factor alone would be reduced. We sold that inventory because the market is just crying out for goods and they do not want them around Christmas time. We built up a certain amount of inventory over Christmas. We sold it in the first quarter. We do it generally every year but this year was exceptional. Christmas fell on Thursday.

By the Vice-Chairman:

Q. May I interject something at this point, perhaps not for answer now. It does not matter. You have been warning us not to multiply the first quarter by four, and I suppose most people would agree with that without very much argument, and yet to test the appropriateness of your warning would you be able to tell us at some time how far we would have been out had we multiplied the first quarter by four in some other years. You do not need to do that now.—A. I would like to do it now.

Q. All right, if you would do that at some appropriate time. I guess that amounts to the same thing as saying to you is there anything exceptional about this first quarter compared with other first quarters? I think perhaps that is another way of saying the same thing though?—A. Yes.

At some appropriate time if you would let that come in— —A. I would like to answer it now and I do not have to keep it in my head, if you do not mind.

Q. All right, whenever you are ready. Mr. Lesage has some questions but wants to leave them until Mr. Monet finishes. I will call on you then. Go ahead— A. The previous year—

Mr. Lesage: Statement 2, page 4, your four quarters are equal.

The Witness: I know they are.

Mr. Irvine: The hind quarters are not heavier than the front.

The Vice-Chairman: All right.

The Witness: The first quarter of last year—you are speaking about 1946?

By Mr. Lesage:

Q. No, 1947.—A. The first quarter of 1947 I think was approximately one-quarter of the total, was it not?

Q. Lower than that.—A. I guess I had better look at it.

Q. Page 4, statement 2.—A. That is not the net.

Q. I was looking at the net. I think it is the same if you look at the operating income.—A. I think we will start off with the gross if you do not mind because we are dealing in sales.

Q. All right.—A. I think you will find it works out just about a quarter. I do not think you will find it is less, but anyway the answer is just the same whatever it is.

By Mr. Thatcher:

Q. A quarter of what?—A. Of the total. That is to say, as I understand Mr. Maybank's question he says if you go back to another year and you multiply by four you find there was validity in the multiplication and yet I said that at this particular time there is not necessarily validity.

By Mr. Lesage:

Q. Why?—A. I am saying in this case in 1947 the months which followed the first quarter had in them increases in selling price throughout the time. In fact, we increased our selling price by permission from the Wartime Prices and Trade Board in 1947 on April 1, I think it was. Then we increased our selling price on the 1st of September, permission having been granted on the 1st of June. Consequently in 1947 the first quarter did not reflect any of those prices, and so that subsequent quarters were very much helped by increased prices.

Q. Yes, but if you had permission from the Wartime Prices and Trade Board—

The VICE-CHAIRMAN: Wait. Your question is all right except Mr. Palmer was still continuing his statement. I think you were broken in upon there, were you?

The WITNESS: Well, yes. I say that, of course, would have a very material effect upon this net profit which you have pointed out might appear to justify the same procedure in 1948.

By Mr. Lesage:

Q. Mr. Palmer, there is no doubt if you obtained permission from the Wartime Prices and Trade Board for two increases during the year it was because you could prove that your costs were increasing throughout all the year, was it not?—A. I do not know that it was.

Q. No?—A. I do not know that it was.

Q. Do you contend your costs did not increase from the 1st of January, 1947 to the 31st of December, 1947?—A. I do not think they did a great deal.

Q. Well they did?—A. I do not know. I would have to look that up and find out, but I do not see why they should.

Q. What arguments did you put up before the Wartime Prices and Trade Board to obtain these increases?—A. We did not put up and arguments.

Q. What happened?—A. The Wartime Prices and Trade Board—

Mr. IRVINE: Gave you a handout.

The VICE-CHAIRMAN: We are being told that the watchdog was not so good.

Mr. LESAGE: This is the first time where I have heard you do not need any arguments to obtain an increase from the Wartime Prices and Trade Board.

The VICE-CHAIRMAN: I broke in there. Go ahead.

The WITNESS: I can only tell you gentlemen what happened. I cannot tell you why or anything about these things.

By Mr. Lesage:

Q. What did happen?—A. The Wartime Prices and Trade Board—by whom they were approached, I do not know—went into this question in their own way. Undoubtedly costs had been going up. They had been going up and they had been receiving complaints. They decided that on the 1st of April an increase would be allowed to offset the falling profits which had taken place in 1946, and we were allowed to submit to the Wartime Prices and Trade Board a schedule of prices which were not to exceed, if my memory serves me, 15 per cent. We agreed to do that and we did it and we welcomed it.

Q. But the reason for the falling prices which you have just mentioned was an increase in costs?—A. The increase in costs which had taken place through 1942, 1943, 1944, 1945 and 1946, and had reduced our profits to the point at which I think a great many people thought that it was too low and dangerous.

The VICE-CHAIRMAN: Just to keep the record straight, Mr. Lesage, you used the expression "falling prices." You meant "falling profits."

Mr. LESAGE: "Falling profits," yes, of course.

The VICE-CHAIRMAN: Mr. Palmer had made reference to falling profits, and then in your question you used the expression "falling prices." I know that is not what you meant and you would not like the record to be that way.

Mr. LESAGE: No. Now, you obtained a second increase?

The WITNESS: We obtained a second increase.

By Mr. Lesage:

Q. In September?—A. No. In June we were told that an adjustment could be made with certain new fabrics, that it could now be made, and I think that represented something like 5 per cent. We did not put that into effect in June because we felt it was not fair to our customers to have a change in the middle of their fall season. We did make a small increase on September 1.

Q. To cover increased costs?—A. To cover the permission that we received.

Q. You applied for the permission?—A. We did not apply for permission as a company.

Q. Who did?—A. I do not know who did, but we did not apply.

Q. Surely somebody did?—A. I guess somebody did, but we did not apply. I cannot tell you what somebody else did. I can only tell you what we did. We welcomed it. I can tell you that.

Q. Is there an association in the textile industry?—A. I do not think there is an association which would make any such application. There is an association which exchanges information. I do not know really what it does do, but it certainly does not do that. I am pointing out these prices were allowed—well, that is the answer to the question as far as I am concerned. I have finished that answer to Mr. Maybank's question, namely, that it represents a permitted increase which increased over the period of 1947 the profit in the succeeding months so that it made that calculation correct. The first quarter did in some way represent the total, but without those increases it would not have represented that total.

By Mr. Irvine:

Q. Having already made an increase you are perfectly free to make another one if you want to?—A. We certainly are perfectly free to make another one.

Q. Therefore you can do the same thing this year?—A. We can do the same this year, but may I go back after this question to where we were?

Mr. LESAGE: Would you go on, Mr. Monet?

The VICE-CHAIRMAN: I do not know whether that was what Mr. Palmer meant.

Mr. THATCHER: Before Mr. Monet goes on—

The VICE-CHAIRMAN: Wait a minute, gentlemen. I think what Mr. Palmer was saying was he had started to answer a question I had suggested a little while before and then questions broke in on him. I think he was saying, "Let us get back to the continuation of the answer to the question which I had asked?"

The WITNESS: No, I have finished your question.

By the Vice-Chairman:

Q. What did you mean when you said, "Let us go back to where we were"?—A. To Mr. Monet's question as to why the first quarter of 1948 cannot be multiplied by four.

Q. It is that to which I draw your attention and you said you would sooner deal with that now, and as I understand it what you are urging now is you have not completed the story to deal adequately with what I was asking about?—A. Yes. I think I have dealt with the example which you asked me to give of another year as to whether it could be multiplied by four in another year. I think I said that in the previous year, namely, 1947, the fact that the first quarter could be multiplied by four was influenced by the rise in prices which was permitted, but if that rise in prices had not been permitted then it would not have been correct to multiply 1947 by four.

Q. As a matter of fact, what I asked you was a little more than that. If I may put it this way, it was to prove your own warning that we should not generally multiply the first quarter by four. I did not think you could answer it immediately in regard to all years, but I thought you might look back over the years generally and justify or otherwise that warning. As you say you have dealt with 1946, was it not?—A. 1947.

Q. 1947 rather, and of course in that case you can get the total year by multiplying the first quarter by four, but you say there were special circumstances in the way of price increases which were granted that made that a valid process?—A. Yes, sir.

The VICE-CHAIRMAN: Now, having gone that far, it is desired to get back to the question asked by Mr. Monet. That is right?

Mr. LESAGE: On this question of quarters I still have one question.

The WITNESS: Well, I am still on quarters. Now, in comparing these 1948 quarters I am afraid that I should not have taken Mr. Maybank's question in between, because I first of all pointed out that in the quarters of 1948—is that the point you want to go back to?

Mr. LESAGE: No. I would like to go back to 1946 because there were no increases in prices in 1946. I have before me your statement No. 2 on page 3. You will see there were no increases in price in 1946, and the first quarter is lower than the three others. In 1946, they were about equal, aren't they? Yes, they are about equal in 1946. Do you see that.

The WITNESS: You see where we have a low one in July. That is one of the reasons why the first quarter cannot be multiplied. We always have a low quarter in July.

Mr. LESAGE: There may be one exception of one month, but they seem to run pretty even.

The WITNESS: Yes, I know.

The VICE-CHAIRMAN: Gentlemen, I have to break in here for a moment to remind us all that we have to allow each other an opportunity of fiinishing questions. You are impetuous and Mr. Palmer himself is eager to answer, and between the impetuousity of the questioners and the eagerness of the witness we are liable not to get a properly connected story.

The WITNESS: Now, I think I could probably get that. In 1947, if you multiply the first quarter by four—have you done that, Mr. Lesage?

Mr. LESAGE: I have been reading the figures from this statement. Lets take the operating income.

The WITNESS: O.K. The operating income as I see it, the first quarter, the operating income before inventory reserves and taxes amounts to $1,129,000. If you multiply that by four you get $4,500,000. Right? And if you add all the figures up together you get, what—$3,827,000—which is less.

Mr. LESAGE: But it is not a large difference.

The WITNESS: No, there is not a large difference in this particular case. I admit there is not. But you must remember that we are there operating under absolutely stationary conditions where we have no changes. We have nothing in there in the way of anticipated alterations in the market. I have been saying that in this particular time you cannot multiply. And I have to give you additional reasons. In 1947, there were additional increases in price. But let us revert back to 1946. There is still a difference. You still would be wrong if you were to multiply that. In 1948, as I have already pointed out, there is an exceptional sale of inventory which is a big factor. But there is one other point too, and that is that a portion of sales in the first quarter of 1948, was new products that we are making at Sorel. Now, in the making of new fabrics it happens always, and this particular case is no exception, it happens that you make a lot of bad fabric; and in the first quarter we have sold the good fabric that we have made and are substantially keeping all the bad fabric back because we do not want it to get into the market, and because we want to get this new suiting tried out this summer. But to some extent that has to be taken into the average price, and by keeping some material which we will have to job off probably at a loss; that would to some extent affect the profit picture of the first quarter. But the major factor I think is the first one we have talked about, inventory. Another one is that some of our products, all our new products are difficult to price correctly. And I think you will find that if you were to multiply by four, even taking the first factor alone into account, that you would be a long way off from the 1947 profit on the turnover.

Mr. MONET: I have just three or four more questions, Mr. Chairman, along the same line of questioning which I would like to complete and then leave the field to the members of the committee.

The VICE-CHAIRMAN: I would like to say, however, that Mr. Thatcher has had one question he wanted to ask for some little time, and I think it is related to this same line of questioning. I certainly gave him the eye, and I think he should have an opportunity of going ahead.

By Mr. Thatcher:

Q. I will be very brief. It is on this one point, this three-month period about which Mr. Lesage has been asking, also Mr. Monet. Now, as a matter of fact last year your net profits were 15·5 per cent after taxes, and the first period, the first three months of this year your profits went up to a figure of 24 per cent after taxes; and at that particular moment you have taken the opportunity to raise your prices?—A. Not at that very moment, Mr. Thatcher.

Q. And what is more, Mr. Palmer, you said that you were free to go even further?—A. No, I did not.

The VICE-CHAIRMAN: No.

Mr. THATCHER: Yes, you did.

The VICE-CHAIRMAN: Oh, no, no. Let's keep the record straight. The point was, Mr. Thatcher, and I believe you will agree if you will think back, Mr. Irvine said something to this effect, you are free now; and Mr. Palmer said yes we are free now. That is what was said. That is not quite the same as to say you are doing that.

Mr. THATCHER: Would it not look to this committee that this is one of the most shocking examples of a company not showing their strength in order to keep these prices down? There is no sense of public responsibility there because if every company in Canada took the view that you have been taking we would have uncontrolled inflation in this country and an inevitable depression. I do not know what your justification is for that time taking such a terrific and abnormal profit.

The WITNESS: I think that is a most unfair statement.

Mr. THATCHER: Tell me where I am wrong then. Tell me why, when your profit was so high, you took that moment to increase your prices?

The WITNESS: In the first place, we did not take that moment.

Mr. THATCHER: Well, your prices increased on the 1st of April—

The VICE-CHAIRMAN: Let him answer the question, Mr. Thatcher.

The WITNESS: In the first place, we did not take that moment, Mr. Thatcher. We made this decision prior to the figures being available even for January. We had a wage increase, as I have stated before which was $1,250,000.

Mr. LESAGE: What date did that come into effect?

The WITNESS: Effective, I think, from the 11th of January. That would not come into our costs immediately; as a matter of fact, it would not come into our costs directly for four or five months, because of the way in which we make our costs. It gradually comes into our costs. The one and a quarter millions of excess expenditure was a certainty unless we could make further economies through efficiency. The prices which were increased would represent $400,000. That left us with a position as we saw it of about $800,000 in which our costs were going to increase from this one cause alone. We had also other causes which we knew of; there were increased freight rates, and other things to which I have referred. Offsetting this was the possibility of this new venture that was a big thing; and the possibility of an increase in the sale of yarn. Both of these had big question marks in front of them, and the first one still has a big question mark in front of it, or behind it. We are making new fabrics. Technically we hope that we have made them all right. We do not know whether commercially it is going to be successful even now. Now, we face the question, or rather the implication was made, that we are responsible—

Mr. THATCHER: I think it was deliberate.

The WITNESS: That word "deliberate" I would like to take objection to. Our fabrics are selling in this market today at lower prices than other comparable fabrics. I say that—not I myself—we cannot determine the price of every fabric; but as soon as we were free to put on our own prices, September 15, I personally saw our sales staff, and particularly at the time when this committee for securing the public was brought into being, I saw our sales staff personally, and I said to them that they must go to every single customer that we have and they must ask them—and there are about 1,500 of them—whether there were any cases, any instances in which our fabric prices or our yarn prices were acting as an umbrella, forcing prices up, comparing them to anything else they were buying, whether they were imports or domestic; and I can assure you that I know of no instance in which our prices were higher than competitive prices; and if I did know it we would drop the price. But I wanted to bring these things into line. All I am saying is that we were not acting to raise the standard of prices. And I can promise this committee that if there are any fabrics or any competitive products which are lower, so that we were acting as an umbrella as it were, we would drop those prices. But I don't want to drop our prices below the prices which are established too far anyway.

By Mr. Thatcher:

Q. But, Mr. Chairman, as an industrial leader can't you see that you are bound through this policy in this postwar period of taking all you could get, which we can only conclude from this figure—at least, I can only conclude that from it—can't you see that if that policy is followed by everyone it is bound to bring about inflation in this country, inflation of a kind that would be simply fantastic? Can't you see that as the inevitable result of the policy you are following, when you are following this deliberate policy of taking two or three times what you have been getting before?—A. You have used two words there, Mr. Thatcher. The first thing you say is that it is a short sighted policy and you next referred to the depression. You referred to taking all the profit we could. I assure you we are not taking anything like the profit we could take.

Q. You could take more than 24 per cent net?—A. We could raise the price of our fabrics and yarn by at least 15 per cent and we would sell every yard we make and we would still have every customer saying that we made the best goods and sold them at the cheapest prices. We have not taken advantage. Secondly, you say that this action will throw the country into a state of depression.

Q. I said that if everyone followed that policy— —A. If everyone followed that policy—and that is exactly the sort of thing which is going to stop us from getting into a depression.

Q. How?—A. I will go into that if you desire.

The VICE-CHAIRMAN: Just a second. I think that question would take us too far afield.

Mr. KUHL: It is only opinionative anyway.

The VICE-CHAIRMAN: Yes, it is getting into a general economic discussion and I think you had better pass that question.

Mr. LESAGE: I thought Mr. Thatcher only had one question.

The WITNESS: Could I make a remark on it, though?

The VICE-CHAIRMAN: Yes, we want Mr. Palmer to have the opportunity for full disclosure and we do not want to stop you even to the extent of a certain amount of opinion.

The WITNESS: I do not want to express any opinion.

The VICE-CHAIRMAN: My interference was to prevent getting too far afield. Will you continue, Mr. Palmer?

The WITNESS: I think this is important and I do not like to leave it after it has been said that we are profiteering and that we are irresponsible and contributing to this situation. We are today on the flood, as it were, of high prices and what we call a sellers' market. There are all sorts of economies, a terrific number of economies, which can be made when we come to the ebb tide. It is something like a swimmer swimming with the tide, when the tide changes backward he finds that all those factors will operate against him. So it is with us and unless we have given a tremendous amount of forethought and planning we are going to find that when the buyers' market arrives, unless we have got a margin of profit to look after that we shall find that we are going to have to lay people off, and reduce wages because we will not be able to reduce prices. I want to be able to reduce prices. This is not opinion, it is experience. I have been through one depression with this company and it was a very tough time. We had the greatest difficulty, Mr. Thatcher, in keeping our people continuously employed and in not reducing wages because when you come to a depression or when you come to a buyers' market these things happen. The first thing that happens is that buying stops. You have to wonder whether you are going to have to put something into stock.

By Mr. Lesage:

Q. Where do you place the depression? Do you carry it over until 1939?—A. The depression carried over certainly until 1938.

Q. So 1936 and 1937 were depression years?—A. No, 1937 was a little bit better.

Q. You said 1938, and I am taking your answer?—A. In 1938 we went down, but I am saying we went through a depression. I do not think that statement is subject to doubt. We went through a depression from 1930 onward. What I am trying to say is that during that period of time we had to try, and we succeeded in keeping people employed.

Q. Did you have any losses?—A. Not long—

The VICE-CHAIRMAN: I think we are perhaps interrupting the witness too often.

Mr. LESAGE: The answers are so lengthy that it is impossible not to interrupt.

Mr. KUHL: You are too impatient.

Mr. LESAGE: No, but the answers are so lengthy that they are dissertations.

The VICE-CHAIRMAN: You have got to remember that you have a witness here respecting whose business Mr. Thatcher has expressed certain opinions, and the witness feels that he ought to be allowed to controvert them. I think we all agree that he should have the opportunity, and if you stop to think, Mr. Thatcher, you will also agree. It is not possible usually to controvert that sort of thing in a very short answer. If you interject a question in that fashion you take the witness away from his train of thought and you do not give him an opportunity to fairly controvert the statement. There is one other consideration and that is that you have not saved time in the matter but you have added time. I would not go so far as Mr. Kuhl did to say that you were impatient but perhaps there is just a touch of impatience with which you are struggling. Please struggle a little harder.

Mr. LESAGE: May I say that when the witness is answering by lengthy dissertations and adds statements over statements, some of them may look very odd. He said during the depression, that was one example, that they had a very tough time. Looking at the figures I can see they made fair profits during the depression.

The VICE-CHAIRMAN: That is all right. A term used by any witness can be subject to re-examination afterwards as to what meaning is assigned to it. That is the function of re-examination, to see whether the term used by a witness is understood by all in the same light.

Mr. IRVINE: Let us get on.

The VICE-CHAIRMAN: I think you ought to refrain unless it is absolutely necessary, from breaking in on a question. You have got to be fair to a man who is giving evidence. Now, Mr. Palmer, I do not know whether you can pick up the threads of your answer but I hope you can. You have the field at the moment.

The WITNESS: I admit that I am talking in general statements because I am just trying to take an illustration only of what happened in the last—I will not call it depression but if you like it was the last buyers' market—where I contend we were faced with a tough problem which we managed to solve partly because we had a new product but we had to build up staggering inventories. I cannot give you the figures of those inventories which we had to build up in order to keep our people going. Everybody surely knows it was very difficult to sell material. I do not say we did not succeed and we did succeed, but we have another period coming, or we may have another one coming, and all I point out is that looking at this period we have to face with foresight the possibility that it will be difficult to sell our goods. When we find difficulty in selling our goods we must put ourselves in the position if we can that we will continue to employ our labour and that we will continue to pay wages. It has not been usual to be able to do that. We did it before but we had special circumstances. I say that we have to give extreme thought, tremendous thought to this problem of trying to avoid laying off people if we did find it difficult to sell our product. This development at Sorel is part of that same foresight. All I am trying to say is that if this is coming we are going to need some margin of profit because we are going to have to do the following things.

The VICE-CHAIRMAN: Well—

Mr. FLEMING: The witness is not yet through.

The WITNESS: These things are important. We are going to have to supply a greater variety of fabrics. Buyers are going to say "can you not make it this way or that way" and I estimate our production will fall, simply because of complexity, by 15 per cent. That is to say our costs will go up. Secondly, in order to stimulate business we are going to have to do a lot of promotional advertising. Today we do practically nothing. That is the reason our profits are higher now. We do not see why we should spend money in the sellers' market and we would sooner put it away so we can spend it when it matters. We are not spending the 1 per cent or 2 per cent which we should be spending on advertising because we want to spend it when it matters. The next thing we are going to have to do is to drop the price and to drop the price at the right time so that it will stimulate business, because buyers are only going to buy when they see you have something to offer them. I want to be able to drop prices, not now but then, and then we shall be able to come through without putting people off on short time. You will see from Mr. Griffin's report, that he anticipates that we have almost come to the point at which the market is supplied. I think you will find that statement in his report. We also have stimulation by the government for imports and the tariffs have been taken off. All those factors together are likely to make a recession by the end of this year. I maintain that we, as businessmen, must take that into account and that anything we have done in the way of raising prices has not done anything at all to force general prices up. That is all I have to say.

Mr. LESAGE: I have a series of questions. Is this the time?

The VICE-CHAIRMAN: I think it is only fair that you should be introduced to the committee now with your questions.

Mr. MONET: Counsel will relax.

By Mr. Lesage:

Q. You said during the depression years you suffered tough times and yet I can see you made profits in all those years, and they were substantial profits?—A. We had tough times in selling our products.

Q. Yes?—A. The problem was to sell our products.

The VICE-CHAIRMAN: Wait one moment. Mr. Lesage really directed his attention to the fact that during that time you did make rather large profits. Your answer to that was hardly responsive as you said "we had tough times in selling our products".

The WITNESS: We built up a large inventory, and I do not think we did make large profits.

The VICE-CHAIRMAN: Then turn to the facts. All I want to make clear is that the two of you are at one, which was not apparent from your answer.

Mr. LESAGE: I can see from statement No. 1, page 1, that in 1936 your operating income to sales was 21·8 per cent.

The WITNESS: Let us go back to 1930 and—

Mr. LESAGE: No—

The VICE-CHAIRMAN: Let the witness complete the sentence. I am having to break in a little oftener than I would like.

Mr. LESAGE: In 1937 the percentage was 21·7 and in 1938 which you described as a low year it was 20 per cent. Is that true?

Mr. KUHL: Could we have the figures from 1930?

By Mr. Lesage:

Q. I would like to have an answer to my question first?—A. Yes, our operating income in 1936 was 21·8 per cent.

Q. Did you suffer any losses from 1930 to 1935 inclusive? We do not have those figures?—A. I am trying to find them. I see that in 1930 we could only pay part of our preferred dividends.

Q. Yes, but what was the operating income?—A. I do not know whether we can get the operating income because these figures which are before you have been prepared in an entirely different manner.

Q. What were your net profits?—A. $811,000.

Q. Was that your worst year?—A. No, I am starting at the beginning.

Q. Yes, but can you give the percentage to sales of the net profit for 1930?—A. I have not got the sales.

Q. You have not?—A. I know that we were not able to pay our preferred dividends.

Q. That is not my question; I asked what your net profits were from 1930 onward?

The VICE-CHAIRMAN: Just a moment. You asked what the net profits were and the witness said that he might not be able to give you the net profits but he added that he noted that they could not pay their preferred stocks.

Mr. LESAGE: With all due deference he gave me the net profit figure for 1930 which was $811,000. Now I ask him if it was the lowest year and I did not get an answer.

The WITNESS: I do not know whether it was, and I am just trying to find the figure.

Mr. LESAGE: If you proceed to give us the figures for 1931 and 1932 we will all know.

The WITNESS: In 1931 the net profit was $805,000; in 1932 the net profit was $718,000; in 1933 the net profit was $1,260,000; in 1934 the net profit was $1,504,000.

Mr. THATCHER: Are those the figures before taxes?

The WITNESS: Those figures are after taxes.

By Mr. Lesage:

Q. Those figures are after taxes?—A. In 1935 the net profit was $1,600,000. You have the remaining figures.

Q. Now in answer to Mr. Thatcher's question you said one of the reasons why you had to increase your price instead of reducing it was that you were afraid you would have to provide for a coming recession and you said it was because of your experience in the depression of the 1930's which were tough times, that you formed that conclusion and that you had to make huge profits as you are now making. You will agree with me that your thesis does not hold now?—A. No.

(Mr. Kuhl took the chair.)

Q. What would you say?—A. At that time we were introducing a new product. We are pioneers of artificial silk for dresses.

Q. That is not my question?—A. I am answering your question, Mr. Lesage, but I cannot answer it by just saying yes or no. Please let me answer your question. The difference between then and now is what you were asking for.

Q. No, you said the reason why you did not reduce prices was because of your experience during the depression years and then I say that in the light of the profits you have just mentioned do you agree that your thesis does not hold any more since those profits are even higher than profits during the war years?—A. The thesis does hold and I was telling you about the future.

Q. Do not talk about the future because all your experience is based on the past?—A. At that time we were introducing a new product which, if it succeeded, would show profits and if it did not succeed there would not be profits. Now we went through those early years as you see, and you consider it was profitable but I consider that it was not. We were in pretty serious trouble when we were not even earning our preferred dividends at that time. Also we had a new product which, if it succeeded, would result in a profitable enterprise. We did succeed and it was a profitable enterprise. The situation is not now the same.

Q. It is all right, I have had the answer to my question, do not go on.

Mr. FLEMING: The witness is entitled to finish his answer—it is not irrevelant.

Mr. LESAGE: I have just had the answer. He said the situation now is not the same as it was.

Mr. FLEMING: Mr. Chairman, let us be fair about this. Mr. Lesage has asked a question of the witness and whether Mr. Lesage likes it or not—

Mr. LESAGE: The witness was going on.

Mr. FLEMING: The witness did not complete his answer and Mr. Lesage breaks in and says that he has got the answer and wants it to stop there.

The ACTING CHAIRMAN: Were you through, Mr. Palmer?

The WITNESS: No, I was not through. Mr. Lesage is saying that it is not valid that we should say that the situation is different now. The products are being made by everybody now. The things upon which Drummondville depends are not new things which we can get the market for by development. They are products which are being made all over the world now. In the 1930's we were making something new and we were able to keep our people employed by the technical ability to make something somebody else did not make. Now the world has learned how to make these things. There is large production in Canada and when this depression comes, if it comes, the total amount of sales is going to fall and we are going to have to fall with it. What I was saying was that in the depression the last time we did manage to keep our people going. That is what I meant by a tough time—which word caused all the trouble—and I did not mean that it was financially tough but we had a tough time trying to find products we could sell along with other people who were having the greatest difficulties selling products they had been making. I maintain at this time when everybody is making the same sort of product lack of demand will affect us at Drummondville as much as anybody else. Unless we can come along with something new and with inducements, we are going to find ouselves in the difficulty of laying off people. I have finished my answer.

By Mr. Lesage:

Q. You said you could not reduce your price and that you even had to bring it up on the 1st of April because you had to make reserves and on account of the fact your cost will go up. As part of those additional costs you mention advertising. You say that you do not have to do any advertising at this time and that is reducing your cost. Did you ever think of letting the people, the consumers, have the benefit by reducing your prices?—A. If the consumers benefited by the reduced price we should not have the money ready for making the expenditures afterwards. We are putting a certain amount of the money back so that we can do advertising in the future. You cannot do it both ways, can you?

Q. You can take your profits at that time and spend part of your operating income at that time to advertise?—A. At that time we are going to have to drop our prices.

Q. Did you drop your price during the depression?—A. Oh, did we drop our prices? I will say that we did.

Q. And you still made higher profits than you did during the war?—A. We were making new things, which, incidentally, Mr. Lesage, is just what we are trying to do at Sorel. It is part of the same business but it may fail. I do not know whether it is going to succeed; do you not see?

Q. I will come back to your first answer. If I am correct you said your new scale of wages came into effect at the beginning of January, is that right?—A. I beg your pardon?

Q. You said your new scale of wages came into effect— —A. Yes, it started on the 11th of January. I think the negotiations finished on the 22nd of January.

Q. Was it retroactive?—A. It was retroactive to the 11th.

Q. So the figures we have here as profit for January, February, and March, on page 6 do take into account this increase in wages?—A. Those figures will include a part of the increase.

Q. At what time in the following month do you get the figures for the preceding month?—A. About the end of the following month.

Q. Would you give us the figures then for April 1948?—A. I do not think I have them.

Q. You had them at the end of May?—A. I have not got them with me.

Q. You were the executive officer of the company?—A. Yes.

Q. What were they?—A. I do not know.

Q. Mr. Palmer, please, you are the executive officer of the Canadian Celanese Company and you want to tell me that having looked at the figures for April 1948 you cannot give me an approximate figure as to what the operating income— —A. You did not ask me what the approximate figures were. You asked me for the figure.

Q. Do not split hairs.—A. I am not splitting hairs.

Mr. Fleming: Now, let us be fair. Mr. Lesage first asked for the figures and the witness says he has not got them. Mr. Lesage next goes on to ask about approximate figures and I think the remark about splitting hairs is unfair.

Mr. McGregor: What figures was Mr. Palmer asked to bring?

Mr. Monet: He was asked to bring figures for a certain period.

By Mr. Lesage:

Q. If you can give me approximate figures I would like to have them?—A. I cannot give you the figures but I can give you an approximation of what they were. I do not think the April figures were very different from January, February and March figures.

Q. The figure would be somewhere between $600,000 and $700,000?—A. What date are we at now?

Q. The 17th of June.

Mr. Fleming: Nine days before prorogation.

The Witness: The figures are much the same.

By Mr. Lesage:

Q. They would be between $600,000 and $700,000?—A. Yes, that is true.

Q. Would you know by now the figures for May?—A. No, I do not think we have the figures for May. We have spent so much time on this inquiry that we are really a little behind. I have been here a little over a week now.

Q. You cannot give me approximate figures for May?—A. No, I cannot.

Mr. THATCHER: What was that April figure?

The WITNESS: It was about the same.

Mr. LESAGE: Between $600,000 and $700,000.

The WITNESS: The April figure is about the same as the figure for January, February, and March.

Mr. THATCHER: It would be bigger, would it not?

Mr. LESAGE: Between $600,000 and $700,000?

Mr. THATCHER: January was $430,000?

Mr. LESAGE: I am talking about operating income.

Mr. THATCHER: Oh.

The WITNESS: There would not be a great deal of difference.

By Mr. Thatcher:

Q. Now, Mr. Palmer, as executive officer of that company when you had those figures for April even after this increase in wages, did you not think that since your operating income was about the same in the first month of the second quarter as it was in the first quarter you could have reduced your prices to the consumer?—A. No, I do not think so. We have not done so and I do not think we should do so. I do not think it would have any effect on the price to the ultimate consumer.

Q. That, I think, is a question that can be decided elsewhere. It is a matter of opinion. Did you not think of reducing the prices to your customers?—A. We thought of it, and decided against it.

Q. You decided against it?—A. Yes, because we were selling under the market anyway and because we could use the money to very good effect.

Q. Mr. Palmer, you are the head of a large industry, are you not?—A. I am not the head.

Q. Well, you are the executive officer of a large industry, are you not?—A. I am, yes.

Q. I presume that you are in favour of free enterprise, and that you think it is the best way to secure the common good of the people of the country. I am of that opinion. Do you agree with me?—A. Yes.

Q. Do you not think that we are putting our system of free enterprise in very great danger if you and other companies like yours go on taking one-third profit on their sales?—A. No.

Q. Have you not seen enough examples in other countries, and even in our own country, of the danger of socialism so that you would be led to follow another line of conduct?

Mr. THATCHER: Have you not been watching the by-elections?

Mr. LESAGE: I am not being funny about it. It is a dangerous thing if companies like this company go on taking such huge benefits and not letting the consumer benefit.

Mr. THATCHER: That is what we have been telling you. I am glad you have come to that conclusion.

The ACTING CHAIRMAN: Can you answer that question?

Mr. LESAGE: It is very dangerous. I would not like my country to have the same low standard of living we have seen in socialist countries. Here you are, one of the men who could prevent it, and you are doing nothing about it. Do you not feel you are responsible for a lot of things that happen?

The WITNESS: No, I do not think that will have any effect whatsoever. I think that the fact that we are making products which are selling cheaper and are as good or better is the fact that will really influence the public, that they will see what you call free enterprise is producing new things and better things cheaper than anyone else.

Mr. LESAGE: As one of your friends, and one who thinks like you but one who is nearer the people I can tell you that your approach is wrong.

Mr. FLEMING: I thought we were having questions at this stage and not statements.

Mr. LESAGE: I think it is a very important thing that industry in this country understands that it has—

Mr. FLEMING: Well now—

Mr. LESAGE: I am answering you, Mr. Fleming.

Mr. FLEMING: Let me make my remark first, will you? It is an important thing to have questions at question time and speeches or statements at speeches and statement time. It is one thing to proceed with questioning the witness and another thing, when he either has or has not answered, to start to declaim and make speeches. There will be plenty of opportunity, I hope, if we ever get to the House for all speeches to be made on the subject, but we are now having questions and answers.

Mr. LESAGE: Yes, but the witness will not be here then.

The ACTING CHAIRMAN: I do think Mr. Lesage's question tended to induce opinionative evidence. I think it is a little outside the bounds of questions that should be asked. I am of the opinion it should be confined more to questions of fact rather than opinion.

Mr. FLEMING: That is not the point I made. I am not objecting to questions. I am objecting to declamatory speeches. Let us have questions. That is what we are here for.

(Mr. R. Maybank, Vice-Chairman, resumed the chair.)

By Mr. McGregor:

Q. I should like to ask the witness one question. If you take the rise in price that we have been talking about how much money would that mean on the cost of a suit of clothes?—A. Well, it would not be a suit of clothes. It would be a woman's dress. That is the best instance.

Q. Something like that.—A. The rise in price was 2½ cents per yard. There are approximately three yards to a dress, so that the rise in price would be 7½ cents per dress which would sell in the retail stores at probably $15.

Q. Seven and a half cents on $15?—A. Seven and a half cents on $15, if it ever got there.

Q. Then I wonder does anyone think if that price had been left the way it was the 7½ cents that you are getting would have made any difference to the price of the dress?—A. I am sure it would not have made any difference, that it would never have got to the customer.

Mr. THATCHER: If every company takes that attitude we will never get prices decreased. It is the accumulation of all companies which are causing the increases.

Mr. McGREGOR: Maybe we should start on some of the people who handle these things after they leave the factory?

Mr. THATCHER: Maybe we should.

M. LESAGE: We have something here which is quite important.

Mr. McGREGOR: It means 7½ cents on a dress.

The VICE-CHAIRMAN: Let us stop that which is purely discussion. Has anybody else got a question?

By Mr. Lesage:

Q. When you answered 7½ cents on a dress you did not take into account the fact that the profits of the intermediaries are based on a percentage of cost, so that the 7½ cents would be multiplied?—A. Oh, by two, I should think, at least. It might be 15 cents when you multiplied it.

Q. It might come to $1?—A. If it came to $1 there is something very funny about it.

Q. Well, I would not like to say anything about the clothing industry, but there is something funny there.

By Mr. Pinard:

Q. Why do you say it would not reach the consumer?—A. Because we are selling below the market, and in the consultations we have had and the contacts we have had with our customers we find that a great deal—perhaps I should not say a great deal because it is difficult to arrive at figures here—of this merchandise when it is selling below the market is resold and resold. There are people who take their quotas but they do not make it up. They resell it to somebody else. There is a grey or second hand market and as soon as you are selling below the market on competitive goods you will always induce this sort of resale.

By the Vice-Chairman:

Q. We had witnesses in an entirely different commodity, butter, who said that if they cut their price 10 cents below what most people were charging it would only have resulted in people buying it from them and then getting that 10 cents themselves. I presume that is the sort of thing to which you are now directing our attention in case you cut your prices further. Is that the sort of thing you have in mind?—A. Yes.

Q. You spoke of a grey market?—A. Yes, that is what I mean.

By Mr. Lesage:

Q. On that point do I understand you are taking the higher price because you believe that the intermediaries will absorb the reduction if you make one? —A. That is not why they are doing it.

Q. Pardon?—A. That is not why they are doing it.

The VICE-CHAIRMAN: The witness did not say that was why, but he did point out that could, and I think he would have said would occur.

Mr. LESAGE: Would occur.

By the Vice-Chairman:

Q. I think you would go that far to say that ? You said that could occur, but it would occur?—A. Very likely.

By Mr. Lesage:

Q. If all the intermediaries who come after you follow the same reasoning where do we go?

Mr. KUHL: May I ask a question?

The VICE-CHAIRMAN: There is a question. That is a question.

Mr. KUHL: I think that is a question which induces an opinionative answer.

The VICE-CHAIRMAN: It may be that cannot be answered very well, but you broke in at the moment he had just put the question mark after his last word.

Mr. KUHL: I did not think Mr. Palmer was going to answer.

By the Vice-Chairman:

Q. Are you able to answer that?—A. I do not know where we go if that happens. I do not know where we go.

Mr. LESAGE: Inflation.

By Mr. Kuhl:

Q. I was going to ask my old question of Mr. Palmer. Would it make any difference to the selling price of your commodities if you were not obliged to pay any dominion taxation? Could you reduce your prices on your commodities?—A. Oh, you bet we could, yes, sir.

Q. You could not suggest by what percentage?

The VICE-CHAIRMAN: I suppose it would be at least equal to all the taxes you pay. Would it not be equal to at least all the taxes he pays?

By Mr. Kuhl:

Q. I am just interested in knowing about what percentage of the selling price that would be.—A. The whole thing would become so very complicated if we did not have any taxes. The government then would not have any income.

Q. That is not your concern, and all I am trying to get at is the proportion of your selling price or your cost that is represented by dominion taxation?—A. Oh, well, I think I could give that.

The VICE-CHAIRMAN: You can indicate, could you not, what proportion of your price is made up by tax of one kind and another?

The WITNESS: 14·6 per cent of sales is direct income tax.

Mr. KUHL: That does not represent all the dominion taxation.

The VICE-CHAIRMAN: I should not think so.

Mr. LESAGE: If it is true there is no doubt the profit is a huge part of the sales.

The WITNESS: That is only income tax.

Mr. KUHL: Would 25 per cent be too high for the over-all dominion taxation?

The WITNESS: I do not know.

Mr. FLEMING: May I suggest that it is 1 o'clock and if the witness will be coming back at 4 o'clock he might give consideration to the question and give a conclusive answer at that time.

The VICE-CHAIRMAN: I wonder if there is much practicality to that.

Mr. KUHL: There is from my point of view.

The VICE-CHAIRMAN: What I am getting at is every person will agree that taxes have something to do with prices. I think everybody will agree there is no likelihood either of the taxes being struck off.

Mr. KUHL: That again is a matter of opinion.

The VICE-CHAIRMAN: I realize that we could easily get all the money we want in a different way without taxes.

Mr. FLEMING: Let us have the answer anyway.

Mr. LESAGE: Is the witness coming back at 4 o'clock?

The VICE-CHAIRMAN: I am afraid it will be necessary if we are ending with a question. Perhaps if that question could be answered now the witness could be discharged.

Mr. FLEMING: If that is the only point that remains probably the witness could give the answer right now.

The VICE-CHAIRMAN: If he can not give the answer at the moment perhaps the answer could be turned in to the committee. That is all you want, is it Mr. Kuhl?

Mr. KUHL: I will not insist on it but if the answer could be turned in to the committee so much the better.

Mr. MONET: Should I file these documents now or would you rather that I would come back this afternoon and file them before we start with wool?

The VICE-CHAIRMAN: I think the record had better be completed this afternoon.

Mr. BEAUDOIN: With respect to this taxation question could the answer be broken down to show provincial, and municipal taxes as well as dominion taxes?

The VICE-CHAIRMAN: I suppose the witness might just as well show how much he could reduce prices if he did not pay taxes at all.

Mr. FLEMING: If you are going to turn the information in to the committee will you give the three kinds of taxes separately? I am interested in knowing what proportion of your selling price is represented by dominion taxation.

The WITNESS: Very well.

The VICE-CHAIRMAN: The meeting is adjourned.

The meeting adjourned to meet this afternoon at 4.00 p.m.

AFTERNOON SESSION

The committee resumed at 4.30 p.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Order, gentlemen. All right, Mr. Dyde.

E. H. Knight, Trudel & Company, Quebec, P.Q., recalled:

Mr. DYDE: Mr. Chairman, with regard to the examination into wool, it will follow the same pattern as the previous examinations; I will ask Mr. Knight to read the report. Before Mr. Knight proceeds, Mr. Chairman, I would like to say this. The recommendation which was approved by the committee on the 23rd of March included manufacturers of woollen products, all the companies reporting to the Dominion Bureau of Statistics. These were not all circularized because we found that quite a number of them were manufacturers of yarn only. Our circulars were sent to the three principal manufacturers of woollen products, and as well to some 51 companies indicated as comprising the industry. Among those firms, of course, were a number of manufacturers who produce both yarn and cloth, but we had to include some manufacturers of yarn because they also manufacture cloth, and that is the thing in which we are particularly interested at the moment.

Now, Mr. Knight, will you read your report?

The WITNESS:

REPORT "C"

Special Committee on Prices,
House of Commons,
Ottawa, Canada.

Gentlemen,—This report deals with the wool group of the primary textile industry of Canada. Except where otherwise stated, this report has been prepared from information shown on questionnaires submitted by companies whose main business has been reported as the manufacture of woollen yarns and cloth.

Attached to this report and forming part thereof are the following schedules:

Schedule C1:—Summary of annual sales and operating income (wool group) for the twelve years from 1936 to 1947 inclusive.

Schedule C2:—Annual sales and operating income of three special companies (wool group) for the twelve years from 1936 to 1947 inclusive.

Schedule C3:—Annual sales and operating income of 51 other companies (wool group) for the twelve years from 1936 to 1947 inclusive.

Schedule C4:—Analysis of operations on a sales dollar basis for the three special companies (wool group) for the periods indicated.

Schedule C5:—Quarterly sales of all reporting companies (wool group) for the twenty-seven months from January 1946 to March 1948 inclusive.

Schedule C6:—Finished goods inventories (wool group) expressed in terms of quantities, for the periods indicated.

Schedule C7:—Unit selling prices and components of cost, of articles reported by the three special companies (wool group) as at the dates indicated.

Schedule C8:—Capital employed and earnings of the three special companies (wool group) from 1936 to 1947 inclusive.

These schedules are submitted in the same sequence as the information contained in this report.

SCHEDULE C1

This schedule shows total sales, operating income and the percentage of operating income to sales for the twelve years from 1936 to 1947 inclusive, for all reporting companies in the wool group.

By Mr. Dyde:

Q. And you are using operating income and giving the same definition as you have applied to it previously in the course of this investigation; is that correct?—A. That is correct, sir.

Figures shown as "operating income" throughout this report represent net income before deducting:

(a) taxes on income

(b) interest on borrowed money and other financial charges

(c) inventory reserves

(d) depreciation set up in the companies' books in excess of the amounts allowed by income tax authorities

and

excludes investment income and profits or losses on disposal of investments and fixed assets.

Schedule C1 shows that the average annual sales for the twelve year period, of all reporting companies in the wool group, amounted to $43,445,000.00, the corresponding operating income of $4,286,000.00, being 9·9 per cent of the sales figure.

Operations of these companies during the twelve years under review have been affected by the following events:

(a) The relative depression of the years 1936 to 1939 inclusive, which some companies claim, caused their operations to fall below normal;

(b) The first two war years 1940 and 1941, during which the companies, in addition to their civilian business, undertook military contracts which resulted in increased operations;

(c) The years 1942 to 1946 inclusive, during which the industry was subjected to price ceilings imposed by Wartime Prices and Trade Board, and operated under various subsidy arrangements;

(d) The year 1947, during which price ceilings were removed.

The table detailed on the following page shows the average sales, operating income and percentage of operating income to sales for each of the four periods detailed above:

	Total sales	Operating income*	Percentage of operating income* to sales
	(thousands of dollars)		
Average for the pre-war years 1936/39	$24,307	$1,559	6·4%
Average for the pre-control years 1940/41	43,642	5,797	13·3%
Average for the control years 1942/46	54,426	5,209	9·6%
Post-control year 1947	64,703	7,552	11·7%

*As defined above.

The figures above show that the percentage of operating income to sales dropped from an average of 13·3 per cent to 9·6 per cent following the imposition of price controls, and increased to 11·7 per cent, the year during which controls were removed.

The reporting companies whose annual sales and operating income appear in consolidated form on schedule C1 consist of

(a) 3 special companies, being,
Dominion Woollens & Worsteds, Limited
Paton Manufacturing Company Limited
Ayers Limited
and

(b) 51 other companies, detailed by name and location on the lists submitted with report "A", being,
Those companies which reported their main business as being the manufacture of woollen yarn and cloth.

Schedules C2 and C3 give details of the annual sales and operating income of each of these groups respectively. The totals for twelve years under review shown on these two schedules have been summarized as follows:

	Total sales	Operating income*	Percentage of operating income* to sales
	(thousands of dollars)		
Three special companies reported on schedule C2			
Dominion Woollens & Worsteds, Limited ..	$ 59,526	$ 5,246	8·8%
Paton Manufacturing Company Limited ...	32,019	4,117	12·9%
Ayers Limited	37,080	6,046	16·3%
Fifty-one other companies reported on schedule C3	392,719	36,021	9·2%
Total, as per schedule C1	$521,344	$51,430	

*As defined above.

SCHEDULE C2

This schedule shows annual sales, operating income and the percentage of operating income to sales from 1936 to 1947 inclusive, for each of the three special companies, namely:

Dominion Woollens & Worsteds, Limited
Paton Manufacturing Company Limited
Ayers Limited

The follwoing table shows the averages of annual sales, operating income and percentage of operating income to sales, for each of the four periods defined under Schedule C1, for the three special companies together:

	Total sales	Operating income*	Percentage of operating income* to sales
	(thousands of dollars)		
Pre-war period, 1936/39	$ 6,668	$ 533	8·0%
Pre-control period, 1940/41	11,796	2,217	18·8%
Control period, 1942/46	12,763	1,400	11·0%
Post-control period, 1947	14,546	1,842	12·7%
Averages for the twelve years	$ 10,719	$ 1,284	12·0%

*As defined under Schedule C1.

Mr. FLEMING: The year 1947 is described as a post control period; what date did controls come off? I thought they were taken off woollens on December 15, 1947, the same as the others.

Mr. DYDE: No, the date was March 31, 1947.

Mr. FLEMING: Are these calendar years or fiscal years?

Mr. DYDE: These are fiscal years ending in these calendar years.

Mr. FLEMING: You have called it a post control period; it is a period during which some months were under control and some were not?

The WITNESS: We have done that, Mr. Fleming, because more of the year was post control than control.

Mr. FLEMING: But it is not all post control?

The WITNESS: No, that is true, it is not all post control.

Mr. DYDE: With the variations in all the fiscal years it was very difficult to come to the exact date for basing the comparison. This Mr. Knight thought was probably the best comparison of material. I think that is as well as you can get it.

This table reflects the variation in the percentage of operating income to sales during each of the four periods previously defined. The percentages fluctuate from 8·0 per cent in the pre-war period to 18·8 per cent in the pre-control period and then down to approximately 11 per cent from the date price ceilings became effective.

The figures shown on the above table have been reported, on schedule C2 attached, on an annual basis for each of the three companies.

In comparing the figures of one company with another, consideration should be given to the fact that, whereas the fiscal year of Ayers Limited coincides with the calendar year, Paton Manufacturing Company Limited terminate their fiscal period on April 30. The first annual figures reported by Dominion Woollens & Worsteds, Limited, were for the twelve months ended June 30, 1936; the second period covered the eighteen months ended December 31, 1937. From this date, the company's fiscal period coincides with the calendar year. For the purposes of this report, the figures reported by Dominion Woollens & Worsteds, Limited, in 1936 and 1937 have been pro-rated on a calendar year basis.

SCHEDULE C3

This schedule shows annual sales, operating income and the percentage of operating income to sales from 1936 to 1947 inclusive for the 51 other reporting companies.

The following table shows, for each of the four periods defined under schedule C1, the averages of annual sales, operating income and percentage of operating income to sales of the 51 other reporting companies. The percentage of operating income to sales of the three special companies reported on schedule C2 is shown for comparative purposes on this table.

	51 other companies			3 special companies
	Total sales	Operating income*	Percentage of operating income* to sales	Percentage of operating income* to sales
	(thousands	of dollars)		
Pre-war period, 1936/39	$ 17,639	$ 1,026	5·8%	8·0%
Pre-control period, 1940/41	31,847	3,580	11·2%	18·8%
Control period, 1942/46	41,662	3,809	9·1%	11·0%
Post-control period, 1947	50,157	5,710	11·4%	12·7%
Averages for the twelve years ..	$ 32,727	$ 3,002	9·2%	12·0%

*As defined under Schedule C1.

This table indicates that the periodical percentages of operating income to sales of the 51 other companies have been lower and have fluctuated less than the corresponding percentages of the three special companies.

The average annual sales for the twelve years under review reported by the 51 other companies are shown on the above table at $32,727,000, compared with the average of $10,719,000 shown under schedule C2 for the three special companies.

SCHEDULE C4

This schedule shows the components of cost and operating income for each of the three special companies, on a sales dollar basis for the twelve years under review.

The following table has been prepared from these figures and shows the twelve-year average for the three companies:

Raw materials—wool	40.3 cents
Raw materials—other	8.2 "
Labour	23.2 "
Overhead	16.3 "
Operating income (as defined under schedule C1)	12.0 "
Sales Dollar	$ 1.00

This twelve year average of the components of the sales dollar has been divided by periods previously established in this report, and appears as follows:

	Pre-War Period 1936/39	Pre-Control Period 1940/41	Control Period 1942/46	Post-Control Period 1947
Raw materials—wool	39.3c	40.4c	42.0c	33.9c
Raw materials—other	8.2c	7.1c	8.4c	9.4c
Labour	24.5c	18.3c	23.4c	27.5c
Overhead	20.0c	15.4c	15.2c	16.5c
Operating income (as defined under schedule C1)........	8.0c	18.8c	11.0c	12.7c
Sales Dollar	$1.00	$1.00	$1.00	$1.00

As selling prices have increased in each of the succeeding periods which have been compared above on a sales dollar basis, due consideration must be given to the decreasing quantity of goods represented by the sales dollar.

The operating income content of the sales dollar has also been compared on the following table with the corresponding share of labour and overhead:

	Pre-War Period 1936/39	Pre-Control Period 1940/41	Control Period 1942/46	Post-Control Period 1947
Operating income	8.0c	18.8c	11.0c	12.7c
Labour and overhead combined	44.5c	33.7c	38.6c	44.0c
Percentage of operating income to labour and overhead....	18.0%	55.8%	28.5%	28.9%

Mr. THATCHER: Mr. Chairman, I do not understand that title. What does that labour and overhead signify, again?

The WITNESS: Apart from the raw material in the product it shows the additonal expense that has been added to the raw material itsen. You start off with the raw material in a certain form, you see, and then you add certain things to it which involves an expenditure for labour and overhead; and, having added these things to it it then comes out of the selling price, and it gives you an operating income of so much.

Figures shown on schedule C4 vary from one company to another for reasons peculiar to each company.

SCHEDULE C5

This schedule shows quarterly sales of all reporting companies in the wool group for the twenty-seven months from January 1, 1946 to March 31, 1948 inclusive. The total sales by quarters for the three special companies have been shown in comparative form with the fifty-one other companies on the following table:

	Three Special Companies	Fifty-one Other Companies
	(Thousands of Dollars)	
1946—1st quarter	$2,883,	$10,682,
2nd quarter	3,161,	11,719,
3rd quarter	2,675,	11,363,
4th quarter	3,103,	11,889,
1947—1st quarter	3,459,	12,415,
2nd quarter	3,312,	13,440,
3rd quarter	3,767,	11,990,
4th quarter	4,387,	14,081,
1948—1st quarter	4,524,	14,469,

The figures shown on this table indicate the trend of the sales figures reported for the twenty-seven month period.

Of the three special companies, Dominion Woollens & Worsteds, Limited and Paton Manufacturing Company Limited have supplied operating income figures on an interim basis. Of the fifty-one other companies, only six have been able to supply similar information. The following table has been prepared from this information and shows in comparative form the percentage of operating income to sales for each of the two special companies and for the six other companies combined:

	Dominion Woollens and Worsteds Limited	Paton Manufacturing Company Limited	Six Other Companies
Percentages of operating income* to sales, as follows	per cent	per cent	per cent
1946—1st quarter	10·2	14·2	12·4
2nd quarter	10·5	3·3	14·2
3rd quarter	3·4	4·4	12·9
4th quarter	(1·2)	2·8	10·6
1947—1st quarter	14·8	7·6	12·6
2nd quarter	16·7	8·3	13·4
3rd quarter	11·3	10·3	10·5
4th quarter	16·3	15·9	13·0
1948—1st quarter	20·5	4·5	9·1

(*) As defined under schedule C1.

Mr. Fleming: I suppose, Mr. Dyde, you will be asking for some explanation of these figures at the bottom of page 7 in due course.

The Witness: The low operating income reported by Dominion Woollens & Worsteds, Limited for the two last quarters of 1946 is explained by the company as being due to their return to 100% civilian production in 1946 under inadequate ceiling prices.

From the interim figures reported by Dominion Woollens & Worsteds, Limited and Paton Manufacturing Company Limited, the following components of cost on a sales dollar basis have been computed by quarters for each company and are shown on the following table:

—	Raw Materials Wool	Raw Materials Other	Labour	Overhead	Operating Income*
DOMINION WOOLLENS AND WORSTEDS, LIMITED	$	$	$	$	$
1946—					
1st quarter	0.439	0.045	0.266	0.148	0.102
2nd quarter	0.398	0.042	0.297	0.158	0.105
3rd quarter	0.340	0.038	0.396	0.192	0.034
4th quarter	0.390	0.046	0.378	0.198	(0.012)
1947—					
1st quarter	0.294	0.039	0.345	0.174	0.148
2nd quarter	0.348	0.044	0.293	0.148	0.167
3rd quarter	0.329	0.035	0.350	0.173	0.113
4th quarter	0.337	0.034	0.301	0.165	0.163
1948—					
1st quarter	0.369	0.032	0.253	0.141	0.205
PATTON MANUFACTURING COMPANY LIMITED					
1946—					
1st quarter	0.463	0.089	0.212	0.094	0.142
2nd quarter	0.424	0.080	0.314	0.149	0.033
3rd quarter	0.389	0.069	0.319	0.179	0.044
4th quarter	0.415	0.090	0.319	0.148	0.028
1947—					
1st quarter	0.419	0.068	0.270	0.167	0.076
2nd quarter	0.356	0.118	0.252	0.191	0.083
3rd quarter	0.410	0.103	0.222	0.162	0.103
4th quarter	0.354	0.078	0.236	0.173	0.159
1948—					
1st quarter	0.349	0.072	0.317	0.217	0.045

(*) As defined under schedule C1.

Mr. DYDE: It might be useful, gentlemen, on pages 7 and 8, if we drew a line under the first quarter of 1947 in each case as being the last complete quarter before decontrol.

The WITNESS: The operating income content of the sales dollar shows a substantial decline in the case of both companies in the last half of the year 1946. This may be explained by the return to civilian production under inadequate ceiling prices. The upward trend shown by both companies in the first quarter of 1947 may be accounted for by the increase in selling prices authorized by Wartime Prices and Trade Board early in January of that year. Price ceilings were removed as at March 31, 1947.

SCHEDULE C6

This schedule shows finished goods inventories expressed in terms of quantities as reported by the three special companies.

Quantities of cloth and machine-knit yarns reported by Dominion Woollens & Worsteds, Limited have been included in schedule C6 and the following tables, which however do not include quantities of hand-knit yarns manufactured at the company's Hespeler and Orillia mills. The quantity of hand-knit yarns reported by these mills indicates that manufacturing operations were not continuous throughout the entire period, and if included with the other figures reported by this company, would disturb the figures for comparative purposes.

Schedule C6 summarizes the information received and shows:

(*a*) Year end inventories grouped by periods previously defined;

(*b*) Monthly or interim inventories grouped by quarters of years.

The following table shows the average combined inventory figures of the three special companies, by periods indicated:

	Inventories reported in Finished Yards (Thousands of Yards)	Inventories reported in Pounds (Thousands of Pounds)
1939	33	149
Average for the Pre-Control Period, 1940/41	73	172
Average for the Control Period, 1942/46	17	62
Post-Control Period, 1947	16	140
Reported by companies in 1948	53	52

The three special companies were asked to report their inventories as at the end of each year from 1936 to 1947 inclusive and at the end of each month from January 1946 to March 1948 inclusive. Dominion Woollens & Worsteds, Limited and Paton Manufacturing Company Limited have reported fully as requested, whereas Ayers Limited have been unable to report monthly inventories.

The inventories of finished goods expressed in terms of quantities reported by two of the special companies at the end of each interim accounting period from January 1946 to March 1948, have been averaged by quarter-year periods and shown for each company on schedule C6, a summary of these figures appears overleaf:

	Inventories reported in Finished Yards (Thousands of yards)	Inventories reported in Pounds (Thousands of pounds)
1946—		
1st quarter	5	50
2nd quarter	3	51
3rd quarter	1	23
4th quarter	3	30
1947—		
1st quarter	3	30
2nd quarter	5	106
3rd quarter	5	38
4th quarter	9	39
1948—		
1st quarter	38	50

As the average inventories maintained during the first quarter of 1948 exceed average quantities carried in the two preceding quarters, the following table is submitted in order to show details of the variations by months during these three quarters:

	Dominion Woollens and Worsteds, Limited		Paton Manufacturing Company Limited
	(Thousands of Finished Yards)	(Thousands of Pounds)	(Thousands of Pounds)
3rd quarter of 1947:			
July..	5	13	23
August..	2	13	..
September..	7	19	..
4th quarter of 1947:			
October..	6	16	21
November..	5	19	..
December..	16	18	..
1st quarter of 1948:			
January..	22	16	31
February..	38	21	..
March..	53	21	..

The 53,000 yards of finished goods shown at March 31, 1948 appears to be greater than the average yardage maintained during the pre-control and control periods, as shown on the table on page 9, whereas finished goods inventories expressed in terms of pounds are less than the relative average figures maintained in any of the periods shown.

Schedule C7

This schedule shows the unit selling prices and the components of cost of articles producing a significant sales volume as reported by each of the three special companies.

Unit selling prices and costs have been shown under the following dates:

As at January 1, 1942

As at April 1, 1947 (day following removal of price controls)

As at April 1, 1948.

The method of determining the components of costs shown on schedule C7 has varied with each company.

Dominion Woollens & Worsteds, Limited state in their return that, due to the sharp rise in the price of wool, they found it necessary to base their selling prices commencing in April, 1947, on the replacement cost of raw materials rather than the actual cost of materials shown by their books. Therefore, in addition to cost data shown by the company's records, they have submitted costs based on replacement values of raw materials. Both sets of figures are submitted on schedule C7 in comparative form.

Paton Manufacturing Company Limited have included in overhead as a component of cost, items other than operating expenses. Raw materials have been costed at replacement values, labour being shown at the average rates prevailing on the dates indicated.

The system of costing at Ayers Limited is maintained on a basis of Standard Cost.

By Mr. Dyde:

Q. What do you mean by that standard cost?—A. That is a method of costing known in the accounting world whereby you estimate what your costs are going to be and base your selling price probably on those costs, and then when the end of your period has come you see how far out you were in your guess, and then you amend these figures. You see, Ayers Limited have not submitted interim figures because they haven't got them. They work on this system of standard costs and they do not take inventories periodically as they do not consider it necessary for their purposes.

The companies have in addition to giving a technical description of each of the items reported, supplied samples of the material itself in each case.

Mr. DYDE: These might be distributed as Mr. Knight reads. Perhaps at the same time I should interrupt, because I believe you produce exact specifications as well as the materials, do you not?

The WITNESS: That is correct.

Mr. DYDE: And therefore, as we have done previously, I would like to have distributed the exact specifications which Mr. Knight now supplies as a supplement to report C. It will be printed after the whole of report C.

The CHAIRMAN: And this is all you are going to give us, Mr. Dyde?

Mr. DYDE: That is all sir, for the moment.

The WITNESS: The increase in selling prices over the past six years is indicated by the following table, which shows the selling prices of the items reported, as at the dates indicated.

Mr. THATCHER: At that point, I wonder if I am right in supposing that you will give us further information as to the price increases indicated?

The WITNESS: Yes.

Mr. THATCHER: Is that in the report?

Mr. DYDE: No, it is not. I will produce that immediately following the report.

Mr. THATCHER: Thank you.

The Witness:

	Jan. 1, 1942	April 1, 1947	April 1, 1948
Dominion Woollens & Worsteds, Limited:			
Yarndyed worsted clothing	$2.50	$3.10	$4.50
Yarndyed worsted suiting	2.40	3.00	4.70
Stock dyed men's tweed	nil	2.35	2.35
Stock dyed Elysian o'coat	nil	5.00	6.00
Paton Manufacturing Company Limited:			
Yarndyed worsted	$2.15	$2.70	$3.55
Piecedyed worsted	1.90	2.35	3.20
Topcoating	1.75	1.95	2.35
Overcoating	2.90	3.15	3.75
Ayers Limited:			
White blanket	$1.13	$1.19	$1.35
Coloured blanket	1.23	1.27	1.47
Tweed	1.45	1.66	1.66

By Mr. Dyde:

Q. Before you leave page 11, Mr. Knight, there is one thing I think you should clear up there now. I deal first with the column headed "April 1, 1947". I think you said earlier in your report, at some stage, that controls went off on March 31, 1947. I want to make sure as to what this last price is, that there was no change in the price on April 1, 1947, and that that column of figures represents the selling price as at close of controls; is that right?—A. I will check that company by company.

Q. I think you had better check it now because I want to have your answer in here.—A. Dominion Woollens and Worsteds Limited; these are the selling prices as authorized February 17, 1947 and continued in effect until April 14,

1947. In the case of Paton Manufacturing Company Limited it is the same prices that were set in February of 1942 and remained in effect until June 11, 1947. In the case of Ayers Limited, those were the prices that were effective February 17, 1948 and remained in effect until November 1, 1947. In each of the cases to which I have referred, Mr. Dyde, the significant column is the column headed April 1, 1947.

Mr. DYDE: Thank you.

SCHEDULE C8

This schedule shows capital employed compared with earnings for each of the twelve years from 1936 to 1947 inclusive and for each of the three special companies individually.

The following is a definition of the terms used on Schedule C8:

Capital Employed includes:

Common Stock

Preferred Stock

Capital and Earned Surplus

Surplus created by the Refundable Portion of Excess Profits Tax

Reserves for contingencies and other free reserves

Mr. THATCHER: I am sorry to interrupt but I just seem to forget my accounting terminology. What is that capital surplus, is that the surplus the company gets from buying in debentures?

The WITNES: Not necessarily. It is the surplus which is created by profit other than a trading profit, you might say. You might sell a capital asset like a building or a motor car or something like that.

Mr. THATCHER: Oh yes, thank you.

Net Profit after Taxes includes:

Net profit shown at the foot of statement 1 of the special preliminary questionnaire

Percentage of profit to capital represents:

The ratio of net profit after taxes, to capital employed as defined above.

Included as separate items on the special preliminary questionnaire, for two of the special companies, are amounts charged or in some instances credited as an inventory reserve, before determining net profit after taxes, as defined above.

The second set of figures on schedule C8 shows capital employed compared with earnings after adding back or crediting the aforementioned inventory reserves to both capital employed as defined above and net profit after taxes.

The following table shows in comparative form the twelve year averages of both sets of figures:

	Percentage of Profit to Capital	
	Before adjusting Inventory Reserves	After adjusting Inventory Reserves
	per cent	per cent
Dominion Woollens & Worsteds, Limited	6·4	8·2
Paton Manufacturing Company Limited	8·8	9·1
Ayers Limited	8·2	Not Applicable
Average for the three companies for the twelve year period	7·8	8·4

Ayers Limited, being a private company, took advantage of section 96 of the Income Tax Act and distributed in 1946, by way of dividends and income tax thereon, a sum of $2,794,268. In order to finance this distribution, a bank loan was raised in 1946 and converted in 1947 into first mortgage bonds and notes payable. As the 1946 bank loan and the 1947 bonds and notes payable have not been included in the figures of capital employed, the percentage of profit to capital shows a sharp rise in the last two years reported.

The foregoing figures have been analyzed on an annual basis for each of the five special companies and are shown in comparative form on schedule C8 attached.

The following table has been prepared from these figures to show the average for the five companies for the periods indicated.

	Pre-war period 1936/39	Pre-control period 1940/41	Control period 1942/46	Post-control period 1947
Dominion Woollens & Worsteds, Limited:				
Before adjusting inventory reserves	0·1%	9·4%	9·2%	12·8%
After adjusting inventory reserves	0·1%	14·8%	7·4%	25·5%
Paton Manufacturing Company Limited:				
Before adjusting inventory reserves	6·0%	15·7%	9·1%	4·8%
After adjusting inventory reserves	7·4%	18·2%	7·9%	4·2%
Ayers Limited:				
Before adjusting inventory reserves	7·7%	10·6%	6·9%	16·5%
After adjusting inventory reserves	(no inventory reserve reported)			

The percentages shown in this table reflect the variations of the ratio of profit to capital both before and after adjusting inventory reserves for each of the four basic periods used throughout this report.

SUMMARY

The executive of each of the 3 special companies have supplied all the information and extended all the assistance that I have required. The schedules attached to this report and tables included therein have been prepared from the questionnaires submitted.

I shall be pleased to furnish any further information and explanations that you may require.

Respectfully submitted,

E. W. KNIGHT,
Chartered Accountant.

Supplement to Schedule C7 of Report "C"

TEXTILE ENQUIRY

Specifications as Supplied by the Reporting Companies of the Various Articles on Schedule C7

Dominion Woollens & Worsteds, Limited

Yarndyed Worsted

1942—Coating
Range 14148
Fin. Wt. 16/17 oz. per yd.
58 warp ends per in.
54 picks per in.
64's Quality

1947—Coating
and Range 14148
1948—Fin. Wt. 16/17 oz. per yd.
56 warp ends per in.
54 picks per in.
62/64's Quality

Yarndyed Worsted

1942—Fcy. Wstd. Suit.
Range 50002
Fin. Wt.
14/15 oz. per yd.
52 Warp ends per in.
54 picks per in.
Quality 62/64

1947—Fcy. Wstd. Suit.
Range 50002
Fin. Wt.—
14/15 oz. per yd.
56 Warp ends per in.
56 picks per in.
Quality 62/64

1948—Fcy. Wstd. Suit.
Range 50002
Fin. Wt.—
14/15 oz. per yd.
58 Warp ends per in.
54 picks per in.
Quality 62/64
Clear cut

Fcy. Wstd. Suit.
Range 50001
Fin. Wt.—
14/15 oz. per yd.
58 Warp ends per in.
54 picks per in.
Quality 62/64
Mill Finish

Note: For purpose of comparison, clear cut fancy worsted suiting, range 50002, has been shown on Schedule C7.

Tweed

1947—Stock dyed men's tweed
Range 7053
Fin. Wt. 14/15 oz. per yd.
40 warp ends per inch
40 picks per inch
58/60 N.W. Wool

1948—Stock dyed men's tweed
Range 7053
Fin. Wt. 14/15 oz. per yd.
40 warp ends per inch
40 picks per inch
58/60 N.W. Wool

Overcoating

Stock Dyed Elysian O'Coat.
Range 5189
Fin. Wt. 31/32 oz. per yd.
45 warp ends per inch
66 picks per inch
64/70 Wool & Wool Noils

PATON MANUFACTURING COMPANY LIMITED

Yarndyed Worsted

Class 5201—13·5 oz. Fancy Stock Dyed 60/64 Quality with Merc. Cotton Decoration 57/58" wide.

Piecedyed Worsted

Class 4947—13·40 oz. Fancy Worsted Pce. Dye 60/64 Quality with 2/100 Merc. Cotton Decoration 57/58" wide.

Topcoating

Class 6552—18·70 oz. topcoating, Fine Wool and Waste, stock Dyed 57/58" wide.

Overcoating

Class 5941—Overcoating 32·00 oz. Fine Wool and Waste, stock Dyed 57/58" wide.

AYERS LIMITED

White Blanket

No. 1000 White Bleached All Wool Blanket, cut singly, whipped at ends to match border of Two-Tone colour: Rose-Green or Blue-Rose or Green Gold. Sold by the pair. Single ¾ and double bed sizes.

Coloured Blanket

No. 1160 Pastel Blankets (All Wool), cut singly, whipped with matching worsted yarn at ends, supplied in pastel shades of Old Rose, Jade Green, Saxe Blue, Old Gold, Camel, Wine and Cedar, supplied in sizes for single and double beds 60" x 84" x 7½ lbs. per pair.

Tweed

Ayers' No. 40 All Wood Tweed 13½ oz. per yard of 56" wide, known as Boys' Tweed, made in several patterns and colours.

SCHEDULE C1

TEXTILE ENQUIRY

SUMMARY OF ANNUAL SALES AND OPERATING INCOME* (WOOL GROUP) FOR THE TWELVE YEARS FROM 1936 TO 1947 INCLUSIVE

(Thousands of Dollars)

—	Total Sales	Operating Income*	Percentage of Operating Income* to Sales
Totals for the individual financial years ending in the following calendar years:	$	$	%
Pre-War Period—			
1936	24,388	1,803	7·4
1937	27,175	2,115	7·8
1938	21,459	322	1·5
1939	24,206	1,995	8·2
Average for the Pre-War Years	24,307	1,559	6·4
Pre-Control Period—			
1940	40,582	5,890	14·5
1941	46,702	5,705	12·2
Average for the Pre-Control Years	43,642	5,797	13·3
Control Period—			
1942	53,829	5,847	10·9
1943	56,351	4,966	8·8
1944	50,637	4,198	8·3
1945	53,850	5,193	9·6
1946	57,462	5,844	10·2
Average for the Control Years	54,426	5,209	9·6
Post-Control Period—			
1947	64,703	7,552	11·7
TOTAL SALES AND OPERATING INCOME* REPORTED	521,344	51,430	
AVERAGE PER YEAR FOR THE TWELVE YEARS	43,445	4,286	9·9

* Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

SCHEDULE C2

TEXTILE ENQUIRY

ANNUAL SALES AND OPERATING INCOME* OF THREE SPECIAL COMPANIES (WOOL GROUP) FOR THE TWELVE YEARS FROM 1936 TO 1947 INCLUSIVE
(Thousands of Dollars)

—	Dominion Woollens & Worsteds, Limited			Paton Manufacturing Company Limited			Ayers Limited		
	Total Sales	Operating Income*	Percentage of Operating Income* to Sales	Total Sales	Operating Income*	Percentage of Operating Income* to Sales	Total Sales	Operating Income*	Percentage of Operating Income* to Sales
	$	$	%	$	$	%	$	$	%
Totals for the individual financial years ended in the following calendar years:									
Pre-War Period—									
1936	3,643	41	1·1	1,427	120	8·4	1,924	410	20·8
1937	3,660	50	1·4	1,661	283	17·0	2,146	330	15·4
1938	2,535	(94)	(3·7)	1,393	91	6·5	1,419	117	8·2
1939	3,454	326	9·4	1,123	99	8·8	2,286	367	16·1
Average for the Pre-War Years	3,323	81	2·4	1,401	148	10·6	1,944	304	15·6
Pre-Control Period—									
1940	5,613	897	16·0	1,713	402	23·5	3,578	977	27·3
1941	5,578	569	10·2	3,468	712	20·5	3,640	877	24·1
Average for the Pre-Control Years	5,596	733	13·1	2,591	557	21·5	3,609	927	25·7
Control Period—									
1942	7,045	859	12·2	3,810	587	15·4	3,267	634	19·4
1943	6,109	360	5·9	4,441	694	15·6	2,917	339	11·6
1944	4,852	358	7·4	3,497	326	9·3	3,138	280	8·9
1945	4,622	475	10·3	3,642	324	8·9	3,923	644	16·4
1946	4,939	290	5·9	3,316	331	10·0	4,300	501	11·7
Average for the Control Years	5,513	468	8·5	3,741	452	12·1	3,509	480	13·7
Post-Control Period—									
1947	7,476	1,115	14·9	2,528	148	5·9	4,542	579	12·7
TOTAL SALES AND OPERATING INCOME* REPORTED	59,526	5,246	8·8	32,019	4,117	12·9	37,080	6,046	16·3

* Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

SCHEDULE C3

TEXTILE ENQUIRY

ANNUAL SALES AND OPERATING INCOME* OF 51 OTHER COMPANIES (WOOL GROUP) FOR THE TWELVE YEARS FROM 1936 TO 1947 INCLUSIVE

(Thousands of Dollars)

—	Total Sales	Operating Income*	Percentage of Operating Income* to Sales
Totals for the individual financial years ended in the following calendar years:	$	$	%
Pre-War Period—			
1936	17,394	1,241	7·1
1937	19,708	1,452	7·4
1938	16,112	208	1·3
1939	17,343	1,203	6·9
Average for the Pre-War Years	17,639	1,026	5·8
Pre-Control Period—			
1940	29,678	3,614	12·2
1941	34,016	3,547	10·4
Average for the Pre-Control Years	31,847	3,580	11·2
Control Period—			
1942	39,707	3,767	9·5
1943	42,884	3,573	8·3
1944	39,150	3,234	8·3
1945	41,663	3,750	9·0
1946	44,907	4,722	10·5
Average for the Control Years	41,662	3,809	9·1
Post-Control Period—			
1947	50,157	5,710	11·4
TOTAL SALES AND OPERATING INCOME* REPORTED	392,719	36,021	9·2

(*) Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

SCHEDULE C4

TEXTILE ENQUIRY

ANALYSIS OF OPERATIONS ON A SALES DOLLAR BASIS FOR THE THREE SPECIAL COMPANIES (WOOL GROUP) FOR THE PERIODS INDICATED

—	Pre-War Period 1936/39	Pre-Control Period 1940/41	Control Period 1942/46	Post-Control Period 1947	Average for the 12 years
	$	$	$	$	$
DOMINION WOOLLENS AND WORSTEDS, LIMITED—					
Raw Materials—Wool	(0.478)	0.450	0.421	0.333	0.428
Raw Materials—Other	( )	0.040	0.037	0.038	0.030
Labour	0.315	0.228	0.285	0.316	0.285
Overhead	0.183	0.151	0.172	0.164	0.169
Operating Income*	0.024	0.131	0.085	0.149	0.088
Sales Dollar	1.00	1.00	1.00	1.00	1.00
PATON MANUFACTURING COMPANY LIMITED—					
Raw Materials—Wool	0.379	0.423	0.486	0.398	0.450
Raw Materials—Other	0.140	0.085	0.087	0.087	0.096
Labour	0.242	0.186	0.216	0.286	0.221
Overhead	0.133	0.091	0.090	0.170	0.104
Operating Income*	0.106	0.215	0.121	0.059	0.129
Sales Dollar	1.00	1.00	1.00	1.00	1.00
AYERS LIMITED—					
Raw Materials—Wool	0.259	0.321	0.349	0.317	0.321
Raw Materials—Other	0.181	0.108	0.153	0.190	0.154
Labour	0.129	0.110	0.176	0.202	0.157
Overhead	0.275	0.204	0.185	0.164	0.205
Operating Income*	0.156	0.257	0.137	0.127	0.163
Sales Dollar	1.00	1.00	1.00	1.00	1.00

(*) Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

SCHEDULE C5

TEXTILE ENQUIRY

QUARTERLY SALES OF ALL REPORTING COMPANIES (WOOL GROUP) FOR THE TWENTY-SEVEN MONTHS FROM JANUARY, 1946 TO MARCH, 1948 INCLUSIVE

(Thousands of Dollars)

—	Dominion Woollens and Worsteds, Limited	Paton Manufacturing Company Limited	Ayers Limited	51 Other Companies	Total Sales
	$	$	$	$	$
1946—					
1st quarter	1,276	698	909	10,682	13,565
2nd quarter	1,280	748	1,133	11,719	14,880
3rd quarter	1,132	524	1,019	11,363	14,038
4th quarter	1,250	675	1,178	11,889	14,992
1947—					
1st quarter	1,608	644	1,207	12,415	15,874
2nd quarter	1,837	686	789	13,440	16,752
3rd quarter	1,732	855	1,180	11,990	15,757
4th quarter	2,299	721	1,367	14,081	18,468
1948—					
1st quarter	2,471	713	1,340	14,469	18,993
TOTALS FOR THE TWENTY-SEVEN MONTHS	14,885	6,264	10,122	112,048	143,319
AVERAGES PER QUARTER	1,654	696	1,124	12,450	15,924

SCHEDULE C6

TEXTILE ENQUIRY

FINISHED GOODS INVENTORIES (WOOL GROUP) EXPRESSED IN TERMS OF QUANTITIES FOR THE PERIODS INDICATED

—	Dominion Woollens and Worsteds, Limited		Paton Manufacturing Company Limited	Ayers Limited
	(Thousands of Yards)	(Thousands of Pounds)	(Thousands of Pounds)	(Thousands of Pounds)
Finished Goods Inventories				
Expressed in Terms of Quantities, reported by Companies at the end of each fiscal period from 1939 to 1947 inclusive, grouped as follows for comparative purposes:				
As at 1939	33	6	116	27
Average for the pre-control period 1940/1941	73	12	106	54
Average for the control period 1941/1946	17	11	19	32
Post-control period 1947	16	18	91	31
Reported by companies in 1948	53	21	31	
Finished Goods Inventories				
Average by quarter year periods:				
1946				
1st quarter	5	17	33	
2nd quarter	3	12	39	Not
3rd quarter	1	12	11	
4th quarter	3	14	16	Reported
1947				
1st quarter	3	17	13	"
2nd quarter	5	15	91	
3rd quarter	5	15	23	
4th quarter	9	18	21	
1948				
1st quarter	38	19	31	

SCHEDULE C7

TEXTILE ENQUIRY

UNIT SELLING PRICES AND COMPONENTS OF COST OF ARTICLES REPORTED BY THE THREE SPECIAL COMPANIES (WOOL GROUP) AS AT THE DATES INDICATED

—	As at January 1, 1942 (Actual cost)	As at January 1, 1942 (Cost based on replacement values)	As at April 1, 1947 (Actual cost)	As at April 1, 1947 (Cost based on replacement values)	As at April 1, 1948 (Actual cost)	As at April 1, 1948 (Cost based on replacement values)
	$	$	$	$	$	$
DOMINION WOOLLENS AND WORSTED, LIMITED						
Yarndyed Worsted—Coating—						
Components of Selling Price:						
Materials	1.35	1.35	1.05	1.57	1.26	2.33
Labour	0.41	0.41	0.69	0.69	0.87	0.87
Overhead	0.35	0.46	0.68	0.68	0.84	0.84
Operating Income or (Loss)	0.39	0.28	0.68	0.16	1.53	0.46
Selling Price per yard	2.50	2.50	3.10	3.10	4.50	4.50
Yarndyed Worsted—Fancy Suiting—						
Components of Selling Price:						
Materials	1.23	1.22	0.96	1.52	1.25	2.19
Labour	0.46	0.46	0.75	0.75	1.05	1.05
Overhead	0.42	0.54	0.76	0.76	1.00	1.00
Operating Income or (Loss)	0.29	0.18	0.53	(0.03)	1.40	0.46
Selling Price per yard	2.40	2.40	3.00	3.00	4.70	4.70
Tweed—						
Components of Selling Price:						
Materials			0.78	1.11	0.92	1.20
Labour			0.53	0.53	0.61	0.61
Overhead	NIL		0.59	0.59	0.59	0.59
Operating Income or (Loss)			0.45	0.12	0.23	(0.05)
Selling Price per yard			2.35	2.35	2.35	2.35
Overcoating—						
Components of Selling Price:						
Materials			1.92	2.73	2.53	3.32
Labour			0.99	0.99	1.09	1.09
Overhead	NIL		1.15	1.15	1.22	1.22
Operating Income or (Loss)			0.94	0.13	1.16	0.37
Selling Price per yard			5.00	5.00	6.00	6.00
PATON MANUFACTURING COMPANY LIMITED:						
Yarndyed Worsted—						
Components of Selling Price:						
Materials	....	1·1342	....	1·3694	....	1·8239
Labour	....	0·3525	....	0·6264	....	0·7170
Overhead	....	0·4690	....	0·7679	....	1·0258
Operating Income or (Loss)	....	0·1943	....	(0·0637)	....	(0·0167)
Selling Price per yard	....	2·1500	....	2·7000	....	3·5500

NOTE: The figures of Operating Income or (Loss) represent the difference between the selling price and components of cost reported.

SCHEDULE C7—*Concluded*

TEXTILE ENQUIRY

UNIT SELLING PRICES AND COMPONENTS OF COST OF ARTICLES REPORTED BY THE THREE SPECIAL COMPANIES (WOOL GROUP) AS AT THE DATES INDICATED

—	As at January 1, 1942 (Actual cost)	As at January 1, 1942 (Cost based on replacement values)	As at April 1, 1947 (Actual cost)	As at April 1, 1947 (Cost based on replacement values)	As at April 1, 1948 (Actual cost)	As at April 1, 1948 (Cost based on replacement values)
	$	$	$	$	$	$
Piecedyed Worsted—						
Components of Selling Price:						
Materials	....	1·0317	....	1·2813	....	1·7030
Labour	....	0·2969	....	0·5277	....	0·6287
Overhead	....	0·3874	....	0·6266	....	0·8980
Operating Income of (Loss)	....	0·1840	....	(0·0856)	....	(0·0297)
Selling Price per yard	....	1·9000	....	2·3500	....	3·2000
Topcoating—						
Components of Selling Price:						
Materials	....	0·7995	....	0·8585	....	1·1630
Labour	....	0·3017	....	0·3925	....	0·4052
Overhead	....	0·4820	....	0·5726	....	0·6502
Operating Income of (Loss)	....	0·1668	....	0·1264	....	0·1316
Selling Price per yard	....	1·7500	....	1·9500	....	2·3500
Overcoating—						
Components of Selling Price:						
Materials	....	1·3159	....	1·4599	....	1·7960
Labour	....	0·5351	....	0·6756	....	0·6293
Overhead	....	0·7989	....	0·9744	....	1·0461
Operating Income or (Loss)	....	0·2501	....	0·0401	....	0·2786
Selling Price per yard	....	2·9000	....	3·1500	....	3·7500
AYERS LIMITED						
White Blanket—						
Components of Selling Price:						
Materials	....	0.6794	....	0.6321	....	0.7190
Labour	....	0.0975	....	0.1578	....	0.1730
Overhead	....	0.4000	....	0.4320	....	0.4764
Operating Income or (Loss)	....	(0.0469)	....	(0.0319)	....	(0.0184)
Selling Price per pound	....	1.1300	....	1.1900	....	1.3500
Coloured Blanket—						
Components of Selling Price:						
Materials	....	0.6637	....	0.6077	....	0.6894
Labour	....	0.0918	....	0.1458	....	0.1599
Overhead	....	0.3851	....	0.3996	....	0.4406
Operating Income or (Loss)	....	0.0894	....	0.1169	....	0.1801
Selling Price per pound	....	1.2300	....	1.2700	....	1.4700
Tweed—						
Components of Selling Price:						
Materials	....	0.6734	....	0.6392	....	0.7018
Labour	....	0.1306	....	0.2051	....	0.2249
Overhead	....	0.5329	....	0.7617	....	0.8351
Operating Income or (Loss)	....	0.1131	....	0.0540	....	(0.1018)
Selling Price per pound	....	1.4500	....	1.6600	....	1.6600

NOTE.—The figures of Operating Income or (Loss) represent the difference between the selling price and components of cost reported.

SCHEDULE C8

TEXTILE ENQUIRY

CAPITAL EMPLOYED AND EARNINGS OF THE THREE SPECIAL COMPANIES (WOOL GROUP) FROM 1936 TO 1947 INCLUSIVE

(Thousands of Dollars)

—	Reported on Questionnaire			After Adjustment of Inventory Reserve		
	Capital Employed	Net Profit after Taxes	Percentage of Profit to Capital	Capital Employed	Net Profit after Taxes	Percentage of Profit to Capital
	$	$	%	$	$	%
DOMINION WOOLLENS & WORSTEDS, LIMITED—						
1936	2,646	....	0·0	2,646	....	0·0
1937	2,645	(1)	0·0	2,645	(1)	0·0
1938	2,024	(183)	(9·0)	2,024	(183)	(9·0)
1939	2,194	196	8·9	2,194	196	8·9
1940	2,328	174	7·5	2,688	534	19·9
1941	2,547	283	11·1	2,923	299	10·2
1942	2,750	231	8·4	3,207	312	9·7
1943	2,877	225	7·8	3,292	183	5·6
1944	1,725	239	13·9	2,032	131	6·4
1945	1,932	232	12·0	2,239	232	10·4
1946	1,938	101	5·2	2,245	101	4·5
1947	2,093	268	12·8	2,863	731	25·5
Average for 1936 to 1947	2,308	147	6·4	2,583	211	8·2
PATON MANUFACTURING COMPANY LIMITED—						
1936	1,257	75	6·0	1,257	75	6·0
1937	1,304	120	9·2	1,398	214	15·3
1938	1,279	54	4·2	1,373	54	3·9
1939	1,293	58	4·5	1,387	58	4·2
1940	1,322	86	6·5	1,587	257	16·2
1941	1,638	379	23·1	1,903	379	19·9
1942	1,761	198	11·2	2,026	198	9·8
1943	1,852	178	9·6	2,117	178	8·4
1944	1,899	161	8·5	2,164	161	7·4
1945	1,911	152	8·0	2,176	152	7·0
1946	1,910	156	8·2	2,175	156	7·2
1947	1,940	93	4·8	2,205	93	4·2
Average for 1936 to 1947	1,614	142	8·8	1,814	165	9·1
AYERS LIMITED—						
1936	3,696	377	10·2			
1937	3,604	313	8·7			
1938	3,540	106	3·0			
1939	3,586	309	8·6			
1940	3,664	369	10·1		No Inventory Reserve Reported	
1941	3,612	405	11·2			
1942	3,845	321	8·3			
1943	3,874	165	4·3			
1944	3,880	126	3·2			
1945	4,085	296	7·2			
1946	1,468	274	18·7			
1947	1,680	277	16·5			
Average for 1936 to 1947	3,378	278	8·2			

By Mr. Dyde:

Q. Now, Mr. Knight, would you please produce the schedule of changes in prices and explain to the committee how that schedule came to be in existence? —A. On the 21st of May I wrote a letter to each of the executive officers of each of the three special companies. It reads as follows:—

> On schedule 6, of your return you have set forth as of January 1, 1942, September 15, 1947, and April 1, 1948, the selling price of the following products—

and then I have specified the products, depending on the firm to which I was writing—

> would you please advise me by return mail of the date and amount of each change in selling price for each of these commodities from January 1, 1942 to the date of this letter.
>
> Yours very truly;

and it is in reply to that letter that this schedule of price changes was prepared.

Mr. DYDE: I would like to have that distributed, please; and insert it at this point in the record.

CHANGES IN SELLING PRICES OF THE COMMODITIES SHOWN ON SCHEDULE C7 (WOOL GROUP) FROM JANUARY 1, 1942 TO MAY 21, 1948

DOMINION WOOLLENS & WORSTEDS, LIMITED

	Coating Yarn Dyed Worsted No. 14148	Suiting Fancy Yarn Dyed Worsted No. 50002	Tweed No. 7053	Elysian Overcoating No. 5189
January 1, 1942	$2.50	$2.40	$2.05	....
April 1, 1946	2.71	2.61	2.11	$4.66
February 17, 1947	3.10	3.00	2.35	5.00
April 14, 1947	3.40	3.40	2.50	5.40
August 15, 1947	3.75	3.80	2.35	5.25
January 15, 1948	4.35	4.60	....	6.00
February 15, 1948	4.50	4.70	2.35	6.00

PATON MANUFACTURING COMPANY LIMITED

	No. 5201 Yarn Dyed Worsted	No. 4947 Piece Dyed Worsted	No. 6552 Topcoating	No. 5941 Overcoating
January 1, 1942	$2.15	$1.90	$1.75	$2.90
February 25, 1942	2.15	1.90	1.81	3.00
April 1, 1946	2.34	2.06	1.87	3.06
February 17, 1947	2.70	2.35	1.95	3.15
June 11, 1947	3.00	2.65	Not offered	Not offered
July 28, 1947	3.35	3.00	2.30	Not offered
December 10, 1947	Not offered	Not offered	2.35	3.75
January 30, 1948	3.55	3.20	Not offered	Not offered

AYERS LIMITED

	White Bleached All Wool Blanket	Coloured All Wool Blanket Pastel Shades	All Wool Tweed Per yard	All Wool Tweed Per lb.
Year 1940	$1.13	$1.23	$1.20	$1.42222
Year 1941	1.13	1.23	1.225	1.45185
May 8, 1942	1.13	1.23	1.25	1.48148
April 1, 1946	1.13	1.23	1.31	1.55260
February 18, 1947	1.19	1.27	1.40	1.65926
November 1, 1947	1.35	1.47	1.40	1.65926
April 1, 1948	1.45	1.50	1.55	1.83704

By Mr. Dyde:

Q. Before going over the report itself to make sure that we have cleared up any questions arising out of it I want also, Mr. Knight, to have your remarks with reference to certain amendments which have been requested by one of the reporting companies.—A. Yes. On June 2, I received a letter from Dominion Woollen and Worsteds Limited.

Q. At which time their material in the questionnaire had been in your hands for some time I understand?—A. Yes.

Q. Yes and unfortunately our reports at that time have been printed, consequently the amendment to which they referred were not included in the printed report. I will however refer to the second paragraph of that letter dated June 2, in which it says—

Mr. THATCHER: Where are you reading from now, Mr. Knight; excuse me, but I seem to have lost my place.

Mr. DYDE: We are not reading from anything, Mr. Thatcher. This arises in this way; after Mr. Knight had received the replies from the other companies, after they had sent in their returns, and after Mr. Knight had started to print his report, he received a letter from one of the companies asking that an amendment should be made. Because of the fact that that material was already in the printer's hands that amendment does not appear in the book that we have just read; and I have asked Mr. Knight to explain when he received the letter, and also to have him show how the report would need to be amended in accordance with this request.

The WITNESS: In the case of one of the companies they sent us in a letter. I will read from one paragraph of that letter. It says:—

> In the case of our company I wish to draw attention to the following with respect to the year 1947. Income taxes of \$192,500 as shown in our statements were calculated on the amount of profit after deduction of the special charge of \$462,792 for inventory price decline. At the present time we do not know whether that basis will be allowed and there is therefore a possible additional income tax liability of \$179,913. We therefore suggest that for the purpose of showing profits as a percentage of capital employed the possible additional income taxes of \$179,913 should be taken into account in arriving at the profit amount to be used in the calculations. This would apply to both methods referred to above.

Now, I have made these calculations and if you care to write them in on Schedule C8 in pencil I will be very pleased to read them to you.

Mr. IRVINE: Are they still problematical, or are they certain now?

The WITNESS: I am afraid, Mr. Irvine, you would have to ask the trade witnesses.

The CHAIRMAN: Are they extensive?

The WITNESS: There are 12 pages, sir.

The CHAIRMAN: It takes time.

Mr. DYDE: There are 12 additions, I think we might call them, Mr. Chairman, to make. I would suggest that they simply be put in in pencil by the members to show with the figures which were actually received the figures also as they should stand, and as they would stand if this amendment were made.

Mr. THATCHER: That is in the last column, is it?

Mr. DYDE: They apply to two columns, which Mr. Knight thinks should go in now.

The WITNESS: In the first column on the right-hand side called "capital employed", you will observe opposite the year 1947 the figure of \$2,093,000.

Adjacent to that figure in pencil should be $1,913,000. And of course the average from 1936 to 1947 which is shown at $2,308,000, immediately underneath, would change to $2,293,000.

The next column under "profit after taxes", the last figure of 268,000; adjacent to that should be the figure of $88,000; and the average instead of being $147,000 would read $132,000; and in the column headed "percentage of profit to capital" that 12·8 would be a percentage of 4·6; and the average of 6·4 will be 5·8.

Now, going to the last three columns, under the heading "capital employed", you have the figure $2,863,000; that figure would now read $2,683,000, and the average, $2,568,000.

The next column under "profit after taxes", adjacent to the figure $731,000 will be the figure $551,000; and, adjacent to the figures of $211,000 will be the figure $196,000; and the percentage in the last column instead of being 25·5 will be a percentage of 20·5; and the average instead of being 8·2 will be 7·6.

Mr. DYDE: Now I think, Mr. Chairman, we might postpone questions on that until we are going through the report, because that would at least dispose of that particular item as far as putting it on the record is concerned.

The WITNESS: Mr. Dyde, I have to say that on page 13, of your report, it probably would be advisable to put next to the figure 12·8, the figure 4·6.

Mr. DYDE: That is in the right-hand column under "post war control period, 1947".

The WITNESS: Yes.

Mr. DYDE: 4·6?

The WITNESS: 4·6.

Mr. THATCHER: Mr. Dyde, can you tell me—I am not sure; I don't just follow this. Would it not be best to get it cleared up?

Mr. DYDE: I will try to make that clear for you. The companies were asked to make certain returns. They did so. Then Mr. Knight took those figures and made up his report. The companies were asked to make returns on an identical basis. That is, the questionnaire went out in the form of the questionnaire as we have seen it in the record, and as we saw it when we started our investigation into textiles. The answers were received back in April or early May, and Mr. Knight went to work on an analysis of the figures and the preparation of this report; and then on the 2nd of June, Dominion Woollens and Worsteds wrote saying what Mr. Knight has explained; namely, that this should be amended. And I have simply asked that we get the effect of that request in pencil on here so that we can see what the effect of their request was.

Mr. THATCHER: I understand that.

Mr. DYDE: Now, we still have to find out why the request was made and the effect of it, but I think we could best do that through trade witnesses themselves; because, of course, Mr. Knight does not know the reason why particularly, other than the material he received, why the request should have been made.

Mr. THATCHER: Well, that doesn't make it just clear to me, I don't just follow it.

The WITNESS: Then, instead of 25·5, you would then have 20·5.

Mr. DYDE: Now, Mr. Chairman, I suggest that we go back to page 1 of this report and I would like to go over it page by page in case there are any questions that any member would like to ask. I have no questions on page 1. I have no questions on page 2, other than to underline for later significance the figures 9·9 per cent in the sales figure which occurs about half way down the page; but other than that I have no questions. I have no questions on page 3. I have no questions on page 4; nor have I on page 5; nor have I on page 6.

Mr. THATCHER: Might I ask Mr. Knight, if this is the proper place, how he found labour conditions generally in these mills. Would that be an appropriate question to ask or should I wait until the witnesses come before us.

The CHAIRMAN: I think you probably had better ask the witnesses when they are here.

Mr. THATCHER: All right. I see Mr. Knight has figures on labour and overhead combined.

Mr. DYDE: I have no questions on page 7, except towards the bottom of the page. I think that we might look at the table at the bottom of the page 7, for a moment. Are we there drawing comparisons between the companies in this particular table, Mr. Knight? Are we there drawing comparisons between the column headed "Dominion Woollens and Worsteds" and the column headed "Paton Manufacturing Limited"; because, obviously, the percentage figures are very different.

The WITNESS: I think in making any comparison of that nature one should take into consideration the different manufacturing policies and operations of each of the companies concerned. If you have any questions to ask as to these policies or operations I am sure the trade witnesses will be better qualified to answer them than I am.

Mr. IRVINE: There seem to be tremendous fluctuations there.

Mr. DYDE: There are not only fluctuations, Mr. Irvine; but I am impressed by the fluctuations within the companies themselves, as also as between the companies.

Mr. IRVINE: Yes.

Mr. DYDE: I am just wondering whether Mr. Knight could help us at all in that respect. Maybe we will have to get it from the trade witnesses. I don't know. Is there anything you would care to add to what you have said? If not, let us know and we will pass on.

The WITNESS: No, Mr. Dyde.

Mr. THATCHER: Mr. Knight, are each of these companies making relatively the same products? Are they in competition with each other? I mean, they are making roughly the same products, each of the three companies mentioned, aren't they?

The WITNESS: Well now, Mr. Thatcher, Ayers Limited have quite a large business manufacturing papermaker's felt. That is the technical term for that, I think perhaps we would know them better as the very, very large blankets which carry the pulp. That is a large portion of their operation, and to the best of my knowledge and belief I do not believe that Dominion Woollens and Worsteds or Paton Manufacturing go into that at all.

Mr. THATCHER: And can you tell us whether these companies have any patented processes which are exclusive to them, for instance, such as we had in C.I.L. and Celanese and companies of that kind? Are there any special processes that they base their operations on? Do you happen to know that?

The WITNESS: We would not normally run into that, Mr. Thatcher, in the work that we have been performing for the committee.

Mr. THATCHER: I see.

By Mr. Dyde:

Q. I just wanted to call attention to one thing, Mr. Knight, when we are talking about a comparison of these companies I was thinking of the schedule at the foot of page 7; and the schedule at the foot of page 7 does not include Ayers. It includes only Dominion Woollens and Worsteds and the Paton Manufacturing Company Limited. Now, are they comparative at all, do you know, in their manufacturing processes?—A. Well, I think if we turn to page 11, of this report you will see the type of product that these firms have reported as being representative of their largest selling lines, and I think these indicate in a general sense that the two firms may be somewhat comparable.

Q. Do you know whether the processes in Dominion Woollens and Worsteds and the processes in the Paton Manufacturing Company take the product through the same stages to the finished product; or, are you not familiar with that?—A. Well, in making the return to the special parliamentary questionnaire Dominion Woollens and Worsteds supplied us with the history of their company and of their operations; and, as I recall, they made a statement in there to the effect that they were not comparable, and they have given the technical reasons why.

Q. All right, thank you. Then, we have copies of that statement and we will see it later, gentlemen. On page 7, have you gone along into the first quarter of 1947 and looking at the column "operating income", I find that the operating income in the first quarter of 1947, which is completely under price control, is ·148 in Dominion Woollens and Worsteds Limited?—A. That is correct.

Q. And that following decontrol I see the figures under there go from 167 to 113 and to 163; and the total of that column I find comes to 591; and when I divide that by 4 I get a figure of 147·75—don't worry about my mathematics—but is that a fair way of finding out whether the operating profit in the first quarter of 1947 is average for the year or not?—A. I would say that that would be an unweighted average.

Q. Yes.—A. To get the weighted average you would have to make your calculation on a different basis.

Q So we must not do what I have just done?—A. Well, not for purposes of comparison.

Q. Well then, taking Paton Manufacturing Company Limited, and starting with the first quarter of 1947 and looking at the right-hand column; I see there the first quarter was ·676.—A. That is correct.

Q. And the second quarter ·083; and then going on to ·103 and ·159 then dropping back to ·045. Is there anything in the information that you received which gives any explanation of the fact that Dominion Woollens and Worsteds seem to have reached their highest figure in the first quarter of 1947 while the other company has reached almost its lowest figure in the first quarter of 1948? If there is nothing, Mr. Knight, that helps to answer that, just let me know and we will go on.—A. Well, from the study before us, Mr. Dyde, it would appear that in the case of Paton Manufacturing Company Limited their labour represented 31·7 cents of the sales dollar for the first quarter of 1948, whereas in the fourth quarter of 1947 it only represented ·236; I think that perhaps if the trade witnesses were requested to explain that you would get the reasons for the decrease to which you refer in the Paton Manufacturing Company.

Q. Right. Then, if we look at Dominion Woollens and Worsteds under the same column and for the same period, I find that in the fourth quarter of 1947, the figure is ·301 under labour, and in 1948 that dropped to ·253, under labour.—A. There is one interesting point there, you have received a list of the price changes from Dominion Woollens and Worsteds and you observe that the prices of the articles that were reported increased on the 15th of January, 1948, and a further slight increase in certain commodities on February 15, 1948, which may account in part for the fluctuation to which you refer.

Q. Raw material, Mr. Knight, is shown under the first column of Dominion Woollens and Worsteds; raw materials, wool and raw materials other. Now, I see there that raw materials, wool in the fourth quarter of 1947, is shown as being ·337, and in the first quarter of 1948 it is 3·69; on the other hand, other raw materials is ·034 in the fourth quarter of 1947 and ·032 in the first quarter of 1948.—A. Yes.

Q. Now, I think you have sufficient familiarity to be able to explain to us the relative importance of the cost of raw materials, wool and the cost of raw materials, other; because, obviously one went up and the other went down.—A. As with cotton, the cost of the raw wool has been increasing—I haven't got the statistics of the increases that have taken place, but I do know that the price of raw wool has increased.

Q. Well then, have we got any explanation for the fact that when I drop my eye to Paton Manufacturing and compare exactly the same quarters, and then in the last quarter of 1947 and in the first quarter of 1948, I find that their cost of raw materials, wool went down?—A. There is a possibility there might be there amongst other factors is that they were using wool that they had purchased on a somewhat favourable price basis earlier.

Q. Now then, when you come back to the relative importance of these two columns, raw material, wool and raw material other, can you say anything on that?—A. Raw materials other represent chemicals, dyes and supplies of that nature, which form a component part of the finished product. Raw material, wool, of course represents raw wool entering into the product.

Q. But you would not be able to tell us in the cost of the process which was the largest item? No doubt the trade witnesses will be able to explain.—A. Oh yes, the figures I think reflect that, Mr. Dyde. Take the last item in the first quarter of 1948 for Paton Manufacturing; on the sales dollar 34·9 per cent is wool and only 7·2 per cent is other.

Q. Yes, thank you. I have no questions on page 9. On page 10, I have a question with reference to the last paragraph.

Mr. THATCHER: On page 9; I wonder if Mr. Knight would state whether he found in a general way any excessive or high inventories on hand when ceilings came off? If you have to look it up, well I can look it up too. I can do that later on. I just thought you might be able to tell us off hand.

The WITNESS: I am not quite prepared for that question, Mr. Thatcher; but I can say that in the return of the companies to the special preliminary questionnaire, on page 10, of my report, Mr. Thatcher, the inventories reported by these companies at the end of each opening period in the first quarter of 1947, have been added, and I think the table indicates any fluctuation in inventory that may have taken place.

By Mr. Dyde:

Q. Coming down to the bottom of page 10, Mr. Knight, you see the 53,000 yards given; and you see, that appears to be greater than average. Is there any information, as far as you recollect it, provided to you by the company in that particular case which explained why there should have been such a considerable increase in that figure?—A. I do not recall, but they could easily give you what you want.

Q. All right, we will leave that then for the moment. On page 11, I think you will have to help us as far as you can in one or two questions, and we may have to refer to the schedules in this connection. I am looking at the paragraph which commences, "Dominion Woollens and Worsteds Limited, state in their return that due to the sharp rise in the price of wool they find it necessary to base their selling prices commencing in April, 1947, on the replacement cost of raw materials rather than the actual cost of materials shown by their books." Is there any explanation which you recall, so far as you remember, as to why it became necessary at that date, namely April, 1947, if it had not been necessary previously?—A. I think at that time the subsidies and price ceilings on raw wool were removed, and in that case the company would have to pay the current market price for their wool. Now, as the market has fluctuated in an upward direction the company would have to protect themselves by making provision for the cost of wool which they would have to purchase to fulfil their commitments.

Q. All right. Now then, I understood from your answer that you got sufficient of the history of the company's operations to be able to tell us why in April of 1947 this particular company was following the same practice of policy as prior to price controls?—A. In what way, Mr. Dyde?

Q. I mean, as you have it in your exact statement there; that it became necessary in April of 1947. Had this company done the same thing prior to price control, or do you know?—A. I actually do not know without looking it up.

Q. You have said in the following paragraph, the Paton Manufacturing Company Limited have included in overhead as a component of cost, items other than operating expenses. Does the Paton Manufacturing Company Limited differ in that respect from the Dominion Woollens and Worsteds?—A. Yes, I think they do, in this instance.

Q. And the fact that you consider it as being important I take it is indicated by the paragraph which you have put in here, and what I really want is for you to tell me what the significance of it is.—A. Of what? Oh, Paton Manufacturing Company Limited; in addition to overhead there was added interest on bonds in arriving at the over-all cost.

Q. Now, the questionnaire which was sent out asked for a return on a specific basis, did it not?—A. Yes.

Q. Were the returns made on the basis on which they were requested?—A. Yes. They were made on the basis on which they were requested, and the figures on raw material, labour and overhead were explained to our representatives when they went to these firms, and that is the way in which we have been able to supply this information to the committee.

Q. Yes. I am still not quite clear in my mind whether we should read the paragraph regarding Dominion Woollens and Worsteds Limited in the same way as they also included in overhead items for operating expenses?—A. Not to my knowledge, Mr. Dyde.

Q. And so that we are going to have difficulty in comparing these two companies the one with the other from that point of view also?—A. From that point of view, as referred to here, yes.

Q. And we will have to take each company on its own basis, individually?—A. Yes.

Mr. Thatcher: Well, Mr. Dyde, isn't that going to throw us all off; if I follow your reasoning?

Mr. Dyde: It is going to throw us off to this extent, that it is going to be difficult for us, for the reasons which we have just been going over, to make a comparison between one company and another. It is going to be a little difficult.

Mr. Thatcher: Why could not Dominion Woollens have submitted their records the way the other ones did too?

The Witness: They did.

Mr. Dyde: What Mr. Thatcher really means, Mr. Knight, is this; if both companies answered the questionnaire in exactly the same way why could we not compare them?

The WITNESS: Because in answer to the questionnaire they gave the information in accordance with their books and records, and that is the information which we have brought before the committee.

Mr. DYDE: That is not exactly the same, I take it. Is that right? We are not understanding one another, I think that is all. You have chosen to put in this special paragraph with regard to the Paton company, and we are wanting to know why it is important for us to know that.

The WITNESS: Well, first of all, each of these companies reported the information in accordance with their own cost system, and as you will observe in the case of Dominion Woollens, they have been following since April, 1947 two different methods which they have shown side by side.

Mr. DYDE: Yes.

The WITNESS: In the case of the Paton Manufacturing Company, in addition to—

Mr. DYDE: Now, don't just repeat what is in that paragraph. Tell me why that paragraph is there.

The CHAIRMAN: Do you want any help?

Mr. DYDE: You take a minute, because this is of sufficient importance that I would like to see if we can get your reasons.

The WITNESS: The questionnaire, Mr. Dyde, on statement No. 6, of the special preliminary questionnaire to the company, the company reported their costs in accordance with their own records.

Mr. DYDE: You have the point right there.

The WITNESS: Yes.

Mr. DYDE: Go ahead.

The WITNESS: I think in fairness to all concerned in this matter, every company does not have the same system of costing. As a matter of fact, there are many systems of costing which vary from the corner merchant who has a system in his head to a large corporation which may have alternative systems of costing, depending on the purpose for which they intend to use the costs.

Mr. THATCHER: But is it not a fact that raw materials, for instance, are costed on replacement value rather than on actual cost, thereby putting in a fictitious figure. What we are interested in is the actual cost and the actual profit.

Mr. DYDE: Of course, we have got that as far as Dominion Woollens go, because they have considered both ways.

Mr. THATCHER: I see that.

Mr. IRVINE: Why did they want to put it in?

Mr. DYDE: I think it would be difficult for Mr. Knight to answer that, as to why. I think I must still take the position from which I started; namely, that it now appears to me—and you tell me if I am wrong, Mr. Knight—it now appears to me that because of the difference in costing systems we must be extremely careful if we compare one company with another.

The WITNESS: That is true, Mr. Dyde.

Mr. DYDE: Therefore we must not just look at the fact that one company is making yarn dyed worsted and another company is making yarn dyed worsted and assume those two figures, because a lot of factors may affect, or enter into the question of comparison.

The WITNESS: That is correct.

By Mr. Winters:

Q. What else would they include in overhead? You said bond interest. What other items. Their overhead does not look too much out of line with the other companies.—A. Yes, I would have to check into very voluminous returns to prepare those figures for you.

Q. There could not be much?—A. No it is the difference between the figures. I am sorry I cannot give it to you at the moment.

By Mr. Dyde:

Q. Perhaps you could look that up and give it to us at a later session. Is there anything further which you can add to what you have already explained as to the system of standard costing used by Ayers Limited. I would like to tell you Ayers Limited is using a basis of standard cost and the others are not but that is perhaps not what you mean?—A. In the case of Ayers Limited they are a private company. They do not take an interim fiscal inventory and consequently to arrive at their cost they estimate what their costs will be—a common custom—and they apply those costs to their operations and then when the next accounting period ends they see how close they were in their estimate of the costing and they will amend their standard costing up or down as the case may be in accordance with the estimate they have made. That is a widely used method.

Q. I have no questions on page 12 until I come to the bottom of the page. My question there is with reference to the last two sentences on the page. Would you be good enough to say exactly where that occurs in schedule C8? Where do we look in schedule C8 to find proof of what you tell us there?—A. If you will look at the bottom of C8 you will see Ayers Limited. You will observe opposite the year 1945 capital employed fell from $4,085,000 down to $1,468,000 and in the succeeding year it was only $1,680,000. The reason for that is that in the year 1945 there had been a large surplus account in which was included the sum of $2,749,000 which was disbursed in the form of dividends to take advantage of section 96 of the Income Tax Act which applied to private companies.

Mr. Winters: What does it say, basically?

The Witness: I did prepare an explanation of that section of the Act. This I submit on my own authority entirely. In the years preceding World War II the proprietor of a business operating as a private limited company generally drew a salary sufficient to meet his normal needs and left the profits of his company to accumulate in the surplus account. In the event of his wishing to draw from the company a sum in addition to his salary then a dividend was declared. By and large however the surplus accounts were not distributed but left to accumulate and by 1939 many companies had substantial balances showing in their surplus accounts. Shortly after the start of World War II the tax increased to such an extent that a proprietor who wished to withdraw funds by the way of dividends out of the pre-war accumulated surplus found himself paying a very substantial tax compared to another chap who had taken the money out and put it in the bank. He added this dividend to his income and put himself in a tax bracket which left very little for himself. That is a broad explanation of why relief was granted under section 96 of the Act, to allow people in that position to take that part of the surplus account which had been accumulating up to 1939 and distribute it, if they took advantage of the section immediately. It fell very heavily on the estates of some of these proprietors. When they died their estate was suddenly confronted with enormous taxes.

Mr. THATCHER: When was that put in?

Mr. DYDE: It would be in 1946 would it not?

Mr KNIGHT: It would be in 1945.

The CHAIRMAN: It was recently enough to get your approval.

Mr. MCGREGOR: Is it still in effect?

The WITNESS: Advantage had to be taken of this section before the 31st of December, 1947.

Mr. IRVINE: I was wondering how it happens that in 1945 the capital is $4,000,000 and in the next year it is $1,468,000?

The WITNESS: That is because they distributed this dividend that we referred to at the foot of our report.

Mr. IRVINE: That is what you are trying to explain?

The WITNESS: Yes.

Mr. IRVINE: I guess I am just a little behind you on the trot.

By Mr. Dyde:

Q. The question arose because I wanted to find out where the figures were which backed up the last two sentences on page 12 of the narrative, and Mr. Knight has given us the figures. In connection with schedule C8 you put at the bottom of Ayers Limited the average from 1936 to 1947, and the average figures are put across the bottom. Are those useful figures in the case of Ayers? Do they serve any particular purpose for us in view of what has taken place in Ayers Limited history?—A. I would say they were, to this extent. We have in making or compiling schedule C8, and compiling B8 with respect to cotton, and D8 with respect to artificial silk and nylon, used the same yardstick throughout because we felt if we stuck rigidly to that yardstick the committee would get a better over-all picture and we have not deviated from that in any instance.

Q. There are a number of items which I want to add to Mr. Knight's schedules at the back of the report. There is one series of figures which I would prefer not to start upon because it is going to take me more time than is available. Those figures are a little complicated and they are important. I would however put on the record this evening some figures which Mr. Knight can add for us in schedule C8, which is the last page of the book, "inventory reserve history of Dominion Woollens and Worsteds Limited". I would like you to look at the second set of figures to the right hand side of the page and to point out for the committee the inventory reserve taken or not taken by Dominion Woollens and Worsteds Limited for the various years under review. I would like and perhaps the members of the committee would also like to have the figures and Mr. Knight perhaps you can suggest where to put the figures which you are giving us?—A. If you will observe on schedule C8 the Dominion Woollens and Worsteds Limited, in the fourth column, under the heading "after adjustment of inventory reserve and capital employed", the figure $2,646,000. Next to that figure there should be either a dash or the word nil as there was no inventory reserve taken off that year; likewise in the following year it is nil; likewise in 1938 it is nil; in 1939 nil; in 1940 there should be the figure $360,000 opposite the figure $2,688,000; in 1941 the figure $16,000 should be shown; in 1943, adjacent to the figure $3,207,000 would be the figure $81,000. In the following year, 1944, in red, opposite the figure $3,292,000 there should be a figure in red of $42,000; likewise in the next year, 1945 adjacent to the figure $2,032,000—

Mr. THATCHER: Are you not a year behind? Is it not 1944 that is $2,032?

Mr. LESAGE: It is 1944.

Mr. THATCHER: What is the figure?

The WITNESS: The red figure is $108,000 meaning a reduction in the reserve. The following year 1945, opposite the figure $2,239,000 the entry is nil; the following year, 1946, opposite the figure $2,245, the entry is nil; in the last year, 1947, opposite the figure $2,863,000 the figure is $463,000.

Mr. MCGREGOR: What does all this mean?

Mr. DYDE: I would like to deal with that later. Now, having received the figures, if it suits the convenience of the committee I would like to adjourn because from here on it is rather complicated and it will take time.

By Mr. Lesage:

Q. Do I understand capital employed as mentioned there does include the accumulation of inventory reserve?—A. Do you refer to the $2,863,000 in 1947, in the fourth column?

Q. Yes?—A. Yes, and if you wish to calculate the amount of that accumulation all you have to do is to deduct the $2,093,000 in the first column.

Q. That is right, but what I mean is that the percentage of profit to capital would be higher if this figure did not include inventory reserve?—A. It would be a little higher, yes.

Q. Not very much?—A. Not appreciably. I cannot understand the basis for requiring a calculation of that nature? The reason I say that is if you were to deduct this accumulated inventory reserve from the capital employed, in order to arrive at your percentage you would also have to deduct the inventory reserve from net profit. That is speaking from an accounting standpoint, entirely.

Q. From the accounting standpoint, yes, but I asked it for a reason which you will no doubt guess.

The CHAIRMAN: Mr. Maybank has asked me to tell the members of the committee that sometime this evening he will be contacting the subcommittee in connection with its report. Depending on the progress that the subcommittee is able to make in connection with its deliberations and regarding its report, the committee may be summoned at any time tonight, tomorrow, Saturday, Sunday or Monday, and I hope the members of the committee will find it convenient to be within the vicinity of the call of the chair.

The meeting adjourned to meet at the call of the chair.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 75

TUESDAY, JUNE 22, 1948

WITNESSES:

Mr. A. G. S. Griffin, Secretary, Wartime Prices and Trade Board.

Mr. Henry Barrett, President, Dominion Woollens & Worsteds, Limited, Toronto, Ont.

Mr. S. W. Haufschild, Secretary-Treasurer, Dominion Woollens & Worsteds Limited, Toronto, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

TUESDAY, June 22, 1948.

The Special Committee on Prices met at 11.30 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Fleming, Harkness, Irvine, Kuhl, Lesage, McGregor, Martin, Mayhew, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. A. G. S. Griffin, Secretary, Wartime Prices and Trade Board, was recalled and further examined.

Witness retired.

Mr. Henry Barrett, President, and Mr. S. W. Haufschild, Secretary-Treasurer, Dominion Woollens & Worsteds, Limited, Toronto, were called, sworn and examined. Mr. Barrett produced copies of the Company's Nineteenth Annual Report, 1947, and copies of answers to questionnaire, including a memorandum which he read into the record. Mr. Barrett filed cloth samples identified as follows:

No. 14148. *Exhibit No. 145*—Yarn dyed Worsted clothing,
Nos. 50001 and 50002. *Exhibit No. 146*—Yarn dyed Worsted Suiting,
No. 7053. *Exhibit No. 147*—Stock dyed men's tweed,
No. 5189. *Exhibit No. 148*—Stock dyed Elysian o'coat.

At 1.00 p.m. witnesses retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudoin, Fleming, Irvine, Kuhl, Lesage, McGregor, Martin, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. Barrett and Mr. Haufschild were recalled and further examined.

During proceedings, Mr. Winters took the Chair in the temporary absence of the Chairman.

At 6.05 p.m. witnesses retired and the Committee adjourned until Wednesday, June 23, at 11.30 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, June [illegible]

The Special Committee on [illegible] met at 11.00 a.m. The Chairman, Hon. [illegible] presiding.

[illegible]

[illegible] Counsel to the Committee, in attendance.

[illegible] further examined.

Witness retired.

[illegible] were called and sworn. [illegible] produced copies of the Company's [illegible] and copies of answers to questionnaire [illegible]

[illegible]

[illegible] witnesses retired and the Committee adjourned until 4.00 p.m. [illegible]

AFTERNOON SITTING

The Committee resumed at 4.00 p.m. The Chairman, Hon. Mr. [illegible] presiding.

[illegible]

[illegible] Counsel to the Committee, in attendance.

[illegible] and Mr. [illegible] were recalled and further examined.

[illegible] proceedings Mr. [illegible] took the Chair in the temporary absence of the Chairman.

[illegible] witnesses retired and the Committee adjourned until [illegible] June [illegible] at 11.00 a.m.

[illegible]
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
JUNE 22, 1948.

The Special Committee on Prices met this day at 11.30 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Gentlemen, the meeting will come to order.

Mr. FLEMING: Mr. Chairman, may I mention one matter which arises partly out of newspaper reports appearing in the last twenty-four hours which have either been the occasion of or accompanied by a great many rumours. I think at this time the air should be cleared of these many rumours which are going about. I am not going to review any part of the articles in the two Ottawa newspapers last night which were dealt with in the House of Commons this morning on a question of privilege. However, in yesterday afternoon's edition of the Ottawa *Journal* there is a matter relating directly to this committee and its report which is in the course of preparation. After referring to the report discussed in the House this morning about proposed tax reductions on consumer goods the report on page 6 says:

> A special report which has been made to Health Minister Martin as chairman of the Prices Committee concerning the "urgent" need of "immediate" legislation to limit corporate profits. The drafting and content of this special report to Mr. Martin have become common knowledge even among the opposition members of the Prices Committee. This report to Mr.. Martin set out:
>
> 1. Evidence before the Prices Committee had shown some corporate profits to have been excessive to the point of victimizing Canadian consumers;
> 2. It was urgent the government "immediately"—before the end of the current session—should move to place a tighter control, perhaps even a lower ceiling on corporate profits.

Then there is this paragraph in heavy type:

> Mr. Martin was believed to have discussed this report with Justice Minister Ilsley, for preparation perhaps of the necessary legislation, and is known definitely to have discussed it with deputy committee chairman Ralph Maybank, Liberal M.P. for Winnipeg, and with C.C.F. members Angus MacInnis and William Irvine.

That is the report in the Ottawa *Journal*. I am informed also that the Vancouver *Sun* has also carried in the past twenty-four hours a news report to the effect that a confidential report has been made to you, as chairman of this committee, by Mr. Dyde, committee counsel, in which Mr. Dyde has recommended first the removal of a number of taxes, including the excise tax imposed last fall, as well as other taxes on consumers' goods. Mr. Dyde is secondly alleged to have recommended the re-imposition of the excess profits tax. Mr. Chairman, I was going to ask you to clear the air on this matter for my own benefit, as a member of the subcommittee appointed to draft the report. I have heard nothing of any of these things and particularly the matter referred to in the Ottawa *Journal* reporting that the drafting and contents of this special report to Mr. Martin have become common knowledge even among opposition members of the Prices committee. As far as I am concerned it is not true. As you know, the subcommittee has had but one preliminary meeting, and the benefit of some notes made by Messrs. Richards and Lewis. Certainly Mr. Dyde has made no report of which I am aware and I would ask you to make a statement, Mr. Chairman, to clear the air.

The CHAIRMAN: I have no confidential report from Mr. Dyde nor from anywhere else. Not having had such a report I could not have discussed it with Mr. Ilsley with whom I have never discussed the matter. The whole report is simply fantastic. I am sure that Mr. Dyde and Mr. Irvine, who have been mentioned, will speak for themselves.

Mr. IRVINE: I feel quite flattered, Mr. Chairman, that you should have consulted me in the matter. I can assure you that had you done so I would have given very sound advice, but unfortunately I know nothing whatever of the matter.

Mr. DYDE: I have made no report to you, Mr. Chairman, nor to anyone else with regard to the work of this committee.

The CHAIRMAN: Let us get on with our work.

Mr. FLEMING: Thank you, Mr. Chairman, and I hope your remarks will put those rumours at rest.

Mr. A. G. S. Griffin, Former Secretary Wartime Prices and Trade Board, recalled:

Mr. DYDE: You have already been sworn, Mr. Griffin?

The WITNESS: Yes.

Mr. DYDE: You have a memorandum prepared and I would ask you to read it to the committee.

The WITNESS:

Mr. Chairman

1. *Introduction.* Canada's wool industry somewhat resembles our cotton industry in that we are dependent on outside sources for a very large proportion of our requirements of fabrics. Indeed there is no aspect of domestic wool operations in which we are anything like self-sufficient. We are thus, to a notable extent, subject to the vagaries of world market conditions both in respect to prices and supplies.

2. Speaking very generally, the wool industry manufactures two types of fabrics which, for the sake of clarity in reference, I shall describe as follows:

(a) *Woollen Fabrics.* This process involves merely the spinning of the raw wool into yarns and the subsequent weaving of the yarns into fabrics. The cloth resulting from this process is used in blankets, overcoatings and some suitings.

(b) *Worsted Fabrics.* Here there is an additional process introduced. The raw wool, which is usually of a finer quality to begin with, is combed; that is, the fibres are placed parallel and combed into what are known as "worsted tops". The tops are then spun into yarn, and weaving follows. This cloth is widely used in men's and women's suits. The two types of wool fabrics are usually distinguished by separate terms, "woollens", and "worsteds".

3. *Raw Wool.* Our own domestic raw wool clip does not look after more than 6 per cent of our requirements. Furthermore, the greater proportion of the domestic clip is in wools suitable for woollens rather than worsteds for which Canadian consumers are showing increasing preference in men's and women's clothing.

4. At the beginning of the recent war, the United Kingdom entered into a raw wool contract with Australia and New Zealand. This arrangement provided that the United Kingdom should buy the entire clips of both countries for each war year and one year thereafter. Out of this contract, Canada's requirements of raw wool were met and it is a fair general statement that, as in raw cotton, raw wool itself has not been a bottleneck in production of fabrics either during the war or thereafter.

5. *Worsted Tops.* It is in the field of worsted tops that our main shortage problems have centred. Prior to the war and up to 1942, there was practically no combing capacity in the country at all. Thus, we were dependent almost entirely on imports to satisfy even the relatively modest demand for worsteds which existed in those years. This deficiency was relieved by the establishment during the war of a commission combing plant, but the greater measure of self sufficiency thus afforded was later offset by the establishment of new spinning capacity. The result is that spinning still outruns combing by a substantial margin. It is estimated that about 40 per cent of the industry's requirements of worsted tops are being met by domestic output.

6. I shall not take the time of the committee to recount the difficulties we continually faced in the Prices Board trying to obtain suitable allocations of tops from Great Britain every four months,—the allocation periods. It is sufficient perhaps to note that the claimants on supplies were numerous, world demand was virtually insatiable and latterly we were bidding in an open, global, export pool which, in the dying days of British Wool Control, had been devised as an intermediate step in the transition from categoric "country" allocation to completely free marketing. To add to our recurring headaches in this commodity, British combing was drastically affected by the coal shortage last year and there was a critical period in the spring of 1947 when we were doubtful whether any supplies of tops, particularly fine merinos, would be forthcoming at all. I have lingered for what might seem an undue time on this question of tops because I believe it will prove to be of considerable significance in your examination of prices. Later on, I shall show you what world prices have been doing in this commodity over the past few years.

7. *Yarns.* Before moving on a discussion of fabrics. I should like to touch briefly on yarns. Canada's primary wool industry produces about 95 per cent of the yarns which it requires for weaving into fabrics and for knitting purposes. But similarly as in cotton, the 5 per cent deficiency is of an importance out of proportion to its size; all imports of yarns are in worsted, and of our total available supplies of worsted yarns, about 25 per cent are imported.

8. Domestic yarn output is divided 80 per cent woollen, 20 per cent worsted. Most of the total yarns produced in Canada are woven into fabrics but roughly a quarter of the production finds its way into the knit goods industry for the manufacture of socks, underwear, sweaters, et cetera. About 5 per cent goes into the retail stores and is sold over the counter for hand-knitting purposes. There was a tendency during the war for imports of yarn, which I have already noted are entirely in worsteds, to concentrate in the handknitting variety. The Prices Board was obliged to place some restriction on the quantities of this type eligible for import in order that a proper balance between users could be maintained in light of the special production program of wartime.

9. *Fabrics.* The Canadian primary industry has never produced enough wool fabrics to look after all requirements. Domestic production has been fairly consistent at about two-thirds of consumption. Please turn to Table 1.

You will note, Mr. Chairman, that table 1 is headed "apparent supply of woollen fabrics and wool, from 1935 to 1948, in millions of yards." The column at the left is headed "domestic production," starting from 17,000,000 yards in 1935, ending in 1947 with 28,000,000 yards. The next column is headed "imports" and the final column is headed "total supply" which is the addition of the first two columns.

You will see that in 1940 a marked increase in production took place. The reasons for the increase were much the same as those which applied to cotton and rayon and to which I have already alluded. This high level, which represents practically double pre-war production, has been maintained into the post-war period to the end of 1947 and there are no present influences, other than perhaps the continuing high prices of imported raw materials, which might bring about any significant decrease in 1948.

10. May I refer you to table 2, for a detailed description of Canadian production.

In this table you will note the calendar years 1933 to 1946 are shown and the breakdown of domestic production is as between woollens, worsteds, and a combination of woollens and worsteds, and others not specified. The total figures balance with the figures shown on table 1.

The CHAIRMAN: We notice what you said, "you hoped."

The WITNESS: The principal point worthy of notice is the relatively small production of worsteds in relation to woollens;—the ratio in 1946 was approximately one to three. Imports for 1946, on the other hand, were in the ratio of one of worsteds to two of woollens and, in 1947, were about equally divided as between the two. This illustrates further the growing and insistent emphasis in Canadian demand for worsteds.

11. For a more complete breakdown of fabric imports will you now refer to table 3.

I think that table is more self-explanatory.

Virtually all our imports of fabrics have invariably come from Great Britain. These imports, as you will see, were generally maintained during the war and have continued since; they were augmented heavily during 1947 by imports from the United States, not previously a supplier of wool fabrics to Canada in any volume. The reasons for this rather startling and sudden development can be attributed, I think, to comparatively depressed market conditions in the United States following the violent price advances which succeeded the death of O.P.A. in that country. An additional factor was the pent-up demand in Canada arising from wartime shortage of supply.

12. *Summary.* That, Mr. Chairman, concludes this outline of the structure of our primary wool trade. To summarize the position for 1948, I would estimate that there will be no physical shortage of raw wool, yarns or fabrics. Tops may conceivably continue as a bottleneck but in this, as indeed for all other components, the principal limiting factor would appear to be the high prices of imports. In that connection, I have submitted 3 schedules of comparative prices numbered tables 4, 5 and 6 and I should like to express the same caution in the use of these figures as I did in the case of cotton fabrics. They are by no means arbitrary statistics and are intended only to provide an impression.

13. *Prices—Raw Wool.* Table 4 shows the movement of raw wool prices for 1939, 1946, 1947 and 1948. You will see that generally speaking the finer the wool the greater the increase. Bearing in mind the tendency I have described for demand to shift to fine worsteds, you can visualize the impact of these increases on worsted yarns and fabrics. The prices shown under 1946 were the last controlled prices in the world's primary wool markets; thereafter world wool auctions were resumed and open market bidding recommended.

14. *Prices—Worsted Tops.* Table 5 will show you a comparison of prices for Bradford tops for the same years as for raw wool. Here again you will note that the finer the qualities the more severe the increases. I should point out that in 1947, because of the shortage of Bradford tops, many Canadian mills were forced to buy substantial quantities in the United States at prices considerably higher than U.K. quotations.

15. *Prices—Wool Fabrics.* I must apologize for table 6. I had hoped to present a rather more detailed breakdown but the best obtainable at rather short notice is the Dominion Bureau of Statistics' wholesale cloth index of domestic woollen and worsted prices. It is noteworthy that all wool subsidies were terminated and price ceilings lifted in the spring of 1947.

TABLE 1

APPARENT SUPPLY OF WOVEN FABRICS OF WOOL*
1935-1948
(Unit—millions of yards)

	Domestic Production	Imports	Total Supply
1935	17	11	28
1936	18	12	30
1937	18	14	32
1938	14	11	25
1939	17	12	29
1935-1939 average	17	12	29
1940	26	15	41
1941	27	14	41
1942	28	13	41
1943	26	13	39
1944	24	9	33
1945	28	8	36
1946	29	11	40
1947	**28	14	42

*Includes worsteds and fabrics containing wool.
**Estimated.

TABLE 2

DOMESTIC PRODUCTION OF WOVEN FABRICS OF WOOL

Calendar Years	1943	1944	1945	1946
	(000 yds.)			
All Wool—woollen	10,565	10,801	14,214	17,514
All Wool—worsted	2,857	3,781	4,448	5,602
All Wool—woollen and worsted	7,182	3,977	4,503	1,345
Other, not specified*	5,760	5,666	4,402	4,809
TOTAL	26,363	24,225	27,567	29,270

*Includes cotton and wool mix, velours, plushes, mohairs, and automobile cloths.

TABLE 3

IMPORTS OF WOVEN FABRICS OF WOOL
(Estimated thousands of yards)

Calendar Years	From Great Britain Woolens*	Worsteds	Total**	From Other Countries	Total Imports
1937	8,413	4,672	13,171	503	13,674
1938	6,368	3,977	10,480	372	10,780
1939	6,218	4,826	11,131	283	11,414
1940	6,526	7,446	14,244	544	14,788
1941	8,247	5,697	14,030	129	14,159
1942	7,962	4,790	12,835	374	13,209
1943	7,272	4,556	11,873	1,057	12,930
1944	5,605	3,003	8,639	298	8,937
1945	4,769	3,393	8,194	122	8,316
1946	6,719	3,890	10,656	263	10,919
1947	6,934	3,278	10,256	3,940	14,196

*Includes flannels and delaines.
**Includes mohair and alpaca fabrics, damasks, and tapestries and plushes.

TABLE 4

Prices of Raw Wool
(cents per lb.)

	Quality	June 1939	June 1946	June 1947	April 1948
		c.	c.	c.	c.
Fine	70's	43.2	71.8	99.5	157
	64's	39.9	68.6	92.0	146
	60's	37.9	65.4	86.9	130
Medium ...	58's	35.1	63.0	77.3	104
	56's	32.7	58.4	60.9	78
Coarse	50's	29.3	46.8	44.9	56
	48's	28.8	44.5	42.8	51
	46's	28.3	41.7	41.2	50

Source: Wool Intelligence: Commonwealth Economic Committee: January 1, 1948.

TABLE 5

Prices of Bradford Tops
(pence per lb.)

	1939	1946	1947	1948
	d.	d.	d.	d.
64's warp	26½	48¼	84	120
64's average	25½	46¾	80	112
58's super	23½	43½	66	74
58's average	22½	42¼	64	71
56's carded	21½	41	52	58
50's prepared	19½	32½	39	39

TABLE 6

Canadian Wholesale Price Index of Woven Fabrics of Wool
(1926—100)

1939	76.6	1947	143.1
1940	104.8	1948	
1941	104.5	January	165.3
1942	105.2	February	184.7
1943	105.2	March	183.9
1944	104.5	April	183.9
1945	104.1	May	185.9
1946	110.5		

The CHAIRMAN: Before you go on, I would just like to take a moment to say this: As you all know, Mr. Mayhew has not been with us for the last few days because he has been very much occupied in connection with his new duties. I am sure that every member of the committee would want me to express to Mr. Mayhew our very sincere congratulations upon his entrance into the ministry.

Some Hon. MEMBERS: Hear, hear.

Hon. Mr. MAYHEW: Mr. Chairman, I would like to thank you for your kind remarks. It was not only my new duties which kept me from attending sittings of this committee but also the flood in British Columbia which caused most of my troubles. I give that as an apology for not having been here.

Mr. DYDE: I have no questions, Mr. Chairman.

By Mr. Fleming:

Q. In the last sentence you mention that the wool subsidies were terminated and price ceilings lifted in the spring of 1947; that means then that wool was decontrolled about six months before other textiles with which we are dealing? —A. Yes.

Q. Then on table 3, in the second column, last line, the figure indicating imports from other countries of 3,900,000 yards in 1947; can I take it from the note in the text from which you read that that is almost entirely from the United States?—A. The figures shown as from other countries, you mean?

Q. Yes.—A. Yes.

Q. Are they entirely from the United States?—A. Almost entirely.

Q. There is no other significant source of supply?—A. No other significant source of supply.

By Mr. Lesage:

Q. Is there any restriction on the importation of woven fabrics—wool from the United States since the 17th of November?—A. Yes, there is.

Q. What is the situation now?—A. The situation at the present time is that any company with either textile fabrics or wool fabrics are restricted to 32 per cent of the imports in the basic year, which ended January 30, 1947; of course, the 32 per cent import restriction covers all textiles; in other words, if an importer brought in all cotton in the basic year there would be nothing in the way of objection to his bringing in all wool this year.

Q. Has Canadian production increased since the beginning of 1948, to your knowledge?—A. My impression is that it is about the same.

Q. And imports from the United Kingdom?—A. I would say rather higher, I haven't got the statistics.

By Mr. Fleming:

Q. Just before we leave table 3, that figure of 3,900,000 yards of woven fabric from the United States really represents about $10\frac{1}{2}$ months actual imports then?—A. Yes.

Q. On table 2, the first class there is all wool-woollen fabrics, and then you have all wool-worsted, and all wool-woollen and worsted—the first two of these items show a steady increase in the last four years whereas the third and fourth items, all wool-woollen and worsted, and other, not specified, show a tendency, though not uniformally, to decrease over that period. Is there any special explanation of that trend?—A. I would not be sure about it, Mr. Fleming. I would suspect that it was because of the unusually heavy demand for clothing fabric which is represented mainly in the first two items.

Q. Then what would be the explanation for the decrease in the third and fourth columns?—A. Mainly I think because more production was going into the first two. That would be my guess.

Q. You have no information as to domestic consumption, have you?—A. No, I have not.

Q. For instance, figures on inventories?—A. No. I can obtain a statement, of course, as to the domestic production of men's and women's clothing for the past year or two. That, of course, brings in the secondary industry which we have not got here.

Q. There are not any figures available to show domestic disappearances?—A. No. I would say generally though that domestic disappearance had kept pace with production pretty well.

Q. So there has not been any building up of inventories, goods have been produced mostly for quick sale?—A. I would say so.

Q. Then I would ask you the same questions that I have asked you in connection with each of the other textiles we have discussed here. Since decontrol and the removal of ceilings, in this case the spring of 1947, and the Wartime Prices and Trade Board has continued to have the same responsibility for seeing that there is no undue accumulation of supplies and no encouraging of prices that are higher than are reasonable and just; has the Board found any evidence of any attempt at accumulation of goods?—A. Within the limitations of decreases in staff we have not noted any particular increase.

Q. You have no evidence as to hoarding of supplies?—A. None whatever.

Q. Then, on the question of prices, have you had any evidence as to charging of prices that are higher than are just and reasonable?—A. No, not to our knowledge.

By Mr. Harkness:

Q. On page 3, you say, "most of the total yarns produced in Canada are woven into fabrics but roughly a quarter of the production finds its way into the knit goods industry for the manufacture of socks, underwear, sweaters, etc. About 5 per cent goes into the retail stores and is sold over the counter for hand-knitting purposes." That means that about 70 per cent of it goes into fabric?—A. That is correct, yes.

By Mr. Lesage:

Q. Are Canadian mills producing at capacity at the present time?—A. I could not tell you that accurately, my impression is they are very close to it.

Q. Is there a trend in the industry to expand?—A. That, I could not tell you.

Q. Following up one of the questions asked by Mr. Fleming, you have not looked into prices lately of the various woollen products?—A. You mean, personally, of course?

Q. Personally?—A. No, not for the past two or three months.

Q. And so your answer to Mr. Fleming must be considered in the light of what you have just said?—A. Yes.

By Mr. Fleming:

Q. Just to clear that up; I think on previous occasions your answers specifically cover the period up to May 31, when you left the Wartime Prices and Trade Board?—A. That is right.

Q. And your answer this morning covers the same period?—A. I cannot say that in the month or two previous to my leaving the Board I was particularly concerned with the prices of fabrics. We were much more concerned with that matter in the period immediately following decontrol, which was last spring.

Mr. LESAGE: But you did not have any intimate contact with the firms in the trade so as to know what was going on in the trade?

The WITNESS: No, not in the individual firms. We were always concerned with the general level as shown in table No. 6.

Mr. FLEMING: I take it that there were no prosecutions since decontrol?

The WITNESS: Not to my knowledge.

The CHAIRMAN: May I make this suggestion to the committee? We have a great deal of work ahead of us and I am going to ask every member to co-operate as fully as possible in expediting the questioning without in any way restricting what members may think they should ask. If we might just make an accelerated effort we will still be able to meet our objective, which is considerable.

By Mr. Irvine:

Q. The witness stated that he had no knowledge of the prices of woollen goods having been other than just and reasonable. I would like to have some idea of what he means by just and reasonable?—A. Well, having in mind the very substantial increase in the price of raw materials which has taken place over the past two years, as shown in these tables, and also in consideration of the limited facilities which we had on the Prices Board for keeping a very specific check on prices that were being charged throughout the industry, we did try to keep an eye on it as best we could. Does that more or less answer your question?

Q. You were keeping an eye on it, and you were keeping an eye on what is reasonable in the way of prices being charged, to see that they were reasonable and just—that is the law, I believe that is the phraseology in the clause in the act, but it seems to me so nebulous.—A. I think we certainly would have discovered anything very flagrant in the matter of unreasonable and unjust prices, and we would have fully investigated in accordance with our instructions from the government.

Q. I suppose it would be a matter of comparison from previous years and in relation to the costs of the materials?—A. That is correct, yes.

By Mr. Dyde:

Q. You have not been able to produce for the committee a table such as you did in cotton, for instance, of comparative prices of imported and local fabrics, have you?—A. I had hoped to be able to produce a fairly complete one, but I have only been able to get some comparisons between United Kingdom prices and Canadian prices. I have not been able to track down United States prices.

Q. I think perhaps you might read into the record what comparisons you can make.—A. Right. For 15-ounce gabardine—

Q. If you can give it for other years it would be useful.—A. For 15-ounce gabardine in 1946 the United Kingdom price was $3.34 per yard and the Canadian price $3.81. In 1947, the same cloth, in the United Kingdom, $4.56, and in Canada, $4.31. 1948, the same cloth, United Kingdom, $4.92, Canadian, $4.85.

Q. You have mentioned that by years. Can you bring it down to a closer date than that?—A. No, except the 1948 figure is recent.

By Mr. Fleming:

Q. Is that price you have quoted the laid-down price in Canada or is that the price prevailing in the United Kingdom?—A. Landed in Canada.

Q. Is that comparable quality?—A. Comparable quality, as near as we can get, the nearest comparable fabric. For 14-ounce worsted, 1941, the United Kingdom price, $2.34, and in Canada $2.10. The same fabric for 1946, $2.97 from the United Kingdom, $3.05 the Canadian price. 1947, the same fabric, in the United Kingdom $3.80, and in Canada $3.50. In 1948, the United Kingdom price $3.95, and the Canadian price $3.95. Fifteen and 16-ounce worsted, 1941, the United Kingdom price, $2.60, the Canadian price $2. 1946, the same fabric, the United Kingdom price $3.38, and the Canadian price, $2.49. 1947, the same fabric, the United Kingdom price, $4.79, and the Canadian price $3.75. 1948, the same fabric, the United Kingdom price $5.57, and the Canadian price, $4.10.

Q. Is the 1947 price you quoted for Canada before or after decontrol?—A. I cannot answer that, but I can probably find out if you are interested.

The CHAIRMAN: Any other questions?

By Mr. Harkness:

Q. Referring to table 4, are those prices the prices that the farmers receive or are they the prices that the manufacturer pays after the wool has been shipped, and possibly cleaned or carded, or something else?—A. My impression is that the prices shown here are the prices paid by the manufacturers for the wool as it comes to their mills.

Q. I suppose that would be after it had been cleaned and possibly carded?—A. Not after carding, but after whatever preliminary cleaning process is done before the wool is put into processing.

Q. You have no figures then as to the prices the farmer would receive for this wool?—A. No, not specifically.

By Mr. Fleming:

Q. Is it possible to get those figures?—A. I am not sure, but I should think it is.

Q. Can we get those figures from D.B.S.?

The CHAIRMAN: Yes. Counsel will note that. Are there any other questions? Next witness.

By Mr. McGregor:

Q. I should like to ask one question. The witness said a few moments ago that they had a very small staff and could not check up on these prices. I should like to ask him how many there are on the staff at this time?—A. I will have to find that out for you. The figures are definitely available as at the end of May.

The CHAIRMAN: All right, thank you.

Mr. DYDE: Mr. Chairman, I have a short memorandum from Mr. Glass of the Commodity Prices Stabilization Corporation. It is simply impossible for him to be here before the committee today. Ordinarily under such circumstances I would simply postpone his memorandum until he was able to be here. It would be useful for the committee, I believe, to have the contents of the memorandum before them, and I am going to make the unusual suggestion that I be allowed to read it into the record if that is agreeable.

Mr. FLEMING: When will he be available?

Mr. DYDE: So far as I can tell he will not be available for two or three days.

The CHAIRMAN: This is a statement given to you by Mr. Glass?

Mr. DYDE: This is a statement made up by him, and ordinarily he would have come here and read it. The unfortunate part of it is if any questions arise on it I cannot answer them.

The CHAIRMAN: Counsel feels the statement is useful.

Mr. FLEMING: What is the nature of it?

Mr. DYDE: In connection with subsidies.

Mr. MCGREGOR: It is a rather strange thing to put something on the record if we cannot ask any questions on it.

Mr. LESAGE: It would be, but we are pressed for time.

Mr. MCGREGOR: If you allow that to go through you can put any statement on the record and it is on the record.

Mr. LESAGE: Do we not have to have all the information available in order—

Mr. MCGREGOR: We do not know whether or not it is information. How can we know unless we can ask questions on it?

The CHAIRMAN: I suggest that we put the statement in later.

Mr. DYDE: I should like to call the officers of Dominion Woollens and Worsteds.

Mr. LESAGE: As far as I am personally concerned, before I question the officers of Dominion Woollens, I should like to read that memorandum. I should like to have a copy for my own information if it can go into the record.

The CHAIRMAN: I am in the hands of the committee.

Mr. PINARD: Questions could be asked later of Mr. Glass after the statement has been put on the record. Do you not think so, Mr. McGregor?

Mr. MCGREGOR: I am just bringing it to the attention of the committee as I see it.

Mr. LESAGE: May I have a copy for my own information?

Mr. IRVINE: It may be, as Mr. McGregor says, that the evidence would have less value when the author of it is not here, and we cannot question him, but nevertheless it would have some value for us.

The CHAIRMAN: But the intention is to bring it in later.

Hon. Mr. MAYHEW: I would point out that when other gentlemen have presented their submissions they have taken the oath. They are sworn statements. This could not be a sworn statement.

Mr. LESAGE: It is up to the committee.

Hon. Mr. MAYHEW: It might attain that. It might become one.

Mr. DYDE: Of course, Mr. Glass has been sworn before the committee.

Mr. LESAGE: It is up to the committee to weigh the statement according to the circumstances.

The CHAIRMAN: I am in the hands of the committee.

Mr. FLEMING: It is very difficult to pass on it without having seen the statement. It may be the kind of statement that would invite a great many questions, and whose significance may depend considerably on the questions that will arise out of it. It is very difficult to say now whether there is any serious departure from normal caution in accepting the statement before the witness is here.

Mr. PINARD: I understand it is a very short statement?

Mr. DYDE: About one page.

Mr. LESAGE: It could be passed around.

Mr. FLEMING: If there is only one page, and if we are assured Mr. Glass will be here to answer questions on it, probably we could put it in now in the appendix and then take it as though it were marked for later identification.

The CHAIRMAN: Is that agreeable?

Mr. MCGREGOR: No, I oppose it.

Mr. FLEMING: I do not like the departure from the ordinary rules, but if it is a short statement, and if we have a guarantee he is coming in a day or two to answer questions on it—

The CHAIRMAN: Mr. Dyde says he cannot guarantee that.

Mr. FLEMING: If we are not sure of having the witness I do not think we ought to take it.

The CHAIRMAN: Mr. Dyde thinks that perhaps we had better wait.

Hon. Mr. MAYHEW: Could a copy of it be circulated to the members as information?

Mr. DYDE: I can do that. I have not got sufficient copies here to do so at the moment but I will have copies made.

The CHAIRMAN: That will be done.

Hon. Mr. MAYHEW: That would cover the situation.

The CHAIRMAN: We will see that copies are circulated.

Mr. FLEMING: Then I understand it is not going in.

Mr. DYDE: I will call the officers of Dominion Woollens and Worsteds.

Henry Barrett, President, Dominion Woollens and Worsteds Limited, called and sworn.

Stanley W. Haufschild, Secretary-Treasurer, Dominion Woollens and Worsteds Limited, called and sworn.

Mr. DYDE: Mr. Barrett, would you give the committee your full name, please?

Mr. BARRETT: Henry Barrett.

Mr. DYDE: And your address?

Mr. BARRETT: Home address?

Mr. DYDE: Yes.

Mr. BARRETT: 106 South Drive, Toronto.

Mr. DYDE: And your occupation?

Mr. BARRETT: President of Dominion Woollens and Worsteds Limited.

Mr. DYDE: Mr. Haufschild, would you give the committee your full name?

Mr. HAUFSCHILD: Stanley W. Haufschild.

Mr. DYDE: And your address?

Mr. HAUFSCHILD: 176 Islington Ave.

Mr. DYDE: Is that Toronto?

Mr. HAUFSCHILD: Islington, Ontario; it is a suburb of Toronto.

Mr. DYDE: And your occupation?

Mr. HAUFSCHILD: Secretary-Treasurer of Dominion Woollens and Worsteds.

By Mr. Dyde: (To Mr. Barrett)

Q. Mr. Barrett, you have heard the evidence that has been given by Mr. Knight, chartered accountant, and I understand that you wish to put before the committee a memorandum with reference to the company, and I would also like you to give any comments that you care to make with regard to the evidence which has come out from Mr. Knight, and in the report which we have spoken of as report C. Which way would you like to do it? Would you like to read your memorandum first or would you like to make your comments first? —A. I think it would be desirable to read the memorandum first that was given to Mr. Knight along with the completed questionnaire which was asked for.

Mr. DYDE: Gentlemen, I think this memorandum is with the material which was distributed to you. It is the memorandum which has at the top right hand corner of the page the words "sheet 1". It is called "Memorandum to be read in conjunction with statements marked 1 to 6 inclusive". I think you all have it but I want to make sure. Would you proceed, Mr. Barrett, to read the memorandum?

The WITNESS: Memorandum to be read in conjunction with statements marked 1 to 6 inclusive, furnished to the accountants for the House of Commons Special Committee on Prices—Textile inquiry—1947.

It is probably desirable to mention the date of this memorandum now, rather than wait until the last page. The date of the memorandum is Toronto, May 5, 1948.

By Mr. Dyde:

Q. So that the 1947 date you have just read is a clerical error?—A. No, this special committee on prices and textiles was 1947.

Mr. LESAGE: No, no.

By Mr. Dyde:

Q. You are referring to this inquiry?—A. Yes.

Mr. FLEMING: It just seems as though we have been going that long.

The WITNESS:

History

Dominion Woollens & Worsteds, Limited was incorporated in June, 1928 to acquire the assets and undertakings of Canadian Woollens Limited and R. Forbes Company Limited.

The Canadian Woollens Limited operations were carried on at the following locations:

1. Bonner-Worth Mills, Peterborough, Ont.
2. Milton Spinners Limited, Milton, Ont.
3. Otonabee Mills, Peterborough, Ont.
   (These three were engaged in manufacturing yarn for the knitting trade).
4. Auburn Mills, Peterborough, Ont.
   (Manufacturing woollen cloth).

The R. Forbes Company Limited operations were carried on at the following locations:

1. Hespeler Mill, Hespeler, Ont.
   (Manufacturing worsted cloth, hand knitting yarns and knitted outerwear).
2. Orillia Worsteds Limited, Orillia, Ont.
   (Manufacturing worsted yarns).

Because of business conditions, and for other reasons which prevailed in the early 30's, it was found necessary to bring about economies of production and to embark upon a program of consolidating operations over a period of years as conditions rendered propitious and finances would permit. Until this end was achieved, and during the process of consolidation, the company experienced the following:

1. High cost of production with consequent operating losses.
2. Heavy maintenance expense.

During a period of years until 1938, the business of the company was abnormally depressed, as will be seen by reference to the net operating results shown in the Statement 1 of the questionnaire.

In pursuance of the policy followed for some years, in 1938 a major change in the physical set-sup of the company's operations took place, namely, the consolidation of its woollen cloth manufacturing at Auburn Mills, Peterborough, Ontario, with the operations at Hespeler Mill, Hespeler, Ontario, and the discontinuance of its knit goods manufacturing department at the Hespeler Mill. These changes were necessary to eliminate uneconomical and therefor unprofitable operations. Under these circumstances, the more modern equipment of the Auburn Mills was transferred to the Hespeler Mill and the former mill was demolished.

By Mr. Dyde:

Q. You can read more rapidly if you care to, Mr. Barrett, because the members all have copies before them?—A. All right.

The loss in 1938 reflects the depressed condition of the industry during that year and in addition is accounted for by the interruption of production during the period of consolidation of operations referred to above and the cost of making this transfer of equipment.

Of the above, only three plants have been retained and are presently operating. These are Hespeler Mill, Hespeler, Ontario; Bonner-Worth Mill, Peterborough, Ontario; Orillia Mill, Orillia, Ontario.

The operations for the year ended 31st December, 1939, while showing a considerable improvement over former years, do not reflect the full economies resulting from the above changes in the physical set-up because operations were not at or near capacity except in the last four months of the year, during which latter period of 68 per cent of the profits of the year were earned. This was not attributable, except in a small degree, to increased sales under war-time stimulus.

(Government war orders accounted for only 2 per cent of 1939 sales). During the first half of the year 1939 production was seriously interfered with pending completion of the consolidation of operations. Therefore, the operations for the full year 1939 should not be considered as normal. The year 1940 is the first period in which the effects resulting from consolidation of operations were reflected in increased production and consequently increased earning power under the present physical set-up.

Since the period of years covered by the questionnaire goes back to 1936 (which includes the standard period years under the Excess Profits Tax Act), and since the business of the company was abnormally depressed during the standard period years, application was made to the Board of Referees under the Excess Profits Tax Act for the purpose of having the standard profits established, and that board set the annual standard profits at $300,000.

Nature and Scope of Operations

This company belongs to the wool branch of the textile industry, whose principle raw material is wool, and 85 per cent of our finished product is sold to other manufacturers for further processing, as distinct from the manufacturers also belonging to the wool branch of the textile industry who manufacture consumer products, and whose finished product is sold to the consumer without further processing. (The remaining 15 per cent of our finished product is a consumer product mentioned later in describing Division 3 of our operation).

With this explanation we wish to emphasize the fact that no other manufacturer has an undertaking that is comparable to ours. Our operations can be divided into five main divisions.

1. We manufacture worsted cloth and in this respect we are a fully composite mill, that is, we manufacture worsted cloth starting with the raw material, wool, and our finished product is the cloth, ready for the cutter-up.

In this operation there are four distinct and separate stages:

(*a*) The combing of the wool—resulting product: top.

(*b*) The spinning of the top—resulting product: yarn.

(*c*) The weaving of the yarn—resulting product: cloth.

(*d*) The dyeing and finishing of the cloth—resulting product: dyed and finished cloth ready for the cutter-up.

Most of our competitors in Canada perform only one of these operations; others, however, perform two and in some cases three, but in no case are the whole four operations conducted by the same concern.

Note: The weaver of the cloth is in all cases the vendor of the finished cloth.

2. We manufacture woollen cloth and operate a fully composite plant for this purpose, the raw material being raw wool and the finished product the dyed and finished cloth ready for the cutter-up.

Our competition in Canada in this respect has a set-up similar to ours, although there are one or two companies who are not fully composite.

3. We are spinners of worsted yarn which is sold to weavers and knitters who have no spinning equipment. These yarns we supply in the dyed or undyed state. We also manufacture hand knitting yarns (this is the only consumer product we make and is approximately 15 per cent of our output).

Our principal competition in Canada produces this product in a manner similar to ourselves, although there are a number of smaller spinners of worsted yarn who are without the dyeing equipment and have the yarn they produce dyed by commission dyers.

In addition to performing functions 1, 2 and 3, where we start with the basic raw material, wool, and the finished product is a product which has to be further manufactured, with the exception of the hand knitting yarns;

4. We comb wool owned by other companies on a commission basis.

Under these circumstances, our operations are not readily comparable with those of our competitors, and the dollar value of sales is not a reliable indicator, because in the operations of successive non-composite mills the cost of raw material is the sales price of the previous processor. To such material cost are added the charges of further processing, together with a margin for profit, in arriving at the selling prices of each such successive processor.

Conditions since 1940

During the period 1940 to 1945 inclusive, our manufacturing facilities were engaged on military production to a considerable extent as follows:—

1940	43·6 Per Cent
1941	27·6 Per Cent
1942	63·7 Per Cent
1943	65·5 Per Cent
1944	40·4 Per Cent
1945	37·6 Per Cent

For the period from September, 1941 until April, 1947 our production for civilian purposes was subject to price ceilings established by the Wartime Prices and Trade Board. These were inadequate from the beginning but imposed a particular hardship in 1946 when the company's production was entirely civilian and sold under very inadequate ceiling prices, in view of the increase in wages and other manufacturing costs which had taken place during the years since 1940.

Our company's raw materials are (1) wool, which is purchased largely in the primary markets (Australia, New Zealand and Africa) and (2) wool tops, (combed wool) which are imported from the United Kingdom.

From September, 1939 to June, 1946, wools were sold in the primary markets at controlled prices. In July, 1946, the normal pre-war method of marketing wool by auctions was resumed. European countries, which were short of wool, and the United States of America bought heavily. This in the face of a reduced supply of fine quality wools (which are the principal types our company uses) resulted in substantial increases in prices over which Canadian Mills had no control. The following tables show the extent to which prices of wools and wool tops of the types principally used by us have increased.

By Mr. Fleming:

Q. When you say, "used by us," do you mean produced or purchased?—A. Well, the tops which we make ourselves and also which we purchase. We have a combing plant for producing tops but the combing plant has not sufficient capacity to supply our entire needs, so we do both.

By Mr. Irvine:

Q. While you are on that point, may I ask, is Canadian produced wool suitable for wool tops?—A. Well, a limited quantity of it is. Now, when you talk about wool, the British wool control, when they took over at the opening of hostilities, had to take over 1,200 different types of wool. When you ask me is Canadian wool suitable for combing, it is a very difficult question to answer. We have combed Canadian wool but it is not readily available for combing and certainly a very very limited quantity is suitable for worsted cloths. These statistics in connection with prices on wool and wool tops were, I think, very completely covered by Mr. Griffin, but I do not think Mr. Griffin's figures on wool tops are quite up to date. We had a cable from Bradford on Friday indicating that the price of 64 top is now 123 pence. The price of that wool top pre-war was 26½ pence.

1. *Wools.* Representative prices at London wool sales for Australian, New Zealand and South African wools—Prices in cents per lb.—clean basis—to which must be added landing charges of approximately 6c. per lb.

Quality	June, 1939	June, 1946	June, 1947	Dec., 1947	Per cent Increase Dec., 1947 over June, 1939
Fine 70's	43·2	71·8	99·5	129	299
Fine 64's	39·9	68·6	92·0	121	303
Fine 60's	37·9	65·4	86·9	113	298
Medium (58's)	35·1	63·0	77·3	96	274

The prices in June, 1946 were the last controlled prices in the primary wool markets before the resumption of sales by auction in July, 1946.

Subsidized laid-down prices for the following qualities of wools, on which our ceiling selling prices were based during the war period, were as follows:

Fine 64's	68·9c.
Fine 60's	65·5c.

2. *Wool Tops.* Bradford prices—in pence per lb.—to which must be added landing charges of 4 pence per lb.

Quality	Aug., 1939	Dec., 1946	Sept., 1947	Nov., 1947	Jan. 1, 1948	Feb. 23, 1948	Per cent Increase Feb. 1948 over Aug., 1939
64's warp	26½	48¼	58¼	84	86	104	292
64's average	25½	46¾	56½	80	81	98	284
58's super	23½	43½	48¼	66	67	70	188
58's average	22½	42¼	46¼	64	65	68	202

Subsidized laid-down prices for the above qualities of wool tops, on which were ceiling selling prices for our civilian fabrics during the war were based, as follows:

64's warp	52½ pence
64's average	51¼ pence
58's super	47 pence
58's average	46 pence

Wages were increased substantially during the period from 1939 to date to keep ahead of the rising costs of living. Labour costs applicable to representative fabrics are at the present time 155% higher than in 1939. Manufacturing expense costs during the same period increased by 147%.

Mr. IRVINE: Would that include the increase in wages?

The WITNESS: No, sir, manufacturing expense is separate from wage costs.

As set out above, wool prices for the fine qualities were in December, 1947, three times higher than at June, 1939, and practically twice the prices which prevailed in June, 1946. Wool top prices for the finer qualities were in February, 1948, four times higher than in August, 1939, and more than twice the prices which prevailed in December, 1946.

Because of the sharp rise in the prices of wools and wool tops, which set in immediately upon the discontinuance of controlled prices for wools and the resumption of sales by auction in July, 1946, it was found absolutely necessary that the selling prices of our products commencing in April, 1947, should be based upon replacement cost of raw materials rather than the actual cost of the materials contained in same, as that is the only way it has been possible for us to finance the replacement of inventories.

The period of time from the purchase of wools in the primary markets to the completion of the dyed and finished cloth in a fully composite mill such as ours is at least six months, and the need for the above policy during the past year is therefore apparent. Payment for the wools must be arranged for at time of shipment.

Inventories are being carried at absolute minimum physical levels required for full production. The inventory figures set out below show the increased cost of carrying such minimum physical quantities. Bank loan figures are also shown to substantiate the highly inflated inventory conditions under which we are presently operating.

At fiscal year-end in	Inventories (on hand and in transit)	Bank loan including drafts payable under term "Letters of Credit"
1936	$1,057,000	$ 607,000
1937	1,145,000	561,000
1938	765,000	457,000
1939	1,061,000	423,000
1940	1,970,000	186,000
1941	1,959,000	588,000
1942	2,348,000	....
1943	1,892,000	....
1944	1,593,000	....
1945	2,324,000	400,900
1946	2,971,000	1,169,000
1947	3,672,000	1,153,000
1948 (March 31)	4,150,000	2,011,000

During the years 1942, 1943 and 1944 and part of 1945, stocks of raw materials for military production were carried by a government company—Melbourne Merchandising Limited. This explains the absence of a bank loan position in those years. During 1945, the company went back on civilian production 100 per cent, which meant financing all raw material requirements from the time of shipment in the primary markets; hence the return to a bank loan position, which, including drafts payable under letters of credit, has during the month of March, 1948, been up to $2,011,000 as shown above. In our business wools must be purchased and paid for to a large extent during the buying and shipping seasons in the primary markets.

It will be observed in the detailed profit and loss statements numbered 1 and 2 that during 1947, in order to finance replacement of raw materials, it was necessary to make the income for the year include an amount of $462,792 which was required for the purpose of replacing wool inventories. The income for the year 1947 to the extent of at least $462,792 is therefore not realized income. Our company could not continue in business if the income from sales did not include provision for the replacement of inventories on a replacement price basis. The operating income as shown on statement 2 for the months of January, February and March, 1948, must also be considered as including an amount of $200,000 which is required for replacement of wool inventories at higher prices.

If any further clarification or elaboration is required in connection with the foregoing data, we shall be pleased to furnish same.

All of which is respectfully submitted.

DOMINION WOOLLENS & WORSTEDS, LIMITED

(Sgd.) ....

Secretary-Treasurer

Toronto, May 5, 1948.

By Mr. Fleming:

Q. I have just one question before you leave that page. It is in connection with that second column, headed inventories (on hand and in transit). Do I understand that the physical inventory was reasonably constant in that period? —A. I would not say it is reasonably constant, because during the war years and since the termination of hostilities shipments of wool from Australia and New Zealand, from which countries these wools are principally obtained, are very uncertain. There is no regular sailing of ships. I believe the C.P.R. are putting one on sometime soon. You can never tell when you are going to get the wool, and from the time the purchase is made by our brokers in Australia or New Zealand it is sometimes four or five months before the wool gets to the mill.

Q. I think perhaps you have been anticipating something that I was going to ask in connection with that table, so I will not pursue it at the moment. I thought the purpose of this column was to show the cost of maintaining your inventory and that it had increased, while the physical value of the goods in your inventory had remained reasonably constant.—A. Well, it is reasonably constant, but you are now comparing—roughly, the figures from—you have to start around 1943 or 1944, because during the war period wools were all carried by Melbourne Merchandising for military purposes and that relieved us of the necessity of carrying them for military purposes, and therefore our inventory was low. You can't get it up very quickly. So, when you say the volume of inventory has been constant; it has been constant in the last three or four years.

Q. That was my point.—A. But you can't compare that with the pre-war years.

Q. The physical volume of the goods at the end of the year has been approximately the same at the end of the last three or four years?—A. Yes.

Mr. Irvine: I would like Mr. Dyde to tell us what his plan is with respect to the rest of this statement. Does he wish to question the witness on it?

Mr. Dyde: My plan definitely is this. I would like first to go through the mechanics of getting this material on the record, and then I am most certainly coming back to this statement and we will go over it. I should like to finish with the mechanical end of getting material before you, and then I certainly shall come back to this statement, and it may be before us at the afternoon sitting.

By Mr. Dyde:

Q. Mr. Barrett, I would like now before asking you further formal questions, to have you identify for us the samples produced by Dominion Woollens and have them formally filed. You have produced certain samples. I would like you, with reference to the report which Mr. Knight has made, to identify these samples for us. You have a copy of that report "C", have you not?—A. Yes.

Q. If you will turn to schedule C-7 you will see there certain pieces of material described, and we would like to have which of those pieces of material are being produced for us. The first one I come to on schedule C-7 is yarn dyed worsted coating. Would you find that for us in the samples, if it is there, and show it to us?—A. There is a number on the sample which might be put on schedule C-7. The yarn dyed worsted coating is known as 14148.

Q. And this piece of material you are now showing me is that material? A. Is that material.

Q. Exhibit 145. Then the next material is the yarn dyed worsted fancy suiting.—A. There are two samples there which represent that, 50001 and 50002.

Q. We might put those in together as exhibit 146. Then, tweed.—A. The number of that is 7053.

Q. This is the material you are producing?—A. Yes.

Q. Exhibit 147. Then, overcoating?—A. 5189.

Q. That is the number of the sample?—A. Yes.

Q. That will be exhibit 148. Now then, when I asked you at the beginning to deal with this matter I said that you had a memorandum and I also asked you if you had any comments to make on the material that was placed before the committee by Mr. Knight. If you have comments would you please make them now?—A. I would like to supplement Mr. Knight's report with some brief observations on the nature of our business.

Q. Will this be in addition to what you have already given us in the memorandum?—A. There may be a slight duplication somewhere, but I do not think it is very great, and these are very brief comments.

Q. Proceed.—A. We have to make longe range commitments not only for the sale of our finished products but also in the purchase of raw materials from which they are made. The business is seasonal in nature. We quote prices around the 15th of February for the fall season and deliver goods booked at that time at firm prices until probably the end of October. For the spring season the same procedure takes place. Prices are quoted around the 15th of August, and delivery is made against orders booked then at firm prices until the end of March. When prices are changed at those seasonal dates it takes usually four months before the effect of the revised prices is reflected in operating return. Raw material commitments have to be made some months before delivery of the raw material is obtained, and from the time the commitment is made until the price is recovered on the sale of finished products, it is somewhat in excess of 12 months. The industry is highly competitive. The last figures which we have available indicate that 40 per cent of the domestic market is supplied by imports, and somewhere between 60 and 70 mills struggle for the remaining 60 per cent. It is to be regretted that a more realistic figure could not have been used in the presentation of report C to represent the capital employed than that defined on page 12. The exclusion of the borrowed money from the figure distorts the picture. Where else can borrowed money be used except in the conduct of the business? I should like to draw attention also to the fact that the refundable portion of the excess profits tax has been included as capital employed. I do not know whether or not anybody has got that refundable portion back yet. I know we have not.

Mr. Knight had to go to some trouble the other day to explain a transaction that had occurred by which some $2,800,000 was withdrawn from the Ayers company, which money was replaced by bonds and notes. I do not know whether or not he overlooked the fact, but if you will refer to schedule C8, the capital employed by Dominion Woollens and Worsteds as defined, I think on page 12, is reported as $2,877,000. In the year 1944, the capital, as defined, has gone down to $1,725,000. The profits for the year 1943 are indicated as $225,000 and the percentage of profit to capital is 7·8. For the 1944, the profits are $239,000, $14,000 more and the percentage of profit to capital has increased, according to these figures from 7·8 per cent to 13·9 per cent.

Now, there is nothing realistic about figures like that.

By Mr. Dyde:

Q. You gave the factors which resulted in the $2,877,000 being reduced to $1,725,000; would you tell us that, please?—A. In 1943, we had a $20 par value 6 per cent non-callable, non-accumulative participating deferred stock.

By Mr. Irvine:

Q. That is a long name?—A. It was, and it was a disastrous thing to hold, but it was changed in 1944 on agreement with our preferred shareholders, to a 5 per cent debenture. To compensate them for the participating feature of the original preferred stock, one share of common stock was given them for every preferred share previously held.

Now, not one cent of money came out of this business to make that deal. One piece of paper was changed for another piece of paper.

By Mr. Dyde:

Q. The preferred stock issue was how much?—A. It was $1,270,000.

Q. And the place of that was taken by an equivalent dollar value of debentures?—A. Yes, an equivalent dollar value.

Q. Dollar for dollar?—A. Well, the preferred shares were $20 par value and for every five preferred shares so held, one $100 5 per cent debenture was given, so the amount of money as shown in the statement was the same.

Q. What was the interest rate on the debentures issued?—A. 5 per cent.

Q. Have you any further comments?—A. No, I have no further comment to make at all.

Q. Then, I think, Mr. Chairman, I should like to go back to the memorandum and go over it page by page. I will let you know if I have any questions. I have none on sheet 1 of that memorandum. Would you prefer to start that work this afternoon?

The CHAIRMAN: Yes.

Mr. FLEMING: Is it your intention to go over the tables and statements first, before you go on with the narrative?

Mr. DYDE: I was intending to go over only this statement, but to use report "C" at the same time.

Mr. FLEMING: I meant the statements and schedules attached to the Dominion Woollens' return.

Mr. DYDE: I have some of those prepared for production if we have to refer to them.

The meeting adjourned to meet again at 4.00 p.m.

AFTERNOON SESSION

June 22, 1948.

—The committee resumed at 4.00 p.m.

The CHAIRMAN: Order, gentlemen.

Henry Barrett, President, Dominion Woollens and Worsteds Limited, recalled:

Stanley W. Haufschild, Secretary-Treasurer, Dominion Woollens and Worsteds Limited, recalled:

Mr. DYDE: Mr. Chairman, I would like to alter slightly the plan for proceeding with Mr. Barrett, because I think perhaps it may save some time. I will not leave out any examination of the material with which we must deal.

By Mr. Dyde:

Q. Mr. Barrett, I would ask you to turn to schedule C7 of Mr. Knight's report C and the first thing I want to clear up is with respect to the samples. When you handed the committee some samples this morning they were samples of yarn dyed fancy suitings Nos. 50001 and 50002 and I believe there is a difference in the price of these two samples?—A. Yes, the price of 50001 was changed on February 18 to $4 and $4.40 a yard instead of $4.70.

Q. And the sample 50002 remains at $4.70?—A. That is correct.

Q. Will you still keep your eye on schedule C7, Mr. Barrett, and I will call your attention to one or two facts on that page. I am looking at the figures opposite yarn dyed worsted coatings, the first item on the page, and at January 1, 1942 I see under the column "actual cost" there is a column of figures totalling $2.50. That is $2.50 a yard is it not?—A. Yes.

Q. And under the heading "April 1, 1948", still dealing with the same material and under the column "actual cost" there is a column of figures totalling $4.50?—A. Yes.

Q. In the comparison of those two columns I find that there is an operating income in 1942 of ·39 and at April 1, 1948 there is an operating income figure of 1·53. I put it to you, Mr. Barrett, as directly as I can, that having regard to those actual cost figures you could knock off a dollar a yard on that material as at April 1 and still make a greater operating income than you made in 1942? That is correct is it not?—A. To make that comparison, it is quite within the range of possibility, without further explanation, that it could be done. The further explanation which I think is required is that when the cost of material was figured on the 1st of January 1942 we were basing that material cost on the purchase of the top from Bradford.

Q. Yes, now we will go further into that in a moment but I want you to look at the next item, yarn dyed worsted fancy suitings—

Mr. MCGREGOR: Are you referring to this report C?

Mr. DYDE: Yes, I have asked you to look at the first page of schedule C7, which we have been discussing up to now this afternoon.

By Mr. Dyde:

Q. I would like you to look at the second item—yarn dyed worsted fancy suitings—and there when I compare the two columns, namely, the actual cost column on January 1, 1942, and the actual cost column on April 1, 1948, the same remark which I made a few moments ago would apply—if you knocked a dollar a yard off the price at April 1, 1948 you would still make a better operating income than you did at January 1, 1942. Your answer I presume is the same—that there is an explanation?—A. Yes.

Q. I would like you to tell the committee as fully as you can about that explanation and I am going to start by asking you to explain to the commitee your system of manufacturing and selling. You told us something about it this morning and mentioned two periods a year at which you bought and manufactured. Would you tell us about that again, more fully than you did this morning? I will start by reminding you of a date which I jotted down when you said the business was seasonal and that on about the 15th of February you plan for the fall season and that you manufacture from then on and sales are made between that date and October?—A. Yes.

Q. On the 15th of February of any year, or about that time, do you take orders from people in the trade?—A. Yes, that is the purpose of the quotations. We quote and take orders at that time for future delivery.

Q. When you take an order on or about the 15th of February a customer comes into your plant and orders a certain number of yards of goods, I suppose?—A. Yes.

Q. And you quote him a price?—A. Yes.

Q. The price is based on what, or what price do you quote him at that time?—A. The price is based on the replacement cost of the raw materials that goes into the goods which are selling.

Q. Now how do you arrive at the replacement cost?—A. The trade papers periodically quote the price of tops and we had to buy tops from Bradford we get quotations from the top makers there. We are constantly in touch with the raw wool market in Australia from Australia from which the material comes and sales are proceeding under normal conditions at that time. Cables inform us as to the price which are being asked and very frequently we are placing orders with our broker, sometimes at an open price and sometimes at a price which is given to him. He bids at public auction for the wool.

Q. It is on the basis of that price that you quote to your customers?—A. Yes.

Q. You have tables before you month by month or perhaps oftener of your various other cost items, have you?—A. Yes.

Q. And the other cost items are items of labour, overhead, and so on?—A. Yes.

Q. Then will you also follow that up by telling me if around the same period of the year you manufacture cloth in addition to the amount that your customers order? Do you manufacture cloth to put on your shelves and which you hold there in case there are future orders?—A. I would answer that question by saying yes and no; sometimes we do and sometimes we do not.

Q. Let us take February, 1948. What amount of cloth did you manufacture which was not ordered at the time by your customers?—A. You have picked February of 1948 and I happen to know there was an accumulation of a fabric which was made which did not turn out as satisfactorily as we expected it would, and therefore, it was not offered to any of our customers and we still have it on hand. We hope at a favourable opportunity to dispose of it.

Q. How much of it was there?—A. I think there was somewhere about 50,000 yards.

Q. Out of a total manufacturing of how much?—A. The 50,000 yards would represent probably 10 days production of the entire mill.

Q. Apart from that quantity, had you manufactured by the early spring of 1948 anything that had not been ordered?—A. No.

Q. So that the material, the fabric that is manufactured following February 1948—with the exception of the 50,000 yards you have mentioned—is material which has been ordered by your customers?—A. Yes.

Q. They are firm orders; is that correct?—A. Oh, yes.

Q. Orders for so many yards at such and such a price?—A. At such and such a price.

Q. And therefore the only loss that you can incur is if the customer is unable to pay when you deliver? That is your only trade loss?—A. I would not say that was true from past experience.

Q. What other risk do you run?—A. Past experience has indicated that if a decline takes place in the price of fabrics you very often have to reduce your price with the decline in the market.

Q. Have you done that?—A. In the past, yes.

Q. How long is it since you have done that?—A. We have been in a rising market for nine years, so there has not been anything like that done for nine years.

Q. But you can remember that at some time or other you had to do that?—A. Yes.

Q. And if you are anticipating a falling market you also anticipate that a customer might come along and beat you down?—A. Yes.

Q. Even though they have given a firm order?—A. Yes.

Q. It remains to be seen whether that experience will occur in the future, but you do not know what will happen in the future?—A. Absolutely not.

Q. You try to get as firm an order as you can when you are selling goods in the first place?—A. Yes.

Q. I want to come back to schedule C7 after that little digression, and I will ask you to explain to the committee what it is which makes my remark wrong—my remark that you could knock a dollar off the selling price of your materials and still show more operating income?—A. The cost of material figure January 1, 1942, was based on the cost of tops, which would be imported from Great Britain. The actual cost of the material on April 1, 1948, was on tops that were made from low-priced wool which we had been fortunate enough to buy in Australia probably twelve months ahead of that time. During the war period we combed tops for our own use. We found that by buying raw material from the primary market and combing our tops we could get a very much lower-priced top than we could by buying it from them, giving us, as Mr. Griffin pointed out this morning, tops that were and still are the bottleneck in the worsted cloth industry. The replacement value of this material at April 1, of which the actual cost was $1.26, is $2.33. That is on the yarn dyed worsted coating. On the yarn dyed finished suiting the replacement cost is $2.19.

Q. And you have already explained how you arrive at the replacement cost, the method by which you arrive at the replacement cost of $2.33; have you?—A. Yes.

Q. Now, would you look at two other columns. I am now looking at the columns of figures under April 1, 1947, and there I am looking at the cost based on replacement values; and I see, cost of materials as at April 1, 1947, to be $1.57 a pound. Do you see that figure?—A. Yes.

Q. And then in the column under April 1, 1948, actual cost, I see that the cost of material is $1.26?—A. Yes.

Q. Now, the first conclusion that I am forced to come to, Mr. Barrett, is that the $1.57 cannot have been a correct figure, because when we get to April 1, 1948, we find that the actual cost is down to $1.26. Now, you might tell us about that?—A. Well, as I said before, the low-priced wool we had on hand which we combed ourselves produced a top at $1.26. That has nothing to do with the replacement value as of the 1st of April, 1947.

Q. But in April of 1947, you are speaking of replacement costs of $1.57; and then we find that subsequent to that even though wool has gone up in the meantime your actual cost is $1.26.—A. Yes, but may I point out that I went to some—

Q. Length?—A. I don't know whether it is length or not—to tell you this morning that the raw material commitment had to be made very far in advance of our actual consumption. Now, it may be, as you suggest—our cost figures are very accurate—that there may have been some raw material that had been in stock for more than 12 months at that time and which might have been bought in the year 1945 because the delivery of raw materials during that period was very bad, very uncertain. But I do not think there is any significance to be placed on the fact that because we happen to have cheap materials on hand with which to reduce the raw material cost that it had anything to do with the replacement cost based on April 1, 1947.

Q. No, but the significance I think of my remark is that I am finding a very high operating income figure as at April 1, 1948; namely, \$1.53 a yard? —A. On the actual cost, yes.

Q. Yes. Now, why shouldn't we look at the actual cost when we are speaking about this problem of prices?—A. Well, if you sold on a steadily rising raw material market all the low-priced raw material you had at the price you paid for it you would not have money enough left to replace the raw material at the higher price.

Q. Yes, but when you take the order in February of 1948, your customer pays the price which you think will cover you for all your overhead and all your costs at the replacement value?—A. Yes.

Q. Then when it is paid you find that in a great many cases you have been able to buy wool cheaper; is that right?—A. No, not in the last nine years, we have always paid more. In other words, the amount, the value, we base our cost on, that is the replacement cost, we base our cost on values which almost invariably have been higher when we come to buy materials.

Q. But that could not have been the case between April of 1945 and April of 1948 because your replacement value was \$1.57 in 1947 and your actual cost is lower, \$1.26.—A. I do not know whether I can do anything more to explain that that \$1.26 a pound is undoubtedly a cost based on raw material that has been on hand for a very considerable length of time.

Q. How long?—A. I could not tell you.

Q. Was your actual cost since January of 1942 higher?—A. Well, no. That is a different thing. That is buying tops, this is buying wool in the primary market and combing it into tops in our own plant. That is two different things.

Q. So we cannot compare 1942 with 1948?—A. No. The raw material there in 1942 was tops. The raw material at April 1, 1948 is raw wool.

Q. So what you are telling me is that through a change in your manufacturing method you are today making an operating income of \$1.53 as against 39 cents operating income before?—A. No, no. I did not say that at all. It just so happens that this figure works out that way. We do not subscribe to the fact that you can continue in business by figuring your raw materials on actual cost, because what you may set aside and put into higher costs of raw materials on a rising market you are certainly going to lose when the raw material market declines.

Q. Well now, I have heard that explanation; but I want for a moment to refer to another schedule which is schedule C8. When Mr. Knight was on the stand, I do not know whether you did this or not; when Mr. Knight was on the stand we were checking over the inventory reserve figures for the several years when he told us that in 1936 there was no figure before us there in the inventory reserve column, and there was none for the next three years thereafter; and that when it came to 1940 there was a black figure of \$360,000; in 1941 a black figure of \$16,000; in 1942 a black figure of \$81,000; and then two red figures, 1943 and 1944, namely \$42,000 in the first and \$108,000 in the second; and then two years, 1945 and 1946 when there was no inventory reserve figure; and then in 1947, when \$463,000 was taken. Now, would you please explain to the committee what your system has been in handling inventory reserves?—A. The inventory reserves for the year 1940, 1941, 1942, 1943 and 1944 were an entirely different type of inventory reserve to that set up in 1947. The reserves set up in the years 1940, 41, 42, 43 and 1944, was an inventory reserve of a set up under the Excess Profits Tax Act, and the reserve applied to the excess profits tax only. That reserve varied from year to year due to the fact—I am speaking from memory—that the reserve which was authorized under the Excess Profits Tax Act was on a stated quantity of material that you had on hand at the end of the fiscal year in 1939 and at the price which then prevailed. As the quantity increased your figure of reserves was adjusted. Now, these are figures that were made up by the Inspector of Income Tax and the normal tax has been paid on it. The only tax that remains to be paid and still remains to be paid is the excess profits tax. Under that act these reserves amounted to—it is open now—about $300,000. They had to be added back to your profits for the year 1948 and the rate of excess profits tax which prevailed in the year 1947 has got to be paid on that.

Q. Now, you have spoken of the previous years, and I think you said that there was a difference in 1948, that would explain that amount of $463,000; is that right?—A. No, that is an explanation of the reserves which you mentioned in the 5 years.

Q. Yes.—A. That is 1940 to 1944.

Q. Thank you.—A. The reserve that was set up in the year 1947 is an accounting figure. That was obtained from our records; and, as I explained, was in order to replace the raw material that had been used in the production of 1947 which cost us $463,000; and the same to replace that raw material in the year 1948.

Q. Can you give me the working out of that figure? You are referring now to a specific method of arriving at $463,000. Can you produce for me the working out of that figure?—A. I think we can, yes. We will be very glad to produce that for you. We have not it here.

Q. I think it is important that you should because I am going to really make another suggestion to you in a minute, so I wish you would make a note of that because I should like to have produced an exact statement of how that figure came to be arrived at. Now, I want to go to a statement which you have filed. I think that our easiest way to do this would be for me to supply the members of the committee with additional single pages to your pages out of the return you made to the chartered accountant. I would ask that there be distributed to the members of the committee both these documents. In view of the fact we will be referring to them I think these two pages should be in the evidence at this place. It may not be necessary for us to produce any further part of the return made by Dominion Woollens and Worsteds, and it may be these will be sufficient for the purposes of all members of the committee.

Name of Company: Dominion Woollens & Worsteds, Limited

Statement No. 1—Page 1

Name of Parent Company (if any):

TEXTILE ENQUIRY

Special Preliminary Questionnaire

Date of fiscal year end: June 30, 1936, Dec. 31 in all other years

COMPARATIVE STATEMENT OF PROFIT AND LOSS, BY YEARS

(Omit cents)

—	Year ending June 30, 1936		18 Months to December 31, 1937		Year ending December 31, 1938		Year ending December 31, 1939		Year ending December 31, 1940		Year ending December 31, 1941	
	$	%	$	%	$	%	$	%	$	%	$	%
Sales—Domestic	3,625,437	....	5,490,146	....	2,535,322	....	3,453,772	....	5,613,024	....	5,577,842	....
Export	....	....	....	....	....	....	....	....	....	....	....	....
Total	3,625,437	....	5,490,146	....	2,535,322	....	3,453,772	....	5,613,024	....	5,577,842	....
Miscellaneous Operating Income or Loss (Net)	2,851	....	−580	....	809	....	−6,156	....	−145	....	5,321	....
Sub-Total	3,628,288	100·0	5,489,566	100·0	2,536,131	100·0	3,447,616	100·0	5,612,879	100·0	5,583,163	100·0
Less: *Cost of Sales and Expenses*												
Raw Materials:												
Wool and Wool Top, etc.	....	50·7	....	51·1	....	47·4	1,276,815	37·0	2,506,198	44·7	2,525,256	45·2
Other	1,841,017	....	2,807,429	....	1,203,281	....	145,307	4·2	220,779	3·9	228,435	4·1
Labour Costs:												
Factory Wages and Salaries	1,134,211	31·3	1,667,137	30·4	920,130	36·3	1,029,246	30·0	1,164,652	20·7	1,387,349	24·8
Office Salaries	18,752	·5	31,884	·6	21,755	·9	20,141	·6	30,673	·5	28,151	·5
Selling Salaries including Clerical Staff	35,544	1·0	54,235	1·0	34,682	1·4	37,139	1·1	41,889	·7	48,605	·9
Executive Salaries	23,000	·6	35,000	·6	24,250	1·0	25,500	·7	37,000	·7	41,567	·7
Depreciation	98,758	2·7	160,851	2·9	....	....	169,391	4·9	234,516	4·2	223·060	4·0
Rent	....	....	....	....	....	....	....	....	....	....	....	....
Advertising	965	....	2,240	....	1,435	....	1,430	....	1,333	....	1,361	....
Other Expenses:												
Manufacturing	337,710	9·3	524,108	9·6	362,643	14·3	337,127	9·8	400,007	7·2	471,748	8·5
Selling	78,964	2·2	58,283	1·8	25,878	1·0	56,713	1·6	36,769	·7	26,824	·5
Office	27,656	·8	33,425	·6	35,860	1·4	22,736	·7	41,594	·7	32,103	·6
Total Cost and Expenses	3,596,577	99·1	5,414,592	98·6	2,629,914	103·7	3,121,545	90·6	4,715,410	84·0	5,014,459	89·8
Operating Income before Bank Loan and Bond Interest, Inventory Reserves and Taxes on Income	31,711	·87	74,974	1·37	−93,783	−3·7	326,071	9·4	897,469	16·0	568,704	10·2

Add: Other Income:												
Dividends from subsidiary companies investment and other non-operating income	....	....	....	....	....	....	....	....	....	....	....	....
Less: *Other Charges:*												
Interest on bank loans	30,515	·84	41,553	·76	25,503	1·01	23,636	·7	25,693	·4	27,119	·5
Interest on bonds and debentures	....	....	31,755	·58	63,510	2·50	61,398	1·7	54,171	1·0	49,275	·9
Other financial and non-operating charges	....	....	....	....	....	....	....	....	....	....	....	....
Additional depreciation	....	....	145	....	....	....	....	....	....	....	....	....
	30,515	·84	73,453	1·34	89,013	3·51	85,034	2·4	79,864	1·4	76,394	1·4
Net Income before provision for inventory reserves and taxes on income	1,196	·03	1,521	·03	−182,796	−7·21	241,037	7·0	817,605	14·6	492,310	8·8
Provision for:												
Inventory reserves (Additions in black—reductions in red)	....	....	....	....	....	....	....	....	359,979	6·4	16,221	·3
Taxes on income	1,395	·04	2,138	·04	....	....	45,260	1·3	283,213	5·1	193,186	3·5
Net Profit	−199	−·01	−617	−·01	−182,796	−7·21	195,777	5·7	174,413	3·1	282,903	5·0

Statement No. 1—Page 2

—	Year ending December 31, 1942		Year ending December 31, 1943		Year ending December 31, 1944		Year ending December 31, 1945		Year ending December 31, 1946		Year ending December 31, 1947	
	$	%	$	%	$	%	$	%	$	%	$	%
Sales—Domestic	7,044,825	....	6,108,512	....	4,852,192	....	4,621,518	....	4,938,865	....	7,475,685	....
Export	....	....	....	....	....	....	....	....	....	....	....	....
Total	7,044,825	....	6,108,512	....	4,852,192	....	4,621,518	....	4,938,865	....	7,475,685	....
Miscellaneous Operating Income or Loss (Net)	5,818	....	4,506	....	1,884	....	2,123	....	2,161	....	....	....
Sub-Total	7,050,643	100	6,113,018	100	4,854,076	100	4,623,641	100	4,941,026	100	7,475,685	100
Less: *Cost of Sales and Expenses*												
Raw Materials:												
Wool and Wool Top, etc	3,323,362	47·1	2,748,178	45·0	1,771,509	36·5	1,779,810	38·5	1,977,847	40·0	2,490,559	33·3
Other	253,476	3·6	201,518	3·3	176,654	3·6	187,360	4·1	211,787	4·2	283,261	3·8
Labour Costs:												
Factory Wages and Salaries	1,666,579	23·6	1,686,122	27·6	1,501,732	30·9	1,391,199	30·1	1,611,216	32·7	2,364,840	31·7
Office Salaries	24,267	·3	33,426	·5	37,578	·8	46,849	1·0	35,035	·7	49,111	·6
Selling Salaries including Clerical Staff	38,726	·6	30,131	·5	34,705	·7	37,400	·8	40,749	·8	73,663	1·0

COMPARATIVE STATEMENT OF PROFIT AND LOSS, BY YEARS

—	Year ending December 31, 1942		Year ending December 31, 1943		Year ending December 31, 1944		Year ending December 31, 1945		Year ending December 31, 1946		Year ending December 31, 1947	
	$	%	$	%	$	%	$	%	$	%	$	%
Executive Salaries	51,250	·7	52,000	·9	54,750	1·1	52,541	1·1	48,583	1·0	66,550	·9
Depreciation	229,805	3·3	299,397	4·8	307,028	6·3	68,443	1·5	70,046	1·4	95,145	1·3
Rent	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Advertising	1,557	.....	6,344	·1	16,388	·3	16,858	·4	13,009	·3	33,942	·4
Other Expenses:												
Manufacturing	547,660	7·8	633,170	10·4	532,394	11·0	512,253	11·0	573,685	11·6	815,721	10·9
Selling	18,299	·3	13,196	·2	17,339	·4	22,611	·5	30,619	·6	38,377	·5
Office	37,114	·5	49,511	·8	46,194	1·0	32,950	·7	38,814	·8	49,819	·7
Total Cost and Expenses	6,192,095	87·8	5,752,993	94·1	4,496,271	92·6	4,148,264	89·7	4,651,390	94·1	6,360,628	85·1
Operating Income before Bank Loan and Bond Interest, Inventory Reserves and Taxes on Income	858,548	12·2	360,025	5·9	357,805	7·4	475,377	10·3	289,636	5·9	1,115,057	14·9
Add: *Other Income:*												
Dividends from subsidiary companies investment and other non-operating income	.....	.....	350	.....	11,459	·2	.....	.....	274	.....	467	.....
Less: *Other Charges:*												
Interest on bank loans	16,021	·2	1,360	·02	231	.....	5,810	·1	37,324	·8	52,584	·7
Interest on bonds and debentures	48,274	·7	46,326	·76	107,747	2·2	85,366	1·9	83,219	1·7	79,539	1·1
Other financial and non-operating charges	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Additional depreciation	.....	.....	.....	.....	.....	.....	.....	.....	17	.....	60,526	·8
	64,295	·9	47,686	·78	107,978	2·2	91,176	2·0	120,560	2·5	192,649	2·6
Net Income before provision for inventory reserves and taxes on Income	794,253	11·3	312,689	5·12	261,286	5·4	384,201	8·3	169,350	3·4	922,875	12·3
Provision for:												
Inventory reserves (Additions in black—reductions in red)	80,512	1·1	−41,680	−·68	−107,990	−2·2	.....	.....	.....	.....	462,792	6·2
Taxes on income	483,166	6·9	129,681	2·12	130,296	2·7	152,506	3·3	67,980	1·4	192,500	2·6
NET PROFIT	230,575	3·3	224,688	3·68	238,980	4·9	231,695	5·0	101,370	2·0	267,583	3·5

By Mr. Dyde:

Q. I should like you to look at statement No. 1, page 2, which contains a comparative statement of profit and loss by years, and I should like to refer you to the year ending December 31, 1947 which is over on the right hand side. This statement shows in the top half of the page your total cost and expense. A figure is reached of your total cost and expenses, and a figure is reached of operating income before bank loan and bond interest, inventory reserves and taxes on income. I find there a figure of $1,115,057. Do you see that figure? A. Yes.

Q. Then the process has been gone through of adding other income which amounts to $467, and of deducting other charges, namely, interest on bank loans, interest on bonds and debentures, other financial and non-operating charges, and additional depreciation, and you find a total net figure a little further down of $192,649. Do you see that figure there?—A. Yes.

Q. Deducting the $192,649 from the $1,115,057 up above you get net income before provision for inventory reserves and taxes on income of $922,875.—A. Yes.

Q. Let me stop there for a minute. Will you please tell the members of the committee what is the meaning of additional depreciation of $60,526? What is that?—A. In round figures the depreciation which we are entitled to from the Income Tax Department is $100,000, and we took an additional $60,000 which, of course, we had to pay tax on.

Q. Why did you do it?—A. The principal reason is that depreciation of $100,000 on a plant of $4,600,000 is, in our opinion, too small, particularly so when capital replacements are at least double what they were in pre-war years when the amount of depreciation was fixed with the Income Tax Department. So we have to get additional money from somewhere to finance the purchase of capital replacements, the depreciation of $100,000 not being enough. I believe in the year under review our capital replacements were $205,000 actual cash.

Q. 1947 is the first year in which you have an item for additional depreciation with the exception of 1946 where I see an item of $17. I am talking of additional depreciation, running your eye along that same line. I have to go back a long way to 1937 before I find any other item on that line.—A. Well, I do not remember, but if the figures are there I am quite sure Mr. Haufschild would have given the facts.

Q. If there is any question that I ask that Mr. Haufschild can answer immediately, he can answer it, provided you agree.

Mr. Haufschild: The $17?

Mr. Dyde: Yes.

Mr. Haufschild: That was a very small difference between the income tax amount and what we set up in round figures.

The Witness: And what about the years 1942, 1943, 1944?

Mr. Haufschild: We took depreciation, yes.

Mr. Dyde: You have depreciation but you have no additional depreciation.

Mr. Haufschild: Of course, in the years prior to 1945 the amount we were allowed by the Income Tax Department was considerably larger than this $100,000 we are allowed at the present time.

Mr. Dyde: I see that. I see in 1945 your depreciation figure was $68,433 and you took no additional depreciation.

The Witness: Of course, they did not have any profit to take it from.

Mr. Dyde: In 1946 your depreciation was $70,046 and you have additional depreciation of $17.

The Witness: That is an adjustment figure.

By Mr. Dyde:

Q. So you have some profit, I take it, in 1947, and I put it to you that is the reason that it is there?—A. That the $17 is there?

Q. No, that the $60,526 is there. Is that not the simple explanation, that you have some profit?—A. Oh, yes, and required money for capital replacements?

Q. Is that a scientific figure? Have you worked out somewhere the figures which will show why you took $60,000?—A. I think that is a figure that was drawn out of the air.

Mr. HAUFSCHILD: No, it is calculated.

Mr. DYDE: It is a calculated amount?

Mr. HAUFSCHILD: Yes.

Mr. DYDE: You can produce the calculation if we require it?

Mr. HAUFSCHILD: Yes.

By Mr. Dyde:

Q. I am still carrying on down that same line of figures, and after the figure of $922,875 we have in the next line across the page provision for inventory reserves, and there I find the figure which corresponds to the figure Mr. Knight put on schedule C-8, namely $462,792. Now, I do not want you to understand my next question as being anything but a question which is for the purpose of clearing it in my own mind, but I think you saw a profit of $922,000 and you thought you had better take over about half of it for an inventory reserve; would that be right?—A. I answered that question before. I said the figure of $462,000 was an accounting figure that we arrived at of an amount of money which we would have to spend to replace the raw materials that were used in the production for 1947.

(Mr. R. Winters, now presiding as acting chairman.)

Q. This is because of a change in bookkeeping since 1946, is it, because in 1946 there is a blank.—A. Oh, yes.

Q. In other words, in 1946 you did not need any money to carry out the same purpose, or is it simply a change in bookkeeping?—A. Well, that $462,000 was a figure that we managed to make by using up lower priced raw material that we had on hand.

Q. It still looks odd to me, not being an accountant, that on that system of bookkeeping you should require a scientific figure of $462,792 in 1947 and that you should have come out flat even in 1946.—A. Well, the point was in 1946 you had no profit to set aside that reserve from.

Q. You have not the same profit. You have some profit, but you still are just even, exactly. You do not carry out the same system, year by year. In other words, what you are really telling me, Mr. Barrett, is that when you have a profit, then you take this system of inventory reserve; is that not exactly what you are telling me?—A. Well, the facts are that the necessity for taking that in 1947 was a very sharp rise in prices on our raw materials.

Q. The prices on raw materials have been rising for years?—A. But they never rose as quickly as they did in the year 1947. This is a figure, here—

Q. If it is a graph, I do not think I will be able to understand it.—A. Well, the figure for the price of our raw materials rose from about 48 pence in April, 1947, to over 90 pence at the end of the year. It rose, in other words, about 43 pence a pound in eight months.

Q. We had figures given to us this morning, Mr. Barrett. You probably heard Mr. Griffin, who said that there had been a sharp increase. However, I still see this, that in June, 1939, fine quality cost 43·2 cents and in June, 1946, it had gone up to 71·8 cents; June, 1947, to 99·5 cents. There is a steady and quite pronounced rise all that time?—A. In the years—

Q. From 1946 to 1947, I see from the figures I have that the prices on raw wool went up quite considerably from 1946 to 1947?—A. Yes, but nothing like as much as they went up in the eight months of 1947.

Q. Now, I come back to the same point again. On looking at this statement No. 1, page 2, I find that in 1945 you had a reasonably nice profit. There is no inventory reserve there, either?—A. In 1945, we were under ceiling prices for raw materials, with raw material prices to us uniform throughout the whole year.

Q. So, you did not require to do anything about inventory reserves?—A. No.

Q. Under price control, you do not need to worry about inventory reserves?—A. If they will give you a subsidy on the difference between the control price and the price the raw material cost you—

Q. When did you go under price control?—A. We went under price control in September or October of 1941.

Q. I think you are right about that. In 1942, under price control, the inventory reserve figure is $81,000?—A. But that is the inventory reserve that was set up under the Excess Profits Tax Act which is an entirely different reserve from the 463 we are talking about.

Q. So, what it amounts to is this; as we look down the column of figures for instance, inventory reserve, it is something different each year we look at it except for those years from 1940 to 1943 when you were under the Excess Profits Tax Act?—A. Yes.

Q. Right?—A. That is right.

Q. Prior to 1940, when you were not under price control, you had no system of dealing with inventory reserves; is that right?—A. We did not have any because we had not made any profit. If we could make any profit, I think in order to insure the continuing of a business which is dealing with a highly fluctuating raw material such as wool, it should, when the opportunity occurs, provide a reasonable inventory reserve on account of the tremendous fluctuations.

Q. But you said you had no profit in some of those previous years?—A. Yes.

Q. Actually, you had some profit, but what you are telling me is you did not have enough profit to set aside an inventory reserve?—A. Quite right.

Q. You did have a profit in 1939. You did have one in 1940 and 1941?—A. In 1940, of course, we set up the reserve under the Excess Profits Tax Act.

Q. In 1939 you had a profit?—A. Yes.

Q. Now Mr. Barrett you may have to look at this unless you had it distributed to you when Mr. Knight gave us these figures. There was a sheet of figures in which he gave us the changes in selling prices of the various commodities shown on schedule "C7". I am looking at the yarn dyed worsted coating. I see there that there were changes in price on April 14, 1947; August 15, 1947; January 15, 1948 and February 15, 1948. Now, will you please explain the necessity of those increases because you have three increases since April 14, 1947 in that particular article?—A. Increases in price were due entirely to the increased replacement cost of raw material; the increased labour cost and also other manufacturing expenses.

Q. You are on a replacement cost basis on April 14, 1947, are you?—A. Yes.

Q. It is at that time you start calculating your price on that basis or had you started previous to that time?—A. Well, we are always priced on a replacement basis until the war period. During the war period, you could not price on a replacement cost of the selling price of raw materials, but on April 14, 1947, we reverted to the practice that we operated on prior to the war.

Q. Prior to control?—A. Prior to control.

Q. Then, would you please turn to another table which I have already distributed, that is, statement No. 2, page 5. Have you that sheet in front of you, Mr. Barrett? This is a comparative statement of profit and loss by months in 1948?—A. Yes.

Q. Now, about halfway down the page, you will find some figures there which on my copy are underlined. I do not think there is any reason for their being underlined except that they are the last figures in a column of figures which is being added up. You find provision for year end adjustment and you see the figure $15,000 in January; $15,000 in February; $15,000 in March and for the three months, $45,000. Now, would you explain to me what the provision for year end adjustments is? What is that for?—A. Our monthly operating statements are on a basis of perpetual inventory figures. Now, while those perpetual inventory figures—

Q. What do you mean by "perpetual inventory figures"?—A. Well, an inventory figure that is compiled by adding to what you have in stock at the beginning of the month and deducting what you have used during the month. Now, in arriving at the month end inventory figure, the human element comes into the picture. There are adjustments to be made when the physical inventory is taken. We make provision in our monthly interim statement for that adjustment. I think 2 per cent—is that about 2 per cent?

Q. That is about 2 per cent, a little less if anything?—A. I think that is the figure which is considered a safe figure to use. I think, as the usual thing, our adjustments do not run as high as that. The difference at the end of the year goes into the profit figure.

Q. You have always adopted that figure, have you?—A. Oh, yes.

Q. Does that apply also to the figures for 1947 and previous years?—A. It would if it were shown month by month.

Q. This is a practice which you have followed throughout?—A. Oh, yes.

Q. Now then, farther down, you see another underlined figure and again it is additional depreciation. You find a figure of $5,000 and $5,000, etc., underlined. Is that additional depreciation being taken on the same basis as you explained to the committee a few minutes ago?—A. Yes, and for the same reason.

Q. You propose to do that throughout this year, or do you only do that when you think the profit situation warrants it?—A. Well, you cannot set it aside if you have not got a profit; that is the point to make. We have got to get the money to finance these capital replacements which are costing us so much more than the actual depreciation which is allowed by the Income Tax Department.

Q. So that these sums of money are for capital replacement?—A. Yes.

Q. Then, a little farther down on the same page, you have a provision for inventory reserves. I see that there is being set aside amounts totalling $200,000 for the three months? Now is that also because you have a profit and you can set that aside in that way, or again is that on the basis of replacement? —A. That is again on the basis of replacement and while we cannot exactly get an accounting figure from month to month it is a provision for a reserve which at the end of the year will be converted into a reserve that is calculated on an accounting figure.

Q. And it will be calculated in exactly the same way as you calculated the $497,127, in 1947?—A. Yes.

In other words there may have to be an adjustment at the end of the year one way or another?—A. That is quite right.

Q. You are running along in 1948 making a sufficient profit that you can set that aside?—A. The last figure I saw in connection with it—anything that may be a net profit that we are making in 1948 has got to be invested in more wool because wool prices have gone up in an extraordinary way in the year 1948.

Q. Yes, but you are fairly well satisfied are you not with the figures in 1948 so far, showing a net profit in each of these three months of January, February and March?—A. Operating as we do taking off the monthly operating statement, but we have two more months to go.

Q. How are you doing?—A. There are still the months of April and May. About halfway down on the statement No. 2 of page 5 you see operating income, before bank loans, bond interest, inventory reserve and taxes on income for the three months, is the figure of $505,000, which figure on the basis used by the accountant is 20·5 per cent. The corresponding figure for the month of April is 15·5. The operating income would be $135,000 in the month of April as compared with $183,000 in the month of March. In the month of May the operating income figure is $91,000 going down to 13·8 per cent. That is an indication that our low priced raw material is fast disappearing and we are getting to the high priced material.

Q. I think for the purpose of the record, Mr. Barrett, I have one step farther to go in regard to statement No. 1, page 2. Would you mind turning to that page again? Am I correct in saying that at the end of 1947 we find a net profit figure of $267,583?—A. Yes.

Q. And I think, as per your letter of June 2 to Mr. Knight, there is a further deduction to be made from that figure. I believe Mr. Haufschild wrote the letter but you recall it do you not?—A. Yes, I think that deduction should not be made from the $267,000 but it should be made from the inventory reserve of $462,000.

Q. Would you just tell me why it should be done that way?—A. The $462,000 is inventory reserve before taxes. Taxes on that amounting to $179,000 should not be deducted from the net profit shown of $267,000.

Whichever way it is deducted it will amount to this will it not? The figure at the end of that column, instead of being $267,583 will be $179,913 less, or $87,670?—A. You are quite right.

Q. And that is as the result of the letter which you wrote after having produced those figures for Mr. Knight, and you suggested there ought to be a change in the figures given to him.

Mr. IRVINE: Mr. Dyde, can you tell us how much the deduction was and what it was for?

Mr. DYDE: I am coming to that right now, Mr. Irvine.

By Mr. Dyde:

Q. We have had difficulty, Mr. Barrett, in being quite clear as to how this rose and I want you to explain. You check me if I am wrong but the figures on statement 1, page 2, were supplied to Mr. Knight in answer to the questionnaire. Those figures reached him in May—the date does not matter—and sometime afterward, on the 2nd of June, you wrote a letter asking to have the figures changed and that is the way the deduction arose, is it not?—A. Oh, yes, you are quite right.

Q. So that you will not be taken unawares I am putting in front of you the letter which came from the company and and which Mr. Knight has already quoted. Mr. Knight quoted the paragraph which I am now showing you in this letter but you might look at it and tell the committee the reason for the incident occurring as it did?

Mr. PINARD: Have we the letter on the record?

Mr. DYDE: The letter to which I am referring has come since, namely on June 2, and part of it was read into the record, Mr. Knight.

The WITNESS: Just what is the question now, Mr. Dyde?

By Mr. Dyde:

Q. I want you to explain to the committee really just what you want to explain; why was it that at that stage it was necessary to make a change when these figures had all been made up and when for example they were correct and accurate figures; just to make a change at a subsequent date?—A. Well, I think the change occurred because in presenting the figures to Mr. Knight of $462,000 we were a little uncertain in our minds as to whether Mr. Knight understood that to be a tax paid reserve, or whether it was a reserve on which taxes had not been paid; and we wanted to be clear on that to Mr. Knight so there would be no misunderstanding.

Q. So you then wrote him this letter, and you have just explained to the committee what that means?—A. That is the reason for the $462,000.

Q. In the other case we had this figure of $462,792 which was shown?—A. Yes.

Q. And then you wrote a letter to Mr. Knight saying that there is a correction to be made—I want a correction to be made—and I want you to explain to the members of the committee on what basis you were asking that it be made.—A. I think the explanation is what I made before; that we were afraid that Mr. Knight might take this figure of $462,000 as being a tax paid reserve, and we do not want him to labour under any misapprehension, and we drew his attention to the fact that it was a reserve that had been set aside before provision had been made for income tax on it.

Q. And that you had to make provision for income tax?—A. We expected to, we did not know.

Q. You had to make provision for income tax; is that not correct?—A. Well, we expect to have to the way it stands at the present time. We do not know whether that will be allowed. There is a possible income tax liability there of $179,000.

Q. And if you found you had to pay it you wanted to make the provision which was made as explained in your answer?—A. That is right.

Q. And you had it calculated on the basis of what that provision would be in case it was taxable; isn't that the simple explanation?—A. Yes.

Mr. McGregor: It simply means this, that you put that item in there and there should have been the tax to come out of it, that it included the tax?

The Witness: Oh yes.

Mr. McGregor: That is all there was to it?

The Witness: That is right.

Mr. McGregor: The way it has been presented it would almost seem as though there had been some great secret behind this thing.

Mr. Irvine: Is there any doubt about the tax having to be paid?

The Witness: You can hardly say it is taxable.

Mr. Irvine: I thought there was an expression in your letter as to whether it was or not?

The Witness: Yes. There is some doubt still.

Mr. Irvine: Why was that doubt expressed?

The Witness: Well, the doubt is expressed because it all involves this question of taxing the profit that you make. This is not profit in cash, it is a paper profit that you make on a rising raw material market and that disappears very quickly when the market falls. I do not know whether the authorities would listen to any representations on the subject or not, but our feeling in connection with the whole thing is that if you don't try to get what we call a reasonable adjustment if there is any chance at all—but we have been clear and above board on the whole subject. It says, here is what we have done and here is the reason why we have done it, and we may or may not have to pay the tax on it.

By Mr. Dyde:

Q. This morning, Mr. Barrett, you made a criticism of Mr. Knight's work in one respect, and which I think we should clear up at this stage. You spoke about first having dealt with the 1948 figures in connection with the refundable portion of the excess profits tax; and I think your criticism there was that it included the refundable portion of the excess profits tax in the figure for capital employed. I think that was your criticism.—A. Yes, that was one.

Q. That was one of your criticisms?—A. Yes. There were two.

Q. Would you refer to the page in the report on which we might examine; or can you tell us where in Mr. Knight's report that question arose in your mind; and, how do wish to have it answered?—A. It is in connection with section C-8. That is on page 12. That would be an adjustment at 6·4 per cent and the 8·2 per cent.

Q. If Mr. Knight had not included the refundable portion of the excess profits tax those two items would be higher, would they not, those two items on page 12 of per cent of profit to capital?—A. Yes.

Q. So that in fact Mr. Knight was giving you something of a benefit when the figures were being shown because if he had not included the refundable portion of the excess profits tax then your percentage of profit to capital would be a higher percentage, would it not?—A. Slightly higher, yes. The point I was making was that the money was not in the business yet.

Q. No, and the point I am making is that he rather gave you a little bit of the benefit of the doubt when it came to percentage figures because if he had taken out that item then it would have shown your percentage of profit was higher than that which is in his report? That is correct, is it not?—A. Yes. Of course, the other item I mentioned was there, too.

Q. That is the realistic figure with regard to the change from preferred stock to debentures, is it?—A. Yes.

Q. Let us look at that again for a moment or two. In that connection we look at schedule C-8. I think this morning you referred us to 1943 and 1944.—A. Yes.

Q. And you said that the capital employed in 1943 was $2,877,000, and that it was reduced to $1,725,000 in 1944?—A. Yes.

Q. I do not regard that as being extremely important because I am not sure it has any particular bearing on today's high prices, but I will be glad if you will show me what Mr. Knight has done there that has in any way injured your position with regard to your present prices. You see you are criticizing him a bit, and I am really wanting to find out whether your criticism has really any bearing on what we are looking at.—A. Well, I was criticizing the fact that this adjustment was not made because the percentage of the profit to capital, as indicated on schedule C-8, is 7·8 in 1943, and although the profit in 1944 was virtually the same the percentage went up to 13·9.

Q. Yes.—A. That is all I was referring to. I just wanted to get it correct.

Q. In that connection also there is a difference, is there not, between a man who holds preference stock in a company and a man who holds a debenture of the company, and there is a difference in the accounting method of showing what is going to be paid to the stockholder as against the debenture holder? Am I correct? In the preferred stockholder you are dealing with a man who has actually a share, such as it is, in the company. He owns a little bit of the company. The debenture holder does not, does he?—A. If the company was being wound up I think the debenture holder would come ahead of the preferred shareholder.

Q. I think he probably would, too. However, when it comes to sharing the adventure of the company and assuming that you are making profits then the preferred shareholder was going to get 6 per cent, was he not?—A. Yes, non-cumulative.

Q. And normally—and I will be glad to have Mr. Haufschild answer this if he cares to—there is a definite distinction between a stockholder in the company and a man who holds a bond or debenture? There is a difference from the whole point of view of accounting because the stockholder gets a share of the profits. The debenture holder is an item which you are bound to pay anyway, to put it in very broad language. Is Mr. Knight not being fair in this thing?—A. Well, the caption that is put on here is "capital employed in the business." Whether the capital is subscribed or whether it is borrowed it is employed in the business, so to that extent I do not think there is any difference between the preferred shares and the debentures.

Q. Do you think he has treated you any differently from any other company?—A. In this report of his?

Q. Yes.—A. No, I do not think he has, but I do not think that it is a realistic figure to be used in connection with the figures that he has calculated as profit.

Q. But if he uses the same method of arriving at it all the time for every company then you are all in the same boat, and it may happen that you have an item like this, but is it any real criticism of showing how the company stands?—A. No, I do not think it is, but it has the effect of increasing the percentage of profit.

Q. It looks bad?—A. It looks bad. I do not think it is a realistic figure.

The ACTING CHAIRMAN: Are there any questions from the members of the committee?

Mr. DYDE: You might just wait a minute, Mr. Barrett, because there may be some questions come up.

By the Acting Chairman:

Q. I should like to ask if Mr. Barrett uses replacement value of inventory in arriving at a price on conditions of rising prices; would he use replacement value of inventory in arriving at a price on a descending market?—A. Oh, absolutely.

Q. Replacement value of inventory?—A. Oh, yes.

Q. You would?—A. Oh, yes; it is impossible to get the cost of high-priced material on a declining market.

Q. One other question occurred to me, Mr. Dyde. In the brief Mr. Barrett read this morning he discussed the increased cost of labour and materials and then he said, "other manufacturing expenses went up a certain amount."

Mr. DYDE: We have not reached this memorandum yet, Mr. Chairman. While I had concluded my questioning, it was rather with regard to the points we were at. So, if there are questions on the memorandum, it would be convenient to have them now.

By the Acting Chairman:

Q. This is the statement on page 4 of the brief:

> Manufacturing expense costs during the same period increased by 147 per cent.

Mr. Barrett, would you elaborate a bit on that?—A. The other manufacturing expenses cover a large number of items. I might mention coal as one; supplies of all kinds. In manufacturing operations like ours we are continually having to purchase leather goods, beltings, shuttles, bobbins, which amount to a good deal of money. We use large quanties of soap, soda and dyestuffs. We could let you have a pretty complete list.

The ACTING CHAIRMAN: No, I just wished an idea.

By Mr. Irvine:

Q. Mr. Chairman, I should like to ask what are the wages being paid? I should like to have the amount paid to the lowest wage-earning class in the factory or industry, the highest paid and the average. A 155 per cent increase since 1939 would seem to be quite high. I should like to know what was paid in 1939. What were the wages paid in 1939?—A. 1939?

Q. Yes?—A. I have not got the figures for 1939, but I have the figures taken from the pay sheets for the pay period ending 22nd May, 1948.

Q. Well, we could get from that a 1939 rate if there has been a 155 per cent increase. What are they for 1948? What is the lowest paid classs in your factory or industry?—A. Well, I am talking about our factory. The figures I have here before me show the lowest female receives 50·6 cents per hour; the average is 71·2; for males, the low is 71·5 and the average is 89·5.

Q. Now, would someone who is a good accountant tell me what 155 per cent of that is, so we will know how much was paid in 1939?

Mr. HAUFSCHILD: That does not relate directly to these figures; that is labour cost in producing fabric. The labour cost per yard increased 155 per cent.

Mr. McGREGOR: Mr. Irvine has asked how much an hour these girls get and how much an hour the men get; that is his point.

Mr. IRVINE: That is what I was getting.

The WITNESS: I have here some information for 1948. I have not the information for 1939.

By Mr. Irvine:

Q. That gives the 155 per cent increase, does it not?—A. No, you are talking about two different things. In the submission which we made, it was labour costs have increased 155 per cent, which is quite a different thing from the hourly pay of an operator.

Q. That may be, but what is the difference?—A. Well, it is very considerable, I am quite sure of that, but I have not got it here. I am perfectly willing to get it for you.

Q. Do you mean more labour power produces less goods?—A. More labour power—there are a variety of causes for it.

Q. But you say labour costs include something other than wages, what is it? I want to get that.—A. No, I do not exactly say that.

Q. Then, what do you state?—A. The labour costs—where is that again?

Q. It is on sheet 4 of your statement, the third paragraph from the bottom of the page. There are two items; manufacturing costs are up 147 per cent and labour costs 155 per cent. Now, I want to know what is included in that labour cost other than wages?—A. Nothing.

Q. Then, what is wrong with me asking for the amount paid in 1939 which is 155 per cent less than the 50 cents an hour?—A. There is a change or a difference in the labour cost between 1939 and the present time by the introduction of different machinery and practice, and of a variety of things.

Q. Then, is there a difference in the hours of labour?—A. Very considerably yes, very much less.

Q. Are they producing more per hour or less per hour in 1948 than they did in 1939?—A. I would say that, generally speaking, throughout a plant such as ours the production depends more particularly on the speed of the machines rather than the skill of the operator.

Q. That is the tendency now?—A. Oh, yes. If the hours which the machines are running is less, it generally means less production.

Q. I should think, then, if the machine is supplanting labour the labour cost should be lower instead of higher?—A. I say there are various factors which come into this thing.

Q. Having made that statement, I should like to have a little more data on it before I swallow the statement it is 155 per cent higher. I should think it would be lower?—A. The labour costs?

Q. Yes.—A. Well, we could elaborate on it for you.

Q. I should very much like to have the actual data by which you arrive at that figure.—A. We arrive at the 155 per cent?

Hon. Mr. MARTIN: Mr. Chairman, I was wondering how long the committee intended to continue? We have to give consideration to the program which lies ahead of us. How long are you going to take, Mr. Dyde?

Mr. DYDE: I think, sir, we could finish with Mr. Barrett and the other trade witnesses in wool in another two hour session.

Hon. Mr. MARTIN: What other witnesses are there?

Mr. DYDE: There are labour union witnesses.

Hon. Mr. MARTIN: Are they here now?

Mr. DYDE: No, sir, they have been asked to be here tomorrow afternoon at four.

Hon. Mr. MARTIN: We ought to meet tomorrow morning, then.

The ACTING CHAIRMAN: If we had a morning session, we could dispose of the trade witnesses and then have the labour union witnesses in the afternoon.

Hon. Mr. MARTIN: We are going to have a great deal of work to do tomorrow night, Thursday and Friday.

The ACTING CHAIRMAN: Are there any more questions of the Dominion Woollens and Worsteds' witness?

Mr. DYDE: I have one or two short questions which, unless they lead to something beyond will not take more than five minutes. Then, Mr. Barrett could be relieved. It will only take me about five minutes.

The ACTING CHAIRMAN: Is it agreeable to continue for five minutes?
Agreed.

By Mr. Dyde:

Q. Would you go back to schedule C7 in Mr. Knight's report and would you look at the second page—not the page we were looking a few minutes ago but the second page where it starts with Paton Manufacturing Company Limited. This question is a little bit off the beaten path because I am not able to compare the exact qualities of the material but I want to call your attention to the fact that a piece of yarn dyed worsted manufactured by the Paton Manufacturing Company was selling on January 1, 1942 at \$2.15. At that time your yarn dyed worsted coating was selling at \$2.50. Then on April 1, 1947, this Paton material went up to \$2.70 and at the same time your material went up to \$3.10. At April 1, 1948, the Paton material was up to \$3.55 and your material was up to \$4.50. Now, from my point of view, it would appear that your material, whether it is the same or not does not matter, has gone up more than Paton's, although you are both in the same market as far as buying material is concerned. Why should your material have gone up more than Paton's?—A. I cannot tell you what Paton's policy is but I have explained the policy we follow is based on the replacement cost of the raw material. I notice something here in Paton's figures —I do not know what the brackets are but I suppose it means a loss—

Q. Yes, that means a loss but I think there will be an explanation for it and I do not want you to refer the reason to that. I want to impress upon you that your selling price of that particular material has gone from \$2.50

to $4.50 and his material has gone from $2.15 to $3.55?—A. I have not even looked at the Paton sample and I do not know whether it is the same quality or the same weight.

Q. Assume it is different. That brings me back to the first question which I put to you, and which I put to you again in all seriousness, and that is that I would consider that your prices run higher than they should on those materials that you produce? Is there anything else you want to say about it?—A. No, I have nothing to say; except that a very considerable rising price of raw materials and increases in the cost of wages—we must recover replacement values, and that is the basis we are working on; and on replacement values we place a smaller amount of—

Mr. Irvine: Could we get some data on labour costs about which I was asking? I would like to get that, because we probably will be listening to the Labour Union representatives, and I would like to have both sides of the question.

Mr. Dyde: Is there any way you can get those figures by telephone? Do you think you could do that by tomorrow morning?

The Witness: We could get it by tomorrow morning, I should think.

The Acting Chairman: The committee will adjourn until 11.30 o'clock tomorrow.

—The committee adjourned to meet again tomorrow, June 23, 1948 at 11.30 a.m.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE ON PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 76

WEDNESDAY, JUNE 23, 1948

WITNESSES:

Mr. E. H. Knight, Knight & Trudel, Chartered Accountants, Montreal, P.Q.

Mr. F. R. Daniels, President, Paton Manufacturing Company Limited, Montreal, P.Q.

Mr. R. Neill, Secretary and Chief Accountant, Paton Manufacturing Company Limited, Montreal, P.Q.

Mr. Clement Tremblay, Secretary-Treasurer and Director, Ayers Limited, Lachute Mills, P.Q.

Mr. S. W. Haufschild, Secretary-Treasurer, Dominion Woollens & Worsteds Limited, Toronto, Ont.

Mr. Gaston H. Ledoux, President, "Fédération Nationale Catholique du Textile, Inc.", Granby, P.Q.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

WEDNESDAY, June 23, 1948.

The Special Committee on Prices met at 11.30 a.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudry, Fleming, Irvine, Kuhl, McGregor, Maybank, Pinard, Thatcher, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. E. H. Knight, Knight & Trudel, Chartered Accountants, Montreal, was recalled and further examined.

Witness retired.

Mr. F. R. Daniels, President, and Mr. R. Neill, Secretary and Chief Accountant, Paton Manufacturing Company Limited, Montreal, were called, sworn and examined. Mr. Daniels produced copies of answers to special preliminary questionnaire and copies of the Company's Annual Report for the year ended April 30, 1948. He also filed samples of cloth identified as follows:

Exhibit No. 149—Yarndyed Worsted, No. 5201.

Exhibit No. 150—Piecedyed Worsted, No. 4947.

Exhibit No. 151—Topcoating, No. 6552.

Exhibit No. 152—Overcoating, No. 5941.

Witnesses discharged.

Mr. Clement Tremblay, Secretary-Treasurer and Director, Ayers Limited, Lachute Mills, P.Q., was called, sworn and examined. He produced copies of answers to special preliminary questionnaire and copies of the Company's Financial Statement as at December 31, 1947. He also filed samples identified as follows:

Exhibit No. 153—White Blanket Material, No. 1000-V43.

Exhibit No. 154—Coloured blanket material, No. 1160-XL61.

Exhibit No. 155—Tweed material, No. 40.

During proceedings Mr. McGregor took the chair in the temporary absence of the Vice-Chairman.

Witness stood aside and Mr. S. W. Haufschild, Secretary-Treasurer, Dominion Woollens & Worsteds Limited, Toronto, was recalled and further examined.

Witness discharged.

The Vice-Chairman tabled a memorandum by W. F. Spence, Enforcement Administrator, Wartime Prices and Trade Board, and one by F. K. Ashbaugh, Steel Controller, respecting the production and distribution of nails. It was ordered that these memoranda be printed in Appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "A"*)

At 1.05 p.m. the Committee adjourned to meet again at 4.00 p.m. this day.

15759—1½

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudry, Beaudoin, Fleming, Irvine, Kuhl, Martin, McGregor, Maybank, Merritt, Pinard, Thatcher, Winters.

Mr. H. A. Dyde, K.C., and Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. Tremblay was recalled and further examined.

Witness discharged.

Mr. Knight was recalled and further examined. He read into the record Report "E", being summary of information returned by companies primarily engaged in the manufacture of cotton yarn and cloth, woollen yarn and cloth and artificial silk and nylon.

Witness retired. On behalf of the Committee, the Vice-Chairman expressed to Mr. Knight congratulations on the manner in which he had prepared his reports and presented them to the Committee.

At this stage, Mr. Irvine took the Chair in the temporary absence of the Vice-Chairman.

Mr. Gaston H. Ledoux, President, "Fédération Nationale Catholique du Textile, Inc.", Granby, P.Q., was called, sworn and examined.

Witness discharged.

In the course of the afternoon's proceedings, Counsel, Mr. Monet, tabled communications from the following Companies or individuals submitting supplementary information requested at the time of their appearance before the Committee, viz:—

Silverwood Dairies, Limited, London, Ont.
The Borden Company Limited, Toronto, Ont.
Swift Canadian Company Limited, Toronto, Ont.
C. Guy Bishop, Sherbrooke, Que.
Dominion Fruit Limited, Winnipeg, Man.
Crelinsten Fruit Company, Montreal, Que.
Canadian Celanese Limited, Montreal, Que.

The above communications appear under Appendix "B" of this day's Minutes of Proceedings and Evidence.

At 6.00 p.m. the Committee adjourned to meet again *in camera* for consideration of its Report to the House, on Thursday, June 24, at 9.30 a.m., and to resume in public session later during the day, at a time to be fixed later.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
June 23, 1948.

The Special Committee on Prices met this day at 11.30 a.m. The Vice-Chairman, Mr. R. Maybank, presided.

The VICE-CHAIRMAN: I see a quorum, gentlemen.

Mr. DYDE: Mr. Chairman, I am asking Mr. Knight to come back to the stand for a few minutes with regard to a point that arose out of the evidence of June 17.

E. H. Knight, Knight and Trudel, Montreal, P.Q., recalled:

By Mr. Dyde:

Q. Mr. Knight, in the evidence of June 17, a question arose with regard to page 11 of your report C, and with regard to the statement referring to Paton Manufacturing Company Limited, and you said they included in overhead as a component of cost items other than operating expenses. Would you please give the committee a statement with regard to that particular point?—A. Yes, Mr. Dyde. As I explained on page 11 in my report, Paton Manufacturing Company Limited have included in overhead as a component of cost items other than operating expenses. These items consist of: (*a*) provision for bond interest at the rate of $28,000 per annum; (*b*) a provision for dividends on preferred and common shares at the rate of $82,000 per annum; and the total of these two charges, namely $110,000 per annm, represents an average of 3·3 per cent of the selling price of the fabrics analyzed on schedule C-7-(1); therefore, for the purpose of comparing components of cost of the Paton Manufacturing Company Limited with the other two companies, the above-mentioned percentage of 3·3 of the selling price should be deducted from overhead and added to operating income.

Q. Would you please go through that with one figure on schedule C-7-(1) so that we will know exactly what we should do?—A. Well, take for example, on schedule C-7-(1)—at the end of my report—

Q. On C-7-(1) down at the bottom of the right-hand column on the page you will find these figures.—A. Now, take the right-hand column for your undyed worsteds, under the total as at April 1, 1948, 3·3 per cent of $3.55 a yard would be about 10 cents, so that the loss of ·0167 shown would for purposes of comparison with the other two companies be ·8; or, in other words, 8 cents; and your overhead would be 8 cents less than the $1.02 which is shown—or 10 cents less than the $1.02 which is shown, which would be 92 cents.

Mr. DYDE: Thank you, Mr. Knight. You will be coming back a little later to deal with another matter, but I would like now to call representatives of Paton Manufacturing Company Limited.

Mr. FLEMING: Mr. Dyde, would Mr. Knight answer one question for me at this point? Do you know, Mr. Knight, how much cloth goes into say a man's suit, so we might have some kind of appreciation of what this rise in prices really means in terms of the price of the finished product?

The WITNESS: From the accounting standpoint I did not come across that figure, Mr. Fleming.

Mr. McGREGOR: I would like to ask one question here in connection with this adjustment to these figures which you have made here. Would that not be adjusted by the auditors as to tax before final payment of income tax?

The WITNESS: Well, you see, this is a cost statement that is in the firm, and the cost statement which is maintained by the firm is the accounting form in their operations through which to determine how much the material they are manufacturing is costing them, do you see?

Mr. McGREGOR: And that would have nothing to do with income tax?

The WITNESS: No.

Mr. McGREGOR: Thank you.

Mr. DYDE: I would now call Mr. Daniels and Mr. Neill.

Francis Ryland Daniels, 12 Redpath Place, Montreal, P.Q.; President, Paton Manufacturing Company Limited, Montreal, called and sworn:

Robert Neill, 35 Patricia Street, Sherbrooke, P.Q.; Secretary and Chief Accountant, Paton Manufacturing Company Limited, Montreal, called and sworn:

By Mr. Dyde: (To Mr. Daniels)

Q. Mr. Daniels, what is your full name?—A. Francis Ryland Daniels.

Q. And your address?—A. 12 Redpath Place, Montreal.

Q. And your post with the company?—A. President of Paton Manufacturing Company Limited.

By Mr. Dyde: (To Mr. Neill)

Q. And, Mr. Neill, your full name, please?—A. Robert Neill.

Q. And your address?—A. 35 Patricia Street, Sherbrooke, Quebec.

Q. And your position with the company?—A. I am secretary and chief accountant.

By Mr. Dyde: (To Mr. Daniels)

Q. Mr. Daniels, your company produced certain samples when reporting to Mr. Knight, and I would be glad if you would identify these with reference to the samples as we have them on schedule C-7-(1). The first item that we have on the schedule is yarn dyed worsted.—A. That is this sample here, sample 5201.

Q. And that is the sample which corresponds to the yarn dyed worsted, being the first item on schedule C-7-(1)?—A. That is correct.

Mr. DYDE: Mr. Chairman, I would like to produce that as exhibit 149.

By Mr. Dyde: (To Mr. Daniels)

Q. Then, the next is fast dyed worsted, Mr. Daniels?—A. Example 4947. That is the second item on schedule C-7-(1).

Mr. DYDE: Mr. Chairman, I produce that as exhibit 150.

By Mr. Dyde:

Q. And the next is top coating?—A. Top coating is represented by this sample here, 6552, the third item on the schedule.

Mr. DYDE: Mr. Chairman, I would like to produce that as exhibit 151.

The WITNESS: The next is overcoating, represented by sample 5941.

Mr. DYDE: I would like to produce that as exhibit 152.

By Mr. Dyde:

Q. Mr. Daniels, you have heard the evidence given by Mr. Knight when he read to us report C. I would be glad if you would now give the committee any comment that you would care to make with regard to this report. Have you any comment?—A. No, sir; I do not think so. I think the figures as produced by Mr. Knight are very fair in so far as this company is concerned. I do not say that I completely agree with this policy of eliminating bonds from capital employed, but that is a procedure that was adopted for all companies, and as in our case it did not make any great difference to the profit percentage we have not any quarrel with it.

Q. I wonder if you could answer this for me. We have certain pieces of material here brought by yourselves and by another company. Is there to your knowledge an authority, either a government authority or otherwise, that is capable of comparing these materials for the committee if that were required?—A. We have used on occasion such laboratories as Milton Hersey of Monreal. We have also used the National Research Council.

Q. Here in Ottawa?—A. Yes. Of course, there are American companies which specialize in that type of work also. I do not know their names offhand, but I could readily obtain them for you.

Q. Mr. Fleming asked a question a few minutes ago which I perhaps might ask you now at this point, that is, the amount of material of let us say your No. 5201, which is now exhibit 149, which would be required to make a man's suit?—A. That depends on the man, I guess.

Mr. FLEMING: Mr. Kuhl and I have been exchanging dimensions, and we find there is quite a discrepancy between his and mine.

The WITNESS: I can get away with three and one-quarter yards.

Mr. FLEMING: I think Mr. Kuhl takes about eight yards.

Mr. KUHL: Not quite, five and a half.

The WITNESS: Three and one-quarter yards with one pair of trousers, only. I think that is about the average.

Mr. FLEMING: I wanted to get the significance of that in terms of price rise, but if this is not a convenient point for Mr. Dyde to raise that probably we can get it later.

Mr. DYDE: As a matter of fact, at this stage I am going to say in view of Mr. Daniel's remarks with regard to the report of Mr. Knight I have no questions to ask of Mr. Daniels, and as far as my examination is concerned I am now finished with regard to this witness.

The VICE-CHAIRMAN: Are there any other questions?

By Mr. Fleming:

Q. I should like to follow up that last point as to the rises in price per yard. Looking at schedule C-7-(1) of Mr. Knight's report C, which is the one that relates to your company, which of these first two would represent ordinary suiting material?—A. Both of the first two.

Q. And from April, 1947, to April, 1948, you have an advance of about 85 cents a yard, is it not?—A. 85 cents in the case of 5201 and 85 cents in the case of the other one as well, yes.

Q. So that actually in terms of apportioning the rise in entering into a suit, the average man's suit of clothes, it runs about \$2.80 does it not?—A. That would be about right on the average suit of three and one-quarter yards.

Q. So if we look at the cause of the rise in men's clothing at the retail level we will have to look elsewhere for everything except approximately $2.80 per suit?—A. Yes, I think that is right. We do not feel we have contributed too greatly to the rise in the cost of living with our increases in the last year.

Q. Have you any figures at all as to general rises in the retail price of men's suits?—A. No, sir, I am afraid I have not.

Q. Can you give similar figures on overcoats? Your table indicates a rise of 60 cents a yard in overcoat material in the year from April 1, 1947, to April 1, 1948. How many yards do you put into the average man's overcoat? —A. I think it is about three yards. I am not as sure of that figure as I am of the suit.

Q. That would mean in approximate terms about $2 per overcoat, would it not?—A. That would be about right.

Q. When we are looking at the rise in the price of overcoats there is only $2 of it to be attributed to the rise in your selling price?—A. In the primary material.

Q. In the cost of the primary material?—A. Yes.

Q. A topcoat would be about the same amount of material?—A. Yes.

Q. That has gone up about 40 cents a yard. That would be about $1.25 per topcoat?—A. Yes, sir.

By Mr. McGregor:

Q. Would that cover all rises in the price of material?—A. There are other...

Q. In the last three or four years in that particular line?—A. We have only made one increase since April, 1947. Is that what you mean?

Q. We will say since 1944. What has been the total increase since 1944?—A. Well, the prices as shown for January 1, 1942, carried right through 1944. That is $1.75.

Q. What would be the difference in the cost of the material that went into an overcoat, we will say over the period of the last five years, the total increase?—A. Well, sir, our cost as of January, 1942, was $1.75, and our cost as of April 1, 1948 was $2.38. That has increased 60 cents.

Q. That is the only increase in the last four or five years?—A. That is right, and I should point out, too, that this April 1st cost is the cost made as of that date.

Q. We can say that the total increase in the cost of an overcoat would not have been over $3?—A. Well, it is $2.35—you mean the increase?

Q. It would not have been over $3?—A. Sixty cents times three yards is $1.80.

Q. And the price of a suit about the same?—A. It is $1.40 a yard times three and one-quarter. It would be $4.65, sir.

By Mr. Fleming:

Q. Through how many hands does the material pass from the time it leaves the factory until it passes over the retailer's counter to the consumer?—A. I do not think I am entirely qualified to answer that. Most of our goods are sold to cutters up, the cutting up trade. As a rule our goods go direct to a sponger who sponges or shrinks the cloth and also grades it. He does the grading for the cutter upper. Then it goes to the secondary manufacturer who makes the garments, and then he sells to the stores or wholesalers.

Q. When the different kinds of material indicated on the schedule C-7(1) leave your factory are they in bolts?—A. Yes, sir, in lengths of approximately sixty yards.

Q. Roughly there would be two more hands it would pass through before it is sold by the dealer or retailer to the consumer?—A. I think at least two.

Q. It might be three?—A. It might be three.

The VICE-CHAIRMAN: Are there any other questions? Thank you, Mr. Daniels. Who is the next witness?

Mr. DYDE: Call the representatives of Ayers, Limited.

Mr. FLEMING: Mr. Chairman, the questionnaire and annual statement of this company, I presume, were filed as exhibits. I do not think they were referred to as exhibits.

The VICE-CHAIRMAN: That is not exactly the way it has been done, as I recall it. There is a reference made to the fact they have been placed in our hands. First of all, they do not appear in anything that is printed. Secondly, I am not sure they were identified as exhibits all the way through. They have just been handed to us as additional information. At any rate, whatever has been the method with all companies in regard to such material as you mentioned, the same with this.

Mr. FLEMING: In some cases we have asked questions based on the questionnaire. I was wondering whether, in those cases, we did not file them as exhibits.

Mr. DYDE: In this case, yesterday, when examining Dominion Woollens and Worsteds Limited witnesses, I had those particular pages reproduced in the evidence on the understanding that, if a reference was made to anything in the questionnaire, that reference would be reproduced.

Mr. FLEMING: Just the particular pages.

The VICE-CHAIRMAN: Yes, that was the decision some time ago.

Mr. FLEMING: In any event, those documents referred to, the questionnaire and annual report, are of record. Are copies filed with the secretary of the committee?

The VICE-CHAIRMAN: Oh, yes, the secretary of the committee has them as well as the members of the committee.

Mr. FLEMING: But they were not marked as exhibits?

The VICE-CHAIRMAN: They were not marked as exhibits. Looking back on it, I rather think we should have identified all those documents because sometimes there was not one document filed but three or four. For some reason which I do not recall now, it was decided—I think I was in the chair at the time—that the documents would be handled as I have mentioned.

Mr. FLEMING: It might have been better if they had been marked, but not reproduced in the record. Is the secretary in a position to submit for record purposes a list of the documents which were tabled but not marked? I am simply thinking of the record.

The VICE-CHAIRMAN: That could be done. I agree with you and I think it should be done because, at least, we would have a list of the documents that are or should be available. I think that will probably take care of it.

Mr. FLEMING: We might want to attach that as an appendix to our report to the House, for instance.

The VICE-CHAIRMAN: Yes, the last documents have not been identified by exhibit numbers.

Mr. FLEMING: But were filed with the secretary.

The VICE-CHAIRMAN: Yes.

Clement Tremblay, Director and Secretary-Treasurer, Ayers Limited, Lachute Mills, P.Q., called and sworn:

By Mr. Dyde:

Q. Mr. Tremblay, would you give the committee your full name?—A. Clement Tremblay.

Q. Your address?—A. Lachute Mills, Quebec.

Q. Your office with Ayers Limited?—A. Secretary-Treasurer and Director.

Q. The report of your company for the last fiscal year and the answers to your questionnaire have been filed with the secretary and distributed to the members of the committee. You have also produced samples to Mr. Knight and I am going to ask you to identify those samples with respect to schedule C7 (2). Do you have a copy of Mr. Knight's report "C"?—A. Yes.

Q. Would you turn to schedule C7 (2), which is the last page but one in the book?—A. Yes.

Q. Would you please produce for me a sample of white blanket which is the first item mentioned on that page?—A. This one.

Q. Does it carry a number, your own number?—A. It is our number 1000.

Q. What does the V 43 mean?—A. It is equivalent to V 43. It is on our catalogue as 1000 and V 43 at the mill.

Q. Someone has put a ticket on it which says, "V 43, 1000 quality".—A. They are the same thing.

Q. I produce that as exhibit 153.

EXHIBIT No. 153: Sample of white blanket No. 1000.

Q. The next item is coloured blanket. Could you produce for me the coloured blanket?—A. Yes.

Q. What is its identifying number?—A. 1160 quality at the mill and XL 61 in our catalogue.

Q. I produce that as exhibit 154.

EXHIBIT No. 154: Sample coloured blanket No. 1160.

Q. The next item is tweed. Will you produce the tweed please?—A. Tweed No. 40.

Q. The identifying number is tweed No. 40. That is the material which is shown on schedule C7 (2)?—A. Absolutely.

Q. I produce that as exhibit 155.

EXHIBIT No. 155: Sample tweed No. 40.

(At this point Mr. McGregor assumed the chair.)

By Mr. Dyde:

Q. Were you present, Mr. Tremblay, when Mr. Knight gave his report "C"?—A. No, I was not, unfortunately.

Q. You have had an opportunity of reading it?—A. Yes.

Q. Will you please give the committee any comments you wish to make with regard to the report Mr. Knight has made, namely, report "C"?—A. Yes. In connection with this report and also in connection with incomplete newspaper reports which have appeared before our story was heard, there have been some statements made which are, of course, misunderstood. People, generally, are not initiated into the intricacies of accounting and it is for that reason I wish to make certain comments.

I wish to say at once that I am not critical at all of Mr. Knight's report, because I consider it a masterpiece from the standpoint of accountancy. It is precise in all particulars, but due to certain vagaries in accountancy and the playing with figures, there are some things which need explanation in extreme cases such as ours.

First, I wish to deal with our position in connection with operating income and also the percentage of profit to capital employed.

This company's operating income has been mentioned in newspaper items as 16·4 per cent but the net yield of interest on capital employed of 8·4 per cent, according to the committee's version, has not been stated and this claim should properly be 7·4 per cent, our version, after consideration of certain factors of importance.

I will explain those important factors right away. There is an exceedingly high rate shown for 1946 and 1947 on schedule C8 on capital employed. It declined suddenly from $4,085,000 in 1945 to $1,468,000 in 1946 and $1,680,000 in 1947.

Moreover in the telling of our story, we wish to point out, whether it is 8·4 per cent or 7·4 per cent net yield to capital employed, that in arriving at this yield, only cost value of our plant buildings and machinery, hydro electric development, etc., appear in our books at cost, the major part of such plant property dating back to pre-war and a large part of additions to 1946.

In a report from our appraisers, Lockwood Greene Engineers Inc., experts in textile mill appraisals of wide reputation, they advise us that using 1939 prices for building as basis for increase of building costs, between 1939 and 1948, it would be from 80 to 90 per cent. In March of this year, at time of placing our fire insurance at latest replacement cost, they then stated that values in our 1946 appraisal should be increased 20 per cent on buildings and machinery, thus higher values of 20 per cent in two years' time. If our premises were destroyed by fire, we would have to pay present values in re-installation and we figure that if we take present basis of values of our fixed plant assets, increased from 80 to 90 per cent since pre-war, the major part as aforesaid, our net yield of interest on capital employed would not be more that about 4 per cent to 4½ per cent. This is far from being an adequate return on industrial investment with all the serious risks inherent to the woollen industry in the troublous times ahead, as there is now developing increasing resistance to pay current reasonable prices for products although manufacturing costs are steadily mounting due to world wide conditions brought about by the gigantic expenses and financial commitments as the unavoidable after effects of the greatest of all wars. There is also the fact that plant equipment having worked to full capacity day and night in the war years has had considerable wear and will gradually have to be replaced at values nearly 100 per cent over pre-war costs, no decrease in building and machinery costs being foreseen for the near future.

Newspaper reports have also reported that under virtue of paragraph 96 of the Income Tax Act, this company has taken advantage of the situation to distribute the sum of $2,794,000 in the form of dividends and to satisfy the income tax upon same. They did not state that this tax amounted to $760,000. If properly informed, they should also have stated that three members of the second generation of the Ayers family, owners of Ayers Limited, died between 1942 and 1945 and that the cumulative and very severe combined effect of succession duties and income taxes on family corporations and shareholders meant that the heirs, for the satisfaction of the said succession duties and income taxes as well as debts in the estates, upon a forced distribution of company assets, to save themselves, although said assets were for the most part made up of machinery and buildings, not quickly realizable, did not have any choice but to have the company negotiate a large loan with the Bank of Montreal of $2,390,000 for which shareholders surrendered their entire common stock of Ayers Limited and their own individual resources as collateral security pending issuance of a bond issue. It was a case to do or die and satisfy income taxes, succession duties and debts of estates or sell the company's property under the hammer. This was one of the most important cases, the Ayers' case, presented before the Ives Royal Commission on family corporations for relief from the wholly ruinous combined effect of succession duties and income taxes affecting family corporations particularly and, if a certain relief had not accrued from the Ives Commission's recommendations, in such extreme cases, the company and its shareholders would have gone bankrupt.

I might say too in connection with that matter, Mr. Chairman, regarding the profits shown on the last page of schedule C8 we show 18·7 per cent profit for that year on account of the very large decreased capital, and 16·5 per cent in 1947 also because of decreased capital. In the same report if you will refer to schedule C2 you see the percentage of operating income to sales in 1946 is 11·7 per cent and in 1947 it is 12·7 per cent. When you consider the net percentage profit before deducting income taxes etc. it would appear that we should devise some way of cancelling those income taxes and to make more money afterwards. It is a wide divergence or contradiction really in that report. We show lower operating income than we show at the end in actual percentage of profit to capital employed—the operating income is really lower even before deducting income taxes and other financial expenses. I do not doubt that according to the rules of accountancy the figures set out are correct and I do not blame Mr. Knight because he had to line the figures up as he found them in the books, but with respect to that accountancy there should be some more flexible method adopted. Of course it is the same situation which is faced by parliament which creates new laws to replace laws which are no longer suitable to our way of living and perhaps that should apply to accountancy. I would call your attention to these views in order to help you see in a better light or to understand the situation in which our company is.

Q. Thank you, Mr. Tremblay, is there any other comment you have to make with respect to Mr. Knight's report?—A. No, I only wanted to point out the technical question involved. Otherwise, we find the report to be an all-inclusive statement, precisely given, of our operations.

Q. Would you turn to schedule C7(2) where the items produced by your company are set out. I notice, for the purposes of the record, that in white blankets your selling price per pound in 1942 was $1.13; the selling price was $1.19 in 1947, and it was $1.35 in 1948?—A. Yes.

Q. With respect to coloured blanketting the price in 1942 was $1.43 per pound; in 1947 the price was $1.27 per pound; and in 1948 the price was $1.47 per pound?—A. Yes.

Q. With respect to tweed I notice the price in 1942 was $1.45; in 1947 it was $1.66; and the price has not changed since?—A. Yes, but I would say a word in explanation about tweed. Our price per yard on 13-ounce is lower than the price indicated here which is figured for convenience.

Q. Have you raised the price of tweed since April 1948?—A. We have raised it to $1.55.

Q. I think you are misunderstanding me. Have you raised the price of tweed since April 1, 1948?—A. We have made a price but it is not a price at which we have sold as yet or if we have sold it is only a small quantity. Tweed business is very scarce and there has been some dumping on the market of tweed which was ordered from abroad when the manufacture in Canada was not sufficient for our own purposes.

Q. I think the figures supplied by you indicate that tweed has gone to $1.83, is that correct?—A. It was $1.66 and of course if you bring it up to the 16-ounce value it would be $1.83 as against $1.66.

Q. No, no; you are not understanding me; on the same basis exactly as the price was figured on April 1, 1948; is that price on the same exact basis as the calculation; has it increased?—A. Not in actual shipments.

By Mr. Thatcher:

Q. You could buy tweed today for $1.66?—A. That is right—well, no; it is that way on April 1, 1948, tweed was $1.66.

Q. Could you buy it for that today?—A. And then for the fall season, you see we make in seasons for the following fall season which we produce today, so there is an increase in the volume of sales. Prices are rising steadily. To make these tweeds for the fall we will have to charge $1.45—that is $1.66 in pounds—you are speaking in yards—our price by the yard of 13½ ounce was $1.45 and our new price for the fall season will be $1.55.

By Mr. Dyde:

Q. Now apparently we are getting a little confused. Would you start again on this tweed?—A. Yes.

Q. We are dealing on schedule C-7-(2) with the selling price per pound?—A. Yes.

Q. Now, if you want to translate that into yards, let us translate it into yards.—A. All right.

Q. And when in 1942 you quote, or there is quoted $1.45 per pound, I have a figure which says that that is the equivalent of $1·225 cents per yard; is that correct?—A. That is right.

Q. So that is we were going to do it by yards we would put $1·225 opposite the $1.45 figure?—A. That is right.

Q. All right then, as at April 1, 1947 you have $1.66 per pound?—A. That is right.

Q. And if we translate that into prices per yard, according to my figures it would be $1.40?—A. Correct.

Q. And then we come to the $1.66 per pound at April 1, 1948, and it remains the same, but the price per yard equivalent would be $1.40?—A. For all sales to April 1, 1948.

Q. Now, since that time your selling price has been increased, whether the delivery is for now or six months hence?—A. That is right.

Q. And your selling price has been increased per pound to $1.83?—A. No, to $1.55.

Q. To $1.83 per pound—don't get me off the per pound for a minute.—A. I have the April 1—I haven't figured it that way.

Q. Wait a moment please.

The VICE-CHAIRMAN: Wait a moment, Mr. Tremblay, please. At this stage be careful not to break in too suddenly or we will not get it properly on the record.

By Mr. Dyde:

Q. I have a figure of $1.83 per pound as the price to which it has been increased, but I would use the other figure of $1.55 per yard?—A. Yes, that is right.

Q. As the price to which it has been increased?—A. That is right.

Q. That is correct?—A. That is correct.

Q. Would you please explain to the committee why it has been necessary to make the increase since April 1, 1948, and tell us at the same time when the price increased?—A. The price increased on April 2, our price for manufacturing after that date, anything for the fall, would be $1.55 per yard; due to the increase in the cost of wool, certain supplies, labour and everything else that goes into it.

By Mr. Thatcher:

Q. Have you had any increases in labour costs since the 1st of April, Mr. Tremblay?—A. No.

Mr. FLEMING: Do you mean wage rates, or aggregate costs?

The WITNESS: Wage rates and our aggregate costs, they would all come into it, particularly to the consideration of material costs.

Mr. THATCHER: You stated that labour had increased and that that is one of the reasons you put up the price; aren't you contradicting yourself?

The VICE-CHAIRMAN: May I interject there? You said the price had increased as of a certain date and that labour costs were one of the reasons but not that there was an increase in labour after that date. That is what you are saying, there had been an increase from April 1; and my understanding of his evidence would be that the increase had already taken place before April 1.

Mr. THATCHER: I do not think you are right, Mr. Chairman.

The VICE-CHAIRMAN: Am I not?

Mr. THATCHER: I took it from what he said that the price has been increased since the 1st of April.

The VICE-CHAIRMAN: You mean up to April 1?

Mr. THATCHER: Mr. Dyde asked for information on that.

The VICE-CHAIRMAN: Do you mean to say that on April 1—

The WITNESS: To be quite right, Mr. Thatcher, there was not much of any—there was very little increase, that would be in spots, in particular situations, but very little increase on account of labour that would go into the increased price.

By Mr. Dyde:

Q. So there is very little labour enters into that?—A. There is very little there.

Q. What about raw materials?—A. Raw materials, of course, have increased to quite an extent.

Q. What about overhead?—A. Overhead would be about the same thing, pretty steady.

Q. Do you blame your whole price increase then on materials?—A. On materials, yes; practically everything, certainly.

Q. Well, wouldn't this chart show that your operating income must have possibly played some part in the price increase?—A. Operating income?

Q. We haven't got the figures at the present time, but to what extent did raw materials go up after April 1?—A. You are speaking now only of tweeds. They have never been a profitable line and offer little if anything in the way of operating income for me. I have a statement to make later outlining the situation in our firm, which will indicate the complexity of the lines we manufacture; for instance, a large part of our production is in paper makers' wool felts, transmission rolls and things of that kind. I thought I should present this special statement so that you would properly understand our particular situation. May I present it now?

The VICE-CHAIRMAN: Well, Mr. Dyde, would that be in accord with your arrangements?

Mr. DYDE: Yes, Mr. Chairman; that would be quite satisfactory.

The VICE-CHAIRMAN: Very good, Mr. Tremblay may do that.

Mr. DYDE: Are you going to read that to us, Mr. Tremblay?

The WITNESS: Yes, Mr. Dyde. I am sorry that I have not a sufficient number of copies to make one available to each member of the committee, but I have an additional copy here which will be available for the reporter.

The VICE-CHAIRMAN: That would be quite useful, Mr. Tremblay. You do not need to worry about supplying additional copies because this will be printed before you could make them available to us.

The WITNESS: I see.

Mr. DYDE: Will you go ahead and present your statement, please, Mr. Tremblay.

The WITNESS: Yes.

I beg leave to ask your kind permission at the very beginning of your customary procedure to clarify the mind immediately on features arising from the subject of operating income in our case, ending up at an overall average of 16·3 per cent to sales for the period of 12 years under review, or higher by 3·4 points and 7·5 points respectively than for the other two companies investigated in the wool textile field.

Owing to the complicated composition of our sales totalling $37,000,000 of which 47·2 per cent in the period being producers' goods almost entirely used by the paper mills, and the balance of 52·8 per cent consumers' goods such as wool blankets and cloths for the clothing manufacturers, our business for almost 50 per cent is entirely different from the other two manufacturers associated with us in the report.

As this Ayers business is to a considerable extent a specialized industry entirely essential to the paper industry, a comparison of averages with producers of 100 per cent apparel goods is most difficult and cannot be conclusive.

For instance, in the 1934 royal commission report on price spreads, our company, (only one in Quebec) and two in Ontario were taken together as specialty companies, the three making paper makers' felts as a principal line and wool blankets as a subsidiary line, and this was done because they seriously affected the averages of the other companies in the wool industry. No representative of Ayers Limited or the other two specialty companies was called as a witness before the commission in 1934 and no one there present seemed to be able toexplain just what sort of a product a paper makers' felt was. They wondered whether it was manufactured from wool, shoddy rags or that sort of thing and whether there was any such thing as spinning or weaving in this etc., and the whole question was left in abeyance to find out later on just what it was all about.

I will say immediately that paper makers' wool felts are made from 100 per cent of the highest quality wools for tensile strength and other characteristics and follow processes from wool preparation to carding, spinning, weaving although on very wide and heavy looms and finishing also on very heavy machines but vary from other woollen mills in the art of specializing into felts. For your record, I will a little later characterize the manufacture of paper makers' felts in woollen, cotton and asbestos-cotton in contrast to lack of information giving rise to erroneous appreciation of this particular industry in the previous inquiry mentioned.

For instance in 1936, a pre-war year, the operating income on wool felts was 35·9 per cent for a percentage of 36·5 per cent of total sales all products, 16·6 per cent operating income on cotton and asbestos dryer felts for a percentage of 16·6 per cent of sales and the wool Blankets and cloths had an operating income of only 6·9 per cent of sales and amounted to 31·2 per cent of total sales. You will realize the influence of felts in the total average of operating income for that year at 20·8 per cent whereas wool blankets and cloths accounted for only 6·9 per cent.

In 1939, about 65 per cent a pre-war year and 35 per cent war year when a large demand developed, including war orders, the total sales of wool blankets and cloths climbed to 51·5 per cent with a percentage of income of only 5·1 per cent and the felts with total sales of 49·5 per cent for balance of operating income which averaged 16 per cent.

You can realize the anomaly of comparison for seeking a total average with the other two companies of the wool industry under your inquiry, in 1936 and 1939 and while less divergent in subsequent years, the influence of felt operating income on an overall average is noteworthy.

I have been able to dig into studies I made at various times of the respective showing of each of our variety of products as to the operating income, the profit position, thinking that it would be of assistance to your committee. From information available, I have covered years 1936, 1939, 1941, 1942, 1943 and 1945, other years not being available as no special audited reports, of our own auditors have been issued showing separate yields of each product except that we have a cost system which permits of assembling the information when required.

I purpose to leave with your committee supplementary Exhibit "A" detailing the operating income, the percentage of sales of each product in the years above mentioned. Percentages of operating income show in some years within a small fraction to 1 per cent less than shown by your auditors, evidently due to my figures showing on manufacturing account only and do not include income from interest on Victory Bonds and other securities held each year, as all companies as you know subscribed to a lot of Victory bonds in the war years.

After 1939, figures previously giving the operating income on wool paper machine felts continued to show 33·8 per cent in 1941, 33·5 per cent in 1942, 27·3 per cent in 1943 and 23·3 per cent in 1945. Since 1945, as paper mills, speaking here of the newsprint mills, to whom we supply 93 per cent of our felts, have gradually stepped up their production from 3,259,000 tons in 1945 to over 4,500,000 tons at this time or an increase of about 40 per cent, we have also stepped up our production of felts and our felt operating income should be back to over 30 per cent.

From the maximum peak of total sales of wool blankets and cloths which started at 31·3 per cent in 1936, 51·5 per cent in 1939, 59·3 per cent in 1942, 60·3 per cent in 1943 to 60·7 per cent in 1945, sales have been declining to 57·8 per cent in 1946 and 51 per cent in 1947.

I think it is time now to explain fully the character of our business and give you notes, for clarification of the record, on the manufacture of paper makers' felts so that you may appreciate the situation from an over all picture and thus understand in a constructive spirit the operating income, and profit factors in what may appear a complicated beehive of production in the textile field, comprising about half and half of essential products for the paper industry, principally woollen and some cotton and asbestos, and wool blankets and cloths, the latter being apparel goods.

Paper makers felts

I wish to point out that we are first and foremost specializing in paper makers' felts as our ideal of manufacture and profit incentive. These felts are classified into woollen woven endless felts, also Cotton dryer (a specialized heavy cotton duck) and asbestos-cotton dryer felts (similar to a heavy cotton duck) made of both asbestos yarns and cotton yarns.

Paper makers' felts have been the foundation of our business with wool blankets as a subsidiary line for more economy in manufacture of the principal product (felts) as the bales of wool (almost entirely imported for the purpose) were primarily purchased for felt making and they could be sorted out in specific classifications so that the entire contents of bales could be used up as, otherwise, we would have to resell, sometimes at a loss, the selections not up to rigid felt requirements but otherwise excellent for blankets. Blanket production of late years has increased to a point when we have to buy wool qualities specifically for them in addition to sortings from the higher cost felt wools. Felt wools are particularly recognized in Australia and New Zealand where they are put up in specially classified grades called in their catalogues "paper makers' felt wools" which are the cream of the wools and are sold at a premium the world over where woollen felts are made.

Blankets have generally been found a poorly profitable line, particularly for the types mostly in demand such as the ordinary white and coloured blankets of which you have inquired in our case and have samples before you in accordance with Statement No. 6 of your questionnaire. Only the addition of fancy lines, in a lower production, helps us to have a suspicion of profit over all in normal times. I have previously stated that in 1939 and previous years, blankets and cloths together gave us a yield of about 5 per cent in operating income and, after income taxes are deducted, there may be an illusion of something left, but very little at any rate. In normal times, there is keen competition from Great Britain where the labour cost is substantially lower than the Canadian and the British blankets, and occasionally blankets from other countries find little difficulty to pass under the protective tariff wall. Only the extensively large demand brought about by the war and its after effects have caused some economy in production, due to day and night shifts and gave somewhat more leeway to blankets which we feel sure will soon come within an era of aggressive exports to Canada and there will be little profit inducement left. We, however, shall keep the line for all round convenience of economy in producing felts.

Wool cloths (Apparel Goods)

This is a venture, in our case, dating back to the comparatively recent past as woollen paper makers' felts of which we are the pioneers and largest Canadian manufacturers date back to about 50 years ago. Back to 1929 and the crash in security markets and the depression which eventually set in, our President at the time, the late John T. Ayers, decided in 1931 that instead of laying off a large percentage of the working staff not required, owing to the largely reduced demand for products, we would retain them just the same, employing as many of the surplus workers able to help in the construction of a new plant, buy the required machinery to start first with tweeds of the pure wool variety and then branch out gradually into other lines, thus providing steady work, even under depressed times, to all the staff and hire more, always favouring the local labour supply, as the new venture would progress. Our expectations were not resting on a favorable ground as we had always had little faith in the future of Canadian cloths which had always been so sensitive to the effect of importations, poor protection and the tinkering with tariffs in the past. Our President John T. Ayers was determined, however, and resting upon our specialized felt industry, he was satisfied to break even and the main idea was to protect our old workers, their sons and their daughters who had been the mainstay of our labour force until then. You know how it is, we start building, then enlarge and enlarge again on hints of this or of that and visions of a brighter future ahead.

The VICE-CHAIRMAN: Yesterday, I understand there was an undertaking given to Mr. Haufschild that a certain question which had been asked by Mr. Irvine would be dealt with today. I think we should break into Mr. Tremblay's evidence at this point for the purpose of having that dealt with now. This would allow us fifteen minutes because Mr. Tremblay would not be finished anyway, and the undertaking apparently was given. Would you stand down, Mr. Tremblay?

There is one other remark I want to make. We had asked for certain information to be supplied to us with respect to nails, sometime ago. This information has come in, both from the Wartime Prices and Trade Board and Mr.

Ashbaugh, who was before us. With your permission I would say that should be printed as an appendix to today's proceedings and thus it will become a matter of record. Agreed?

Agreed.

Before we rise, I also wish to make a comment respecting the work of the report drafting committee, the labour evidence to be presented and the commencement of executive sessions of the committee. I shall not do that until there has been a disposition of this point.

Stanley W. Haufschild, Secretary-Treasurer, Dominion Woollens and Worsteds, Limited, recalled:

By Mr. Dyde:

Q. Mr. Haufschild, yesterday a reference was made to the memorandum read by Mr. Barrett, and a reference was made to a sentence in the memorandum that labour costs applicable to representative fabrics are, at the present time, 155 per cent higher than in 1939. I believe you are now able to give an explanation of that statement to the committee, are you not?—A. Yes, sir.

Q. Will you please do so?—A. Mr. Dyde, I have before me information relating to a fabric which is listed in schedule C7, and designated as yarn dyed worsted coating.

Q. You are referring to what we have identified as exhibit 145, your number being 14148?—A. Yes, sir. Our records show that the labour costs for that particular fabric in 1948 are 155 per cent higher than they were for that particular fabric in 1939.

Q. Does that show on the schedule?—A. No, sir. The cost for 1948 does. If you look over in the last column, as at April 1, 1948, you will see labour cost at 87 cents.

Q. Have you got the figure for the labour cost in 1939?—A. Yes, sir.

Q. For the same material?—A. Yes, sir.

Q. What is it?—A. Thirty-five.

Q. Does the same apply to other materials which have been exhibited here or have you the figures?—A. I have not the figures, but I would say that they would, generally. This is a representative fabric.

Q. When were those figures made up or when were those calculations made which you have just given us?—A. Those calculations were made on April 22, 1948.

Q. It was on the basis of those calculations that the statement was made in the memorandum?—A. Yes, sir. I have just one thing to add, sir. In the calculation as made in the two amounts I have given, it works out to 150 per cent. Now, the figure that is shown as the 87 is what we call direct productive labour. There is, in addition, other labour incurred in the department which accounts for another 5 per cent.

Q. Do you know whether this increase is due to higher wage rates or is it due to some other factor?—A. I would say it is largely due to higher wage rates. There are other factors which enter into it.

Q. What other factors?—A. Well, such things as the turn-over of labour. When the turn-over of labour is at a higher rate at one time than another, the cost of what we call learner costs are higher than when labour conditions are more stable.

Q. Has there been any change in your manufacturing process, any improvement or lack of improvement in that way?—A. Well, we have, of course, tried to keep up to date in the way of efficient operating machinery and equipment.

Q. Do you know whether there has been a change which would affect this? —A. No, offhand, I do not know.

Q. Now, you cannot give the same figures for the other items which we have on schedule C7, can you, Mr. Haufschild?—A. No, sir, I cannot.

Q. Could you do so if you had time?—A. Yes, sir.

Q. I suppose you could not do it for tweed?—A. No.

Q. Or for overcoating?—A. Nor for overcoating.

Q. And you could do it on an over-all basis for the plant I suppose?—A. Offhand I would not want to say, sir.

Q. I do not mean you could do it today but you could do it if you went back on an over-all plant basis?—A. I do not think so, sir. We would have to confine it to fabrics I think.

Q. So your statement in the memorandum must be accepted in the light of what you have told us as to how the 155 per cent calculation was made. Do you think that calculation is accurate?—A. I do.

Q. In other words having worked it out on the basis of yarn dyed worsted coating then it is right to say that it is applicable to the whole plant?—A. Yes, I would say so.

Q. You are not exactly certain about it?—A. No, to be positive about it I would have to work out the detail for the other fabrics.

Q. Which you cannot do?—A. No.

Q. I have no further questions.

Mr. IRVINE: We still have not got the factors that make up the labour costs, according to my understanding of the statement in the brief. I am quite sure that we have not yet received labour costs that would equal the 155 per cent increase taking the figures that were given with respect to the wage increase explained yesterday by—

Mr. DYDE: By Mr. Barrett.

Mr. IRVINE: Yes, and I would like to have the specific things that are counted as labour costs other than increase of wages.

The VICE-CHAIRMAN: Other than increases of wages?

Mr. IRVINE: Other than increase of wages. We have received the increased wages over 1939.

The VICE-CHAIRMAN: Yes, but they do not make up 155 per cent.

Mr. IRVINE: No.

The VICE-CHAIRMAN: There are other features which must be included to make up the 155 per cent, perhaps lessened efficiency due to absenteeism and so on.

Mr. IRVINE: Yes, and those are the things we want.

Mr. KUHL: Is it a fact the wage increases have accounted for 150 per cent.

The VICE-CHAIRMAN: Is that right? Do your wage increases account for 150 per cent?

The WITNESS: The 150 per cent represents wages only.

The VICE-CHAIRMAN: That is not the point. You have shown us that your wages have increased over 1939 but taking just those figures we cannot account for the 155 per cent increase and it is said that labour expense is not made up solely of increase in rates and following that question Mr. Kuhl remarks that he wonders whether 150 per cent was made up of wage increases. Is that so?

The WITNESS: No, sir, I do not have that figure.

Mr. IRVINE: Have we got a transcript of yesterday's evidence?

Mr. DYDE: Yes.

Mr. KUHL: I thought it was said a moment ago that wage increases were represented by 150 per cent or amount to 150 per cent?

The WITNESS: Labour costs have increased.

The VICE-CHAIRMAN: Yes, Mr. Kuhl, the situation looked that way for a moment but when we came to examine it we found it was not so. The actual rate increases do not account in the aggregate for the 155 per cent and that is the point of Mr. Irvine's inquiry. There is a certain "X" which enters in there and about which we desire to learn.

Mr. IRVINE: The lowest wage for female labour was given as 50·6 cents an hour. The average for males is 71·2 cents an hour. Now if that is the average in 1948 and it equals 155 per cent increase I want to know what wages were in 1939?

Mr. MACGREGOR: Have you a list of what the hourly rates were in 1939?

The WITNESS: No, I have not.

By Mr. Thatcher:

Q. Could we get an answer to Mr. Irvine's question?—A. Not necessarily.

Q. You cannot answer his question?—A. Just applying the 155 per cent to those rates will not necessarily give you the answer to his question.

By the Vice-Chairman:

Q. Mr. Haufschild, the difficulty is that you make the categorical statement that there has been a 155 per cent increase in labour costs but such supporting information as you can give does not bear out that statement. That is not to say that there is no supporting data but you are not giving supporting data, and in fact the data which you are able to give concerns chiefly wage rates. You see when you are not able to support your figure, naturally the members of the committee will accept your first categorical statement with some reserve.—A. I do not have the figures here, sir, but we can get the corresponding figures for 1939.

Q. Yes, but it is not just a case of the figures for 1939. It is a matter that the arithmetical computation which one would make on being told the wage rates at different times, does not result in 155 per cent increase. Your response to that is, while there are other things that you have to take into account, such as low efficiency, and absenteeism—which may be due to low efficiency—you must have had some way of working out the weight of that in your computation, and that is not being given; and in the absence of it being given you have left your 155 per cent figure open to question.—A. Well, the 155 per cent, sir—rather, I should say, the figures result in that, and that has been taken roughly from our accounting.

By Mr. Irvine:

Q. Well then, you have to be able to say what is included in it, in these increases in wages. You must be putting in about 125 per cent on labour in 1939.—A. I am not saying that it is represented by increases in labour raises. I am saying that is represents increased labour costs; and that, of course, has to be considered in the light of all these other factors.

Q. I want the total of your labour costs and all the factors which are included in that.—A. As I say, I can get those figures but I haven't got them with me.

Q. But that is what you were to get.—A. Yes. As a matter of fact, I got in touch with our mills immediately and they say that it will take several days to get that information. The records back in 1939 have been stored away and they will have to dig them out.

Mr. IRVINE: I would like very much to have you get that for us.

Mr. MCGREGOR: I think what you are asking for is the rate of wages paid to every class of labour from 1939 on.

Mr. IRVINE: Well, there is an increase, and I want to know out of that what is wages and what is something else.

The WITNESS: I will get the corresponding figures to what we gave you yesterday.

The VICE-CHAIRMAN: It comes down to this; labour costs have gone up by 155 per cent. The question put to you is, defend that figure. From your many figures on wage increases as I have them in front of me it would not seem to be so. The original figure does not come to that answer. And so, in effect, the question is: defend that statement of 155 per cent.

Mr. IRVINE: That is right.

The VICE-CHAIRMAN: And if you can't do it by wage rates we must assume there were some other factors which entered into it. The point is, that is what you want done, Mr. Irvine.

Mr. IRVINE: Yes.

The WITNESS: I will do that.

The VICE-CHAIRMAN: You will undertake to hand that to us. I am afraid that is as far as we can go on that at the moment, gentlemen; and then Mr. Tremblay will be back at the afternoon session.

Mr. TREMBLAY: Could I contribute to this particular item now, Mr. Chairman?

The VICE-CHAIRMAN: Not at the moment.

Mr. IRVINE: We will have you back, sir.

The VICE-CHAIRMAN: You will be back later. The reason I say not at the present moment is that there are a couple of things I have to deal with just now. This afternoon, also, it is hoped to have certain representatives of labour here to give evidence. They are in the city and will be here.

Mr. THATCHER: What unions will be represented?

The VICE-CHAIRMAN: I cannot give you the exact unions, but the appropriate local of the Catholic Workers Syndicate and the appropriate local of the Canadian Congress of Labour—I have forgotten their exact titles. These, of course, are representatives of textile workers. As I say, I do not recall the exact name of the union that is being called, but the general idea in calling them is to have them answer certain statements made respecting labour and labour costs before this committee. Another point in which they are interested, I think, is the statement made in evidence with regard to lack of production and with regard to that being due either to inefficiency of labour or something of that sort.

Then the drafting committee which was named met, and we spoke about a report. Having proceeded a certain distance we left it that each would prepare whatever he thought appropriate, and it was more or less implied that a good deal of the suggested drafting would be done by me. I have been working at it since with assistance, and I am about ready to ask the drafting committee to come together again to receive that and pass on it one way or another. That would bring it into an executive meeting. It is my hope that that could be done today. That does not mean this afternoon. It means tonight, and it will take a long time. That in turn would mean an executive meeting lasting all day tomorrow from half past nine or ten o'clock in the morning. That is the picture as I see it at the present moment.

Mr. IRVINE: Which means we have to finish the examination of witnesses today?

The VICE-CHAIRMAN: Yes.

Mr. IRVINE: If we have to we have to.

The VICE-CHAIRMAN: We all see how many hours there are in front of us. Anyway, that is the way it seems to me as far as I can look at the moment.

Mr. THATCHER: May I make one suggestion, that if you are going to follow that plan that we give quite a bit of time this afternoon to these union men. If we only have two hours left let us not call them with half an hour to go.

The VICE-CHAIRMAN: I suppose that is what you would call an exhortation to all members of the committee.

Mr. THATCHER: I suppose, and particularly Mr. Fleming.

The VICE-CHAIRMAN: After all it is not in my hands.

The committee adjourned to resume at 4 o'clock p.m.

AFTERNOON SESSION

JUNE 23, 1948.

The committee resumed at 4 p.m.

The VICE-CHAIRMAN: I see a quorum, gentlemen. Order.

Clement Tremblay, Director and Secretary-Treasurer, Ayers Limited, Lachute Mills, P.Q., recalled:

Mr. DYDE: Will you continue reading, please, Mr. Tremblay?

The VICE-CHAIRMAN: Just before that: This morning I said that I believed there would be two labour witnesses come here this afternoon, the C.C.L. and the Catholic Federation. At that time I was under the impression that they were both in touch with Mr. Monet. It seems that I was wrong. The latter is in touch with Mr. Monet and ready to go on, but not so with the C.C.L. And the explanation of that is that they were requested, I think that is the right way of putting it, I am not quite sure of the details, but they were requested that they should be ready to go on on Thursday morning; either that, or it was said to them in that way; or we will certainly be ready for you on Thursday—something like that at any rate; so that at any rate they expected to go on on Thursday and not today. And I learned from Mr. Thatcher during the recess that they were counting on going on tomorrow; and, in fact, were not ready to go on today. That brings us I think to this point, I think I suggested to you before lunch that we should go into executive session tomorrow and that it would be for all day. I think we could take care of the situation respecting the C.C.L. witness by breaking off as an executve meeting long enough to hear the evidence of Mr. Baron tomorrow, and thus he will be adequately accommodated and at the same time it will not seriously interfere with anything else we have to do. What do you think of that? We are of course under an undertaking to hear the evidence of the C.C.L. anyway, and even if we were not under such an undertaking I know it would be the desire of the committee to hear them.

Mr. IRVINE: Mr. Chairman, when do you expect to be able to make a report of this committee to the House?

The VICE-CHAIRMAN: Well, of course, I cannot say with any more definiteness than anybody else, but just thinking out loud about it, I had believed that the drafting committee could go to work tonight on the submission that I have been asked to prepare and put in front of them, and that they would be prepared to put it before the executive session tomorrow; and then the executive session tomorrow would probably be an all-day affair getting away to an early start. And I still think that is the situation, that the matter could be ready for consideration then.

Mr. IRVINE: Is it true that the government expects to finish up by Friday or Saturday with the session closing?

The VICE-CHAIRMAN: Well, Mr. Irvine, as I have told you once or twice before, I cannot "unscrew" the inscrutable. I do not know. As you know, there has been a general feeling around here—I am sure everybody knows this—that we will finish by Saturday. If you are asking me to prognosticate; I do not believe now and never did believe that we will get through on Saturday.

Mr. IRVINE: What I am interested in is if we present our report on Friday there will not be any opportunity of moving that the report be accepted in the House this session, if it closes on Friday or Saturday. It would have at least to wait over until Monday and then probably no one would have an opportunity of moving the report.

The VICE-CHAIRMAN: Well, the method of debating the report does not depend, however, on such procedure. I think that what you say regarding the rules of the House is quite right; but as you know, reports are often adopted by arrangement and an opportunity given to debate the report. For example, I think that for at least 75 per cent of the reports that go into the House concurrence is not moved.

Mr. THATCHER: Mr. Chairman, I have certain information which I think committee members would be interested in. On behalf of our group, and I speak of our parliamentary group; and, with your permission, I would just like to say about a hundred words on it; because I think it will have something to do with the deliberations of the committee. With your permission I would like to put that on the record.

The VICE-CHAIRMAN: Well, it is upon the point?

Mr. THATCHER: Oh yes, it is on the point we are discussing.

The VICE-CHAIRMAN: Yes.

Mr. THATCHER: This morning it was indicated that the meeting this afternoon would be the last open session of the Prices committee. No statement has yet been made however, as to whether the report will be tabled. If a report is tabled, we would like to know whether or not its adoption will be moved by the government. The Canadian people view with alarm the fact that prices have continued to rise, even as the committee has been sitting. The C.C.F. group in paliament feels that some action to bring down the cost of living should be taken by the government, before the end of the current session. If such action is not forthcoming, or if the government fails to facilitate a full discussion of the matter on the floor of the House, we shall feel it our duty to take whatever steps are necessary to bring about such a debate, even if it means delaying prorogation. In other words, Mr. Chairman, members of our group hope that you in your wisdom will see to it that we are afforded an early opportunity for debate on this subject and then let us get home.

The VICE-CHAIRMAN: May I just say for myself and without intending at all to give you a short answer, that what you have said to me is of no importance. That is not intended to give you a short answer; I just don't care whether you delay or don't delay.

I started to explain to you the change it was necessary to make with reference to the hearing of the C.C.L. representative tomorrow, and I feel assured you will all be agreed that that course should be followed tomorrow. Is there any objection to that? We will break off the executive session tomorrow for the purpose of hearing Mr. Baron of the C.C.L.

Mr. FLEMING: When?

The VICE-CHAIRMAN: Whenever turns out to be convenient.

Mr. FLEMING: When you use the expression C.C.L., to which branch do you refer?

The VICE-CHAIRMAN: To the textiles, of course; their representatives from this industry. It is not what you would call a general brief.

Mr. IRVINE: Could the subcommittee which is preparing the draft sit independently of this committee, providing there are enough of us to make a quorum?

The VICE-CHAIRMAN: Tomorrow?

Mr. IRVINE: Yes.

The VICE-CHAIRMAN: Well, I think that could be done if we agreed.

Mr. IRVINE: Yes, if we all agreed on that.

The VICE-CHAIRMAN: There will be a little more thought necessary on that. I do not know wheher we would advantage ourselves any by it, Mr. Irvine; without answering your specific question, I think it could be done.

Now, Mr. Dyde, have you anyone beside Mr. Tremblay this afternoon?

Mr. DYDE: I have about ten minutes with Mr. Knight.

The VICE-CHAIRMAN: Then we have two witnesses, and then one labour representative, with the other one coming on tomorrow.

Mr. IRVINE: All right. Mr. Chairman, I would like to suggest with regard to the statement that the witness (Mr. Tremblay) is making that we might save time by having it put on the record.

The VICE-CHAIRMAN: You mean, Mr. Tremblay's time?

Mr. IRVINE: Yes.

The WITNESS: It will take me just about six or seven minutes to complete.

The VICE-CHAIRMAN: We were thinking that you were branching into a statement which was much longer than we had expected to get, but perhaps during the lunch hour you have curtailed it.

The WITNESS: Yes.

The VICE-CHAIRMAN: All right, would you continue, please.

The WITNESS: Mr. Chairman, continuing on the wool blanket and cloth branches of our business from where I was interrupted this morning.

Paper Makers' Felts

As aforesaid, for clarification in the record, I refer particularly to the character of manufacture of paper makers' felts, particularly the woollen felts which are woven, as distinct from the product known as pressed felts or felting, as we do not produce same and it is not used on paper machines. Here is the technical explanation:

> The first machine in the paper industry on which a fabric is used is the pulp machine. A thick, open mesh, plain weave, heavy, endless woollen fabric takes the pulp stock from a tub and deposits it in layer form on a cylinder from which it is afterward cut in the form of sheets.
>
> On paper making machines, as the paper stock comes from a revolving wire screen, it is deposited on an endless woven felt and by this felt is carried through iron press rolls on which is shrunk the heavy woollen jacket. In this manner, the water is squeezed through the felt and the thin film of stock or partly formed paper is left on the top of the moving cloth. It is carried through numerous pairs of jacketed rolls and by thicker and finer felts and finally is formed paper.
>
> The packets are tubular two- to five-ply woollen cloths, very closely woven, and felted very hard. They are furled down to a size less than the roll circumference, and sheared closely; then wet, stretched and placed on the roll. When dry, they are so tight they are practically a part of the roll and form an excellent cushion.

The woollen felts mentioned above on which the paper is formed vary from a light thin, open well napped specialized blanket to a close, soft, thick cloth. They vary in degrees of openness, thickness, nap etc., according to the conditions under which run. Double cloth woollen felts of coarse, heavy woollen yarns, heavily fulled, are also used at face cloth of hard yarns, are used as marking felts to make a special design on the paper after it has left the regular forming felt. Carrier felts of coarse, heavy woolen yarns, heavily fulled, are also used at times to convey the paper from one set of rolls or felts to another set.

With the paper formed but wet, it is delivered to an endless cotton felt, or an asbestos faced cotton dryer felt, which carries it around many steamed heated cylinders until dry. The cotton dryer felt is a very thick heavy duck. It is usually a three- to eight-ply cloth, each ply averaging as heavy as No. 4 duck. The weight, thickness and yarns used depend on the conditions under which it is run.

After conclusion of these technical notes, I wish to state further that woollen felts constitute highly technical products, made endless and specially to order for each paper mill and pulp mill, for each kind of paper and pulp, and must meet the particular conditions of manufacture in each paper mill and pulp mill, and technical representatives have to visit paper mills periodically, or often on special or urgent calls, to meet changing requirements, study changes in operation on paper machines, improve weaves or change them and felts react differently in the various mills according to type of paper machine or pulp machine used, age of machine, quality of skilled labour operating the machinery and, even the occasional change of type of pulp or paper stock used. Felts involve continuous service from the felt mill to the paper and pulp mill and they must have considerable tensile strength, requiring carefully sorted wools of the soundest quality, in varying fineness of staple, as they carry the paper stock in the wet and dry condition at speeds from under 1,000 to 1,500 revolutions per minute. They must have a well napped or teazed surface in most cases and they must not stretch unreasonably in length or shrink in width, or they cause trouble and have to be taken off the paper machine and replaced, causing loss of paper production which is a vital factor when the operation of the very expensive paper machinery is considered, as a complete paper machine today, depending on its width, etc., etc., might be worth from a million to two million dollars or more.

As aforesaid, felts require continuous and frequent servicing of a highly technical order (as distinct from apparel woollen products).

Our other Canadian firms make wool felts: Kenwood Mills Ltd., Arnprior, Ont.; branch of F. C. Huyck & Son of Albany, N.Y.; Perritts & Spencer Ltd., branch of the same firm in England; Penmans Limited, at St. Hyacinthe, P.Q., and Warwick Woollen Mills Ltd., Warwick, P.Q.

Summing up: The production of paper makers' wool felts is highly specialized. The technological production has been developed to a high level. Certain paper machines in Canada are not installed in other countries. The production of paper is largely newsprint of which about 90 per cent is shipped to the United States and secures many millions of the valuable U.S. dollars.

The Canadian felt mills have the capacity and have been able to hold their entire market, thus having economical production. Felts made in the United States command substantially higher prices there owing to higher cost of production. At this time, owing to Canadian paper mills working over 100 per cent capacity of standard capacity, the full production of Canadian felts is required at home and our exports are only nominal in continuing to take care of long established customers in Mexico and Brazil.

The same argument applies to our cotton dryer and asbestos-cotton dryer paper machine felts which are used at the drying end of paper machines whereas the wool felts are used at the wet end when the wet paper sheet in a thin film has to be carried through an elaborate system of press rolls before catching on to the steam filled cylinders where the drying up of paper is completed and at the end of which comes out the finished product.

The felt business in this case is entirely tied up to the manufacture of paper in this country and also to the manufacture of pulp of various qualities. As the width of paper machines varies from about 100 inches to over 300 inches, or say 8 feet to over 25 feet wide, felts have to be made of great width and length and the specialized woollen machinery for the purpose is of gigantic proportions and necessitates considerable floor space compared to the weaving and finishing machinery for other types of woollen goods. Investment is accordingly larger and due to the very careful processing required and the high value involved in defective work, the weaving of felts is not done on a night shift, as distinct from apparel cloths and blankets. Also due to the continuous servicing and the serious risks always inherent to the felt business by virtue of invention and research leading to new developments and improvements to paper machines, increasing life of felts and thus decreasing units required, prices on machine felts have to be in relation to the important industry they are serving and there are always developments arising also in the United States and other paper making countries of a nature to revolutionize the composition and processing of felts. This matures in course of time and we are always labouring under the anxiety of having to discard considerable equipment and re-equip under difficult conditions. The profit incentive has necessarily to be quite higher but it is qualified to quite a degree as the felt business carries risks related to mechanics always seeking improvement, and paper making processes under laboratory research for more efficiency and cost saving. For instance, the inventive developments within the last fifteen years or so have reduced the consumption of felts in paper mills at least one-third and the trend goes towards diminishing the consumption still more.

This is most important as the paper industry is one of the largest users of textile products, and is entirely dependent on them. Felts are an integral part of a paper machine which could not operate without them.

The manufacture of newsprint paper and pulp takes about 93 per cent of our felt production whereas felts for the manufacture of board and fine papers takes up the balance of about 7 per cent. To give you an idea of the importance of the newsprint industry, which is such a vital factor at the base of our business, it produced in 1946 4,143,000 tons of newsprint paper of which 93 per cent were exported almost entirely to the United States and only 7 per cent retained for consumption in Canada. In 1947, the production was nearly 4,500,000 tons and the trend for 1948 is towards higher figures, almost entirely for payment in U.S. funds.

Now, the committee knows just what sort of a product is paper makers felts, in the textile industry, something which was quite obscure in previous inquiries.

This background of our business and the story of paper makers' felts is for the purpose of enlightenment as to the results shown by the combination of two purely wool products firms for apparel purposes and the other one engaged to a large extent in mechanical wool products and mechanical cotton and asbestos products and cotton transmission rope, even if including in its lines an important part of wool apparel goods and wool blankets which are not in the apparel distribution.

Mr. DYDE: I have no questions, Mr. Chairman.

The VICE-CHAIRMAN: Are there any other questions? I guess we stop there.

Mr. DYDE: Thank you very much, Mr. Tremblay. Mr. Chairman, Mr. Knight has prepared a report E which I think it will take a very few minutes to put in, and that will complete his evidence. I should like to recall him and ask him one question and then you can decide—

By Mr. McGregor:

Q. I should like to ask Mr. Tremblay what the rate of pay would be in their mills at the present time? What is your rate of pay?—A. I will tell you.

Q. The hourly rate?—A. Here is a week ending May 15, 1948. There are 594 workers distributed as follows: There are 400 men over 18 years old, including single men without experience, and the average per hour for them is 79½ cents, 53 hours per week, which is 48 hours plus overtime of 5 hours, and weekly pay of $42.13.

Q. Weekly pay what?—A. $42.13.

By Mr. Fleming:

Q. For an average week of how many hours?—A. Of 53 hours. Boys under 19 years old, average per hour 50·4 cents per hour; number of hours per week, 52; weekly pay $26.20. One hundred and seventy-five girls, including girls without experience, 58·2 cents per hour, 46 hours per week, weekly pay $26.77. The over-all average for the 594 employees is 73 cents per hour. The average over-all for male and female is 50·7 hours per week and the average pay is $37.09 for all male and female.

At this stage, gentlemen, I would say that due consideration should be given to the substantial benefits which are very costly to manufacturers and which in the last two or three years have been accruing to the workers in addition to the take-home pay such as two weeks' holidays with pay, statutory holidays with pay, and firms also subscribe at least 50 per cent or more to group life insurance, sickness, accident, hospitalization, and towards a clinic for employees and dependents, and also recreation centres and other welfare plans. In the case of Ayers Limited the extra benefits accruing in this way to the employees are costing at the rate of 2½ to 3 cents per hour over and above the hourly earnings of employees. There was a very much smaller amount of such benefits in Canada back in 1936. Pension and retirement plans are also coming into general practice. They are not yet in effect, but it is easy to appreciate that social security costs in manufacturing enterprises will become more and more important as a part of the cost.

The CHAIRMAN: Thank you. Any other questions?

By Mr. Fleming:

Q. How do the wages in your plant compare with others? I do not recall if we had evidence on the others in this industry, did we?

Mr. DYDE: No.

By Mr. Irvine:

Q. Are your workers organized into unions?—A. Well, we had labour trouble in May last year, and we had a union then, and since then they have not taken the initiative to ask for a collective bargaining agreement, although our employees know that it is of their own choice. We have no influence over that. According to Quebec law we cannot tell them to do this or do that. It is up to them, but they have not taken the initiative to ask for a collective bargaining agreement. When they do ask for it and they have the required 51 per cent majority they will be granted it. We have always had collective bargaining agreements for years.

The CHAIRMAN: Any other questions?

Mr. FLEMING: I asked if the witness had any information about prevailing wages in the industry.

By the Vice-Chairman:

Q. How do your wages compare generally with others in the same industry? —A. The Canada *Labour Gazette*, for instance, for May, 1948, as of February 1, gives the average weekly hours as 44·4 and the average hourly earnings 68 cents.

Q. You are somewhat above what is stated in the *Gazette*?—A. Yes, 73 cents, and besides that it costs us for social security another 2½ or 3 cents per hour.

Q. In general you feel your wage level is higher than others in the industry. Thank you.—A. With your permission, Mr. Chairman, might I just add a few words there with reference to the competition from Great Britain? Just as to the rates.

Q. Provided it does not take long. I have to point out to you that your idea of time and my idea of time are not the same because when you started to read you said you would not take more than six minutes and it was a great deal more than that, so if your submission is to be of any length I think we should consider whether it should go in or not in this way.—A. It is just one line.

Q. That cannot take long.—A. This is woollen yarn and cloth, comparison of earnings in cents per hour, Canada 65·3 cents as against 40 cents in the United Kingdom, a difference in cents per hour of 25·3 cents, or Canada as a percentage of the United Kingdom, 63 per cent. There is a 63 per cent lower wage rate in Great Britain. Just to give you the authority, that table compares the hourly earnings inclusive of overtime and bonuses in the woollen industry in Canada and the United Kingdom. The rates shown are a weighted average for men and women. The United Kingdom figures are from the Ministry of *Labour Gazette* for April, 1948, and show the hourly earnings during the last period in October, 1947. The Canadian figures are from the Dominion Bureau of Statistics.

Mr. McGregor: I thought they had a labour government over there.

By Mr. Fleming:

Q. Is that the end of the statement?—A. That is the end of the statement.

The Vice-Chairman: Thank you, Mr. Tremblay.

E. H. Knight, Knight and Trudel, Montreal, recalled.

By Mr. Dyde:

Q. Mr. Knight's Report "E" has been circulated, and I should like to ask Mr. Knight if he would summarize for us in a sentence or two what report E is. Would you do that, please?—A. Yes, Mr. Dyde.

The Vice-Chairman: It is understood that report E will go in as though read.

The Witness: Report E gives a bird's eye view of reports B C and D on the three branches of the industry. It has been so designed that by reference to the schedules one can see the relative importance of the groups that the committee have been studying these last few days. The report itself has been drawn up to coincide with the committee's terms of reference, namely, the three terms of reference, and under each of those terms of reference we have set out for the committee's guidance the schedules which in our opinion refer to those terms of reference.

Mr. Dyde: Mr. Chairman, in the ordinary course I would have asked Mr. Knight to read this. It is about six pages of reading. I will be guided by your wishes in this connection.

The VICE-CHAIRMAN: I think it is understood this will go in as though read.

Mr. IRVINE: Yes.

Mr. FLEMING: It will have to be read sometime. Could we not go over it quickly now?

The VICE-CHAIRMAN: It would not take long to read it.

Mr. FLEMING: We would be as far ahead that way.

The VICE-CHAIRMAN: All right.

Mr. DYDE: You can proceed with it fairly rapidly unless you are interrupted.

The WITNESS:

Special Committee on Prices,
House of Commons,
OTTAWA, Canada.

Gentlemen,—This report summarizes the information contained in Reports "B", "C" and "D" which cover the Cotton, Wool and Artificial Silk and Nylon groups of the Primary Textile Industry of Canada.

The sequence of this report has been designed to coincide with your committee's terms of reference, as stated in a resolution of the House of Commons dated February 10, 1948.

(a) *The causes of the recent rise in the cost of living.*

Each of the twelve special companies named in Report "A" were requested to supply the unit selling prices of three or more of their most important commodities, at given dates. These unit selling prices have been listed in comparative form and reported as follows:

Cotton Group: Report "B", pages 10 and 11;

Wool Group: Report "C", page 11;

Artificial Silk and Nylon Group: Report "D", page 12.

These comparative lists reflect an upward trend in each succeeding period and in each group of the industry. This trend, however, cannot be used as an index of the general rise in selling prices in the Primary Textile Industry, due to the fact that the sales volume of the commodities reported does not generally represent a sufficient percentage of the total sales of each company.

(b) *Prices which have been raised above levels justified by increased costs.*

In order to show costs in relation to selling prices, twelve of the larger reporting companies were requested to supply details of their operations and itemized balance sheets for a twelve year period from 1936 to 1947 inclusive. These companies were also requested to supply interim statements, on a calendar month basis where available, for the twenty-seven months from January 1946 to March 1948 inclusive.

Eighty-six other companies were given the more abbreviated form of questionnaire filed as Exhibit 2, where sales and operating income were requested on an annual basis for the twelve years, and monthly for the twenty-seven months referred to above.

First, the reporting companies were classified under Cotton, Wool and Artificial Silk and Nylon. From figures submitted, schedules have been prepared for the purpose of showing, for significant periods peculiar to each group, sales and costs in connection therewith. In addition, net profit of the twelve special companies has been shown in relation to capital employed.

The consolidated position of the Primary Textile Industry is now summarized on the following schedules:

Schedule E1:—Summary of Annual Sales and Percentages of Operating Income to Sales (All groups together), for the twelve years from 1936 to 1947 inclusive.

Schedule E2:—Annual Sales and Percentages of Operating Income to Sales of twelve special companies (All groups together), for the twelve years from 1936 to 1947 inclusive.

Schedule E3:—Annual Sales and Percentages of Operating Income to Sales of eighty-three other companies (All groups together), for the twelve years from 1936 to 1947 inclusive.

Schedule E4:—Sales and Components of Cost of twelve special companies (All groups together), for the periods indicated.

Schedule E5:—Monthly Sales (All groups together), for the twenty-seven months from January 1946 to March 1948.

Schedule E6:—Capital employed and earnings of the twelve special companies (All groups together), for the twelve years from 1936 to 1947 inclusive.

The following remarks are submitted in amplification of the information shown on these schedules.

SCHEDULES E1, E2 and E3

These schedules show sales and the percentage of operating income to sales on an annual basis, for each group, namely Cotton, Wool and Artificial Silk and Nylon, and for the industry as a whole, when:

(E1) all ninety-five companies are summarized together;
(E2) all twelve special companies are summarized together;
(E3) all eighty-three other companies are summarized together.

It is to be noted that the figures supplied by three Cotton subsidiaries of Tire and Rubber Manufacturers have been excluded from schedules E1 and E3 for reasons explained in report "B", page 4. It was thought that the inclusion of these figures would distort comparisons.

Operating Income has been shown on each of the three schedules as a percentage to Sales in order to reflect fluctuations both between groups and between years, over the twelve year period under review. These percentages have been based on "Operating Income", as defined in reports "B", "C" and "D".

Operating Income has been used as a measure of earnings, instead of Net Profit, as operating income fluctuates more readily with the corresponding rise and fall of sales and cost of sales.

Operating Income is not Net Profit available to the shareholders.

Operating Income may be more or less than the Net Profit of the company after taxes available to shareholders, as operating income may be increased or reduced by other income and other charges which have no direct relation to the manufacturing of textile products.

The purpose of these schedules is to show the relative importance that each of the three groups bears to one another. Percentages have been calculated to reflect these relationships and have been summarized on the following table:

	Ninety-five reporting companies Schedule E1	Twelve Special Companies Schedule E2	Eighty-three other companies Schedule E3
On the Basis of Total Sales—			
Cotton Group	49·2%	65·1%	24·4%
Wool Group	26·1	10·5	50·5
Artificial Silk and Nylon Group	24·7	24·4	25·1
All Groups Together	100·0%	100·0%	100·0%
On the Basis of Operating Income—			
Cotton Group	47·2%	56·8%	23·6%
Wool Group	20·8	8·8	50·4
Artificial Silk and Nylon Group	32·0	34·4	26·0
All Groups Together	100·0%	100·0%	100·0%

It would appear from this table that the share of the Cotton Group in the total sales of all reporting companies in the Primary Textile Industry during the twelve years under review, was 49·2 per cent compared with a share of 47·2 per cent in the total operating income earned. The share of the Wool Group and of the Artificial Silk and Nylon Group in total sales and operating income may be determined in the same manner.

By Mr. Fleming:

Q. May I just ask a question before we go any further? Was this report written since the taking of the evidence in the three textile industries?—A. No, as a matter of fact, Mr. Fleming, all five reports were written and completed on the first day of June when I came on the stand. This has not been amended since that date.

Q. There are some phrases here which we have been discussing and I wondered if you had written them in the light of the evidence we have taken?—A. No.

The VICE-CHAIRMAN: He mentioned at that time, Mr. Fleming, that it was understood these reports would be released at the moment of their presentation.

The second and third set of percentages shown in the above table have been calculated for the purpose of indicating the proportion that each group of the twelve special companies bears to one another, and likewise a similar ratio for the eighty-three other companies.

The sales of the twelve special companies represent 61% of the total sales reported and 71% of the total operating income reported for the industry, as compared with 39% of the total sales and 29% of the corresponding operating income for the eighty-three other companies.

SCHEDULE E4

This schedule shows sales and components of cost of the twelve special companies for four periods of time, as follows:—

(*a*) The twelve years under review
(*b*) The calendar year 1946
(*c*) The calendar year 1947
(*d*) The first quarter of the year 1948

As the amounts reported have been reduced to a sales dollar, which is the equivalent of a percentage basis, it is possible to reflect the trend of operating income in each of the three groups for each of the four periods of time.

The five special companies in the Cotton Group show a decrease in the rate of operating income in each succeeding period, as shown below:—

(*a*) The twelve years under review..........	12·6%
(*b*) The year 1946........................	10·0
(*c*) The year 1947........................	8·8
(*d*) The first quarter of the year 1948........	6·1

In comparison, the figures reported by the Wool Group are expressed as follows:—

(*a*) The twelve years under review..........	12·0%
(*b*) The year 1946	8·1
(*c*) The year 1947	13·4
(*d*) The first quarter of the year 1948........	16·9

The Artificial Silk and Nylon Group have shown a steady increase in the ratio of operating income to sales:—

(*a*) The twelve years under review..........	20·3%
(*b*) The year 1946	20·8
(*c*) The year 1947	24·9
(*d*) The first quarter of the year 1948........	26·6

Raw materials, labour and overhead may be compared on the same basis.

As sales and components of cost reported by the twelve special companies have been shown in total on schedule E4, it is possible to assess the size and relative importance of the expenditures incurred and the operating income earned by the twelve special companies in the production of primary textiles.

SCHEDULE E5

This schedule shows sales by months for the 27-month period from January 1946 to March 1948, inclusive, for all reporting companies in the industry, with the exception of three cotton subsidiaries of tire and rubber manufacturers.

SCHEDULE E6

This schedule shows capital employed and the percentage of net profit to capital, computed by groups, on an annual basis, for the twelve special companies. Capital employed and net profit to capital are shown both before and after adjusting inventory reserves, except in the case of the Artificial Silk and Nylon group, where inventory reserves were not significant.

Net profit has been shown as a percentage of capital employed and reflects the fluctuations between groups and between years, over the twelve year period under review. The terms capital employed, net profit after taxes and percentage of profit to capital have been defined in reports "B", "C" and "D".

While capital employed has been computed in each case in accordance with the terms of the definition, certain companies may contend that capital employed should have been adjusted to take into account conditions peculiar to their company.

In the cotton group, The Wabasso Cotton Company Limited, in 1939, reduced the book value of its capital stock from $4,192,000.00 to an amount of $2,000,000.00, and applied the greater part of this reduction against the book value of its fixed assets. The effect of this reduction is apparent on schedule B8 (1), where the percentage of profit to capital is shown to increase from 3·5% for 1938 to 9·2% for 1939. If this adjustment to the book value of capital stock had not taken place, the percentage of profit to capital would have been reduced by approximately 3% in 1939, with a proportionate reduction in the percentages shown in the ensuing years. Conversely, if the reduction had taken place prior to 1936, the percenatge of net profit to capital in the years 1936, 1937 and 1938 would have been higher than the rates shown for those years on Schedule B8 (1).

In the wool group, Ayers Limited, being a private company, under the provisions of Section 96 of the Income Tax Act distributed in 1946, by way of dividend and income tax thereon a sum of approximately 2¾ million dollars. In order to finance this distribution, a bank loan was raised in 1946 and converted in 1947 into First Mortgage Bonds and Notes Payable. As these bonds and notes have not been included in capital employed, the percentage of profit to capital is shown at 18·7 per cent for 1946 and 16·5 per cent for 1947. These percentages would have been considerably lower had capital employed included bonded indebtedness and special bank loans, and the interest charges been added back to profits.

In the artificial silk and nylon group, Canadian Celanese Limited increased their total debentures from 5 million dollars in 1946 to $9,600,000 in 1947, the proceeds of which is reported to have been applied to increasing the company's plant facilities. These debentures have not been included in capital employed nor have the net profits of this company been adjusted by the debenture interest charges.

The three instances cited above and others of a similar nature have not been taken into account in the preparation of schedules B8, C8, D8 and E6, as a uniform basis of reflecting capital employed and net profit had to be used for all companies. The interpretation of the complicated capital structure of several of the large companies would have required extensive analysis which was not considered practical in the present instance.

(c) *Rises in prices due to the acquiring, accumulating or withholding from sale by any persons, firms or corporations of any goods beyond amounts reasonably required for the ordinary purposes of their businesses.*

Each of the twelve special companies were requested to supply in terms of quantities, inventories of finished goods on hand, at given dates.

The inventories so reported have been shown on the following schedules:
Cotton Group: Report "B", Schedule B6
Wool Group: Report "C", Schedule C6
Artificial Silk and Nylon Group: Report "D", Schedule D6.

These schedules show that inventories of finished goods on hand at the latest date reported in 1948, were in the main lower than the inventories of finished goods carried during the last seven years and considerably lower than those reported as being on hand in 1939.

By the Vice-Chairman:

Q. So, it would appear, Mr. Knight, from the final paragraph on page 6 that you do not think there has been any withholding from the market by the companies under review?—A. The figures do not reflect that. They reflect there has been no withholding.

Mr. FLEMING: What is that?

The VICE-CHAIRMAN: The figures do not reflect any withholding.

The WITNESS:

IN CONCLUSION

This terminates the fifth and final report which has been prepared from the information obtained from the 98 reporting companies of the Primary Textile Industry of Canada.

I wish to express my appreciation for the co-operation and guidance extended to me by Messrs. H. A. Dyde, K.C., Fabio Monet, K.C., and J. R. M. Wilson, F.C.A.

Respectfully submitted,

E. H. KNIGHT,
Chartered Accountant.

SCHEDULE E1.

TEXTILE ENQUIRY

SUMMARY OF ANNUAL SALES AND PERCENTAGES OF OPERATING INCOME* TO SALES (ALL GROUPS TOGETHER) FOR THE TWELVE YEARS FROM 1936 TO 1947 INCLUSIVE

(Thousands of Dollars)

—	Cotton Group		Wool Group		Artificial Silk and Nylon Group		All Groups Together	
	Total Sales	Percentage of Operating Income* to Sales	Total Sales	Percentage of Operating Income* to Sales	Total Sales	Percentage of Operating Income* to Sales	Total Sales	Percentage of Operating Income* to Sales
	$	%	$	%	$	%	$	%
Totals for the Individual Financial Years ending in the following Calendar Years:								
1936	49,351	8·9	24,388	7·4	23,015	11·1	96,754	9·0
1937	55,892	10·1	27,175	7·8	24,657	11·0	107,724	9·7
1938	52,362	7·4	21,459	1·5	22,153	7·0	95,974	6·0
1939	48,672	9·4	24,206	8·2	25,783	12·6	98,661	9·9
1940	71,763	15·5	40,582	14·5	30,815	15·1	143,160	15·1
1941	89,741	18·0	46,702	12·2	40,502	19·6	176,945	16·9
1942	112,201	17·7	53,829	10·9	43,555	18·6	209,585	16·1
1943	111,960	14·9	56,351	8·8	46,358	15·4	214,669	13·4
1944	101,430	8·0	50,637	8·3	50,496	14·4	202,563	9·7
1945	96,475	8·6	53,850	9·6	52,266	16·1	202,591	10·8
1946	91,283	9·3	57,462	10·2	60,170	17·6	208,915	11·9
1947	103,324	8·9	64,703	11·7	72,989	20·2	241,016	13·1
TOTAL SALES AND PERCENTAGES OF OPERATING INCOME*	984,454	11·8	521,344	9·9	492,759	16·0	1,998,557	12·4

NOTE: The Cotton Group above does not include three subsidiaries of Tire and Rubber Manufacturers.

(*) Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

TEXTILE ENQUIRY

ANNUAL SALES AND PERCENTAGES OF OPERATING INCOME TO SALES OF TWELVE SPECIAL COMPANIES (ALL GROUPS TOGETHER) FOR THE TWELVE YEARS FROM 1936 TO 1947 INCLUSIVE

(Thousands of Dollars)

—	COTTON GROUP		WOOL GROUP		ARTIFICIAL SILK AND NYLON GROUP		ALL GROUPS TOGETHER	
	5 Companies		3 Companies		4 Companies		12 Companies	
	Total Sales	Percentage of Operating Income* to Sales	Total Sales	Percentage of Operating Income* to Sales	Total Sales	Percentage of Operating Income* to Sales	Total Sales	Percentage of Operating Income* to Sales
	$	%	$	%	$	%	$	%
Totals for the Individual Financial Years ending in the following Calendar Years:								
1936	39,564	9·3	6,994	8·0	14,020	16·2	60,578	10·8
1937	45,016	11·1	7,467	8·9	14,676	15·7	67,159	11·8
1938	43,241	7·6	5,347	2·1	13,073	10·3	61,661	7·7
1939	37,854	9·2	6,863	11·5	15,446	17·4	60,163	11·5
1940	56,025	16·2	10,904	20·9	17,699	22·2	84,628	18·1
1941	70,508	19·8	12,686	17·0	25,283	26·3	108,477	21·0
1942	92,240	19·5	14,122	14·7	26,140	23·2	132,502	19·7
1943	93,262	16·4	13,467	10·3	28,722	18·2	135,451	16·1
1944	84,036	8·1	11,487	8·4	31,107	17·2	126,630	10·4
1945	79,780	8·7	12,187	11·8	30,545	19·4	122,512	11·7
1946	74,026	9·5	12,555	8·9	34,860	21·1	121,441	12·8
1947	79,424	9·1	14,546	12·7	45,626	24·6	139,596	14·5
Total sales and percentages of operating income to sales*	794,976	12·5	128,625	12·0	297,197	20·3	1,220,798	14·4

(*) Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

15759—3½

SCHEDULE E3.

TEXTILE ENQUIRY

ANNUAL SALES AND PERCENTAGES OF OPERATING INCOME TO SALES OF EIGHTY-THREE OTHER COMPANIES (ALL GROUPS TOGETHER) FOR THE TWELVE YEARS FROM 1936 TO 1947 INCLUSIVE

(Thousands of Dollars)

—	COTTON GROUP		WOOL GROUP		ARTIFICIAL SILK AND NYLON GROUP		ALL GROUPS TOGETHER	
	14 Companies		51 Companies		18 Companies		83 Companies	
	Total Sales	Percentage of Operating Income* to Sales	Total Sales	Percentage of Operating Income* to Sales	Total Sales	Percentage of Operating Income* to Sales	Total Sales	Percentage of Operating Income* to Sales
	$	%	$	%	$	%	$	%
Totals for the Individual Financial Years ending in the following Calendar Years:								
1936	9,787	7·1	17,394	7·1	8,995	3·1	36,176	6·1
1937	10,876	6·2	19,708	7·4	9,981	4·2	40,565	6·3
1938	9,121	6·8	16,112	1·3	9,080	2·3	34,313	3·0
1939	10,818	10·1	17,343	6·9	10,337	5·5	38,498	7·4
1940	15,738	12·7	29,678	12·2	13,116	5·5	58,532	10·8
1941	19,233	11·6	34,016	10·4	15,219	8·5	68,468	10·3
1942	19,961	9·1	39,707	9·5	17,415	11·7	77,083	9·9
1943	18,698	7·8	42,884	8·3	17,636	11·0	79,218	8·8
1944	17,394	7·7	39,150	8·3	19,389	10·1	75,933	8·6
1945	16,695	8·6	41,663	9·0	21,721	11·5	80,079	9·6
1946	17,257	8·7	44,907	10·5	25,310	12·7	87,474	10·8
1947	23,900	8·4	50,157	11·4	27,363	12·7	101,420	11·1
Total sales and percentages of operating income to sales*	189,478	8·9	392,719	9·2	195,562	9·5	777,759	9·2

NOTE: The Cotton Group above does not include three subsidiaries of Tire and Rubber Manufacturers.

(*) Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory and reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

SALES AND COMPONENTS OF COST OF TWELVE SPECIAL COMPANIES (ALL GROUPS TOGETHER) FOR THE PERIODS INDICATED
(Thousands of Dollars)

—	COTTON GROUP		WOOL GROUP		ARTIFICIAL SILK AND NYLON GROUP		ALL GROUPS TOGETHER	
	Amounts	Analysis on a Sales dollar basis	Amounts	Analysis on a Sales dollar basis	Amounts	Analysis on a Sales dollar basis	Amounts	Analysis on a Sales dollar basis
Totals for the Twelve Years from 1936 to 1947 inclusive (Based on annual returns):	$	$	$	$	$	$	$	$
Components of cost—								
Raw Materials	362,119	0.455	62,346	0.485	81,242	0.273	505,707	0.414
Labour	203,617	0.256	29,831	0.232	80,366	0.271	313,814	0.257
Overhead	129,545	0.163	21,039	0.163	75,263	0.253	225,847	0.185
Operating Income*	99,695	0.126	15,409	0.120	60,326	0.203	175,430	0.144
Sales	794,976	1.00	128,625	1.00	927,197	1.00	1,220,798	1.00
Totals for the year 1946 (Based on monthly and interim returns);								
Components of cost—								
Raw Materials	30,594	0.425	5,751	0.484	9,565	0.274	45,910	0.386
Labour	21,369	0.297	3,261	0.274	9,518	0.272	34,148	0.287
Overhead	12,832	0.178	1,914	0.161	8,594	0.246	23,340	0.197
Operating Income*	7,167	0.100	957	0.081	7,284	0.208	15,408	0.130
Sales	71,962	1.00	11,883	1.00	34,961	1.00	118,806	1.00
Totals for the year 1947 (Based on nonthly and interim returns):								
Components of cost—								
Raw Materials	51,576	0.508	6,432	0.431	12,221	0.265	70,229	0.432
Labour	25,438	0.250	4,015	0.269	11,609	0.252	41,062	0.252
Overhead	15,679	0.154	2,474	0.166	10,770	0.234	28,923	0.178
Operating Income*	8,949	0.088	2,003	0.134	11,458	0.249	22,410	0.138
Sales	101,642	1.00	14,924	1.00	46,058	1.00	162,624	1.00
Totals for the First Quarter of the year 1948:								
Components of cost—								
Raw Materials	14,929	0.522	1,293	0.406	3,108	0.224	19,330	0.424
Labour	7,212	0.252	851	0.267	3,808	0.275	11,871	0.260
Overhead	4,720	0.165	502	0.158	3,248	0.235	8,470	0.185
Operating Income*	1,731	0.061	538	0.169	3,692	0.266	5,961	0.131
Sales	28,592	1.00	3,184	1.00	13,856	1.00	45,632	1.00

(*) Operating Income represents profits from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by income tax authorities, and does not include investment income and profits or losses on disposal of investments and fixed assets.

SCHEDULE E5.

TEXTILE ENQUIRY

MONTHLY SALES (ALL GROUPS TOGETHER) FOR THE TWENTY-SEVEN MONTHS FROM JANUARY 1946 TO MARCH 1948

(Thousands of Dollars)

—	12 SPECIAL COMPANIES			83 OTHER COMPANIES			ALL 95 COMPANIES TOGETHER		
	1946	1947	1948	1946	1947	1948	1946	1947	1948
	$	$	$	$	$	$	$	$	$
Sales (Pro-rated where required) to the following Calendar Months:									
January	10,268	11,455	17,146	7,186	7,952	10,110	17,454	19,407	27,256
February	10,177	11,891	15,738	6,714	8,209	10,686	16,891	20,100	26,424
March	10,196	12,022	15,102	7,576	9,729	11,660	17,772	21,751	26,762
April	11,601	16,270	....	7,656	9,420	....	19,257	25,690	
May	11,610	15,199	....	7,573	9,512	....	19,183	24,711	
June	8,870	13,270	....	7,272	8,493	....	16,142	21,763	
July	8,034	12,227	....	7,275	7,787	....	15,309	20,014	
August	8,613	13,505	....	7,194	7,843	....	15,807	21,348	
September	9,463	14,030	....	7,380	8,948	....	16,843	22,978	
October	10,499	15,994	....	8,467	10,416	....	18,966	26,410	
November	9,912	14,066	....	7,409	9,429	....	17,321	23,495	
December	9,730	13,500	....	7,182	9,514	....	16,912	23,014	
ANNUAL TOTALS	118,973	163,429	47,986	88,884	107,252	32,456	207,857	270,681	80,442

NOTE: The 83 Other Companies above do not include three subsidiaries of Tire and Rubber Manufacturers.

TEXTILE ENQUIRY

CAPITAL EMPLOYED AND EARNINGS OF THE TWELVE SPECIAL COMPANIES (ALL GROUPS TOGETHER) FOR THE TWELVE YEARS FROM 1936 TO 1947 INCLUSIVE

(Thousands of Dollars)

—	COTTON GROUP				WOOL GROUP				ARTIFICIAL SILK AND NYLON GROUP	
	Before adjusting inventory reserves		After adjusting inventory reserves		Before adjusting inventory reserves		After adjusting inventory reserves			
	Capital Employed	Percentage of Profit to Capital	Capital Employed	Percentage of Profit to Capital	Capital Employed	Percentage of Profit to Capital	Capital Employed	Percentage of Profit to Capital	Capital Employed	Percentage of Profit to Capital
	$	%	$	%	$	%	$	%	$	%
Reported by companies under the following years:										
1936	48,516	4·1	54,342	4·3	7,599	5·9	7,599	5·9	23,699	8·1
1937	48,797	5·4	55,120	5·7	7,553	5·7	7,647	6·9	24,020	7·3
1938	48,789	4·8	54,570	3·3	6,843	(0·3)	6,937	(0·3)	25,813	3·9
1939	46,064	4·4	52,091	4·4	7,073	8·0	7,167	7·9	26,319	7·8
1940	47,117	8·3	54,285	9·3	7,314	8·6	7,939	14·6	26,529	7·6
1941	48,611	8·5	56,934	9·5	7,797	13·7	8,438	12·8	27,345	11·4
1942	49,358	7·6	60,394	10·7	8,356	9·0	9,078	9·2	32,271	8·4
1943	50,613	5·9	64,370	8·8	8,603	6·6	9,283	5·7	33,455	6·6
1944	52,163	7·2	66,564	6·6	7,504	7·0	8,076	5·2	37,905	6·0
1945	51,917	9·2	65,444	5·9	7,928	8·6	8,500	8·0	41,348	6·1
1946	53,124	7·2	67,226	6·6	5,316	10·0	5,888	9·0	42,581	8·9
1947	54,845	6·3	70,275	6·8	5,713	11·2	6,748	16·3	49,033	12·3
Average for 1936 to 1947	49,993	6·6	60,135	6·9	7,300	7·8	7,775	8·4	32,526	8·1

The VICE-CHAIRMAN: I think, Mr. Knight, the committee would desire me to say they feel the work you have turned into them and the assistance you have given—I feel sure I am expressing the opinion of the committee—has been of a very high order. They are indebted to you. We feel we have been very well served.

The WITNESS: Thank you very much.

The VICE-CHAIRMAN: At this point, I think we change counsel; Mr. Monet replaces Mr. Dyde.

Mr. MONET: Mr. Chairman, before I call the witnesses whom I have to bring before the committee—

The VICE-CHAIRMAN: Mr. Monet has a number of details to clear up. It is just a case of filing papers?

Mr. MONET: Yes, I wish to complete the record on butter, fruits and vegetables and artificial silk, by putting on the record certain information which was requested earlier. I suggest, Mr. Chairman, that since it would take a long time to read all these documents, I should table them.

The VICE-CHAIRMAN: They should be tabled in the same way as we tabled the reports from the Wartime Prices and Trade Board and Mr. Ashbaugh this morning. It was understood those documents would appear in the record as part of the appendix to today's minutes, since they were not connected with today's hearings.

Mr. IRVINE: Could you give us the gist of these documents?

Mr. MONET: Yes, I will. On page 1536 of the minutes of evidence, No. 31, dated April 6, Silverwood Dairies were requested to inform the committee as to the amount of butter stored for other people from April 1, 1947 to April 1, 1948 and also the number of car lots of butter sold during the fiscal year ending March 31, 1948.

Information was requested from the Borden Company on page 1686 of the minutes of evidence, No. 34, and also pages 1694 and 1700.

Information was requested from the Swift Canadian Company on page 1720 of the minutes of evidence, No. 35, dated April 12, concerning the number of purchases of butter in Halifax from Canada Packers and also the amount of butter sold to the British West Indies and Newfoundland.

On page 1845 of the minutes of evidence, it will be noted that Mr. C. Guy Bishop, who had been summoned to appear before this committee in connection with the purchases of butter he made some time last fall, failed to appear. An affidavit has been supplied by Mr. Bishop to the effect that he was sick at the time and was unable to appear. In answer to my request, Mr. Bishop also gave the selling price for this butter.

The VICE-CHAIRMAN: I wish to speak to Mr. Martin for a minute about the procedure we have been discussing. I am going to ask Mr. Irvine, in view of the fact the next witness is a labour representative, to take the chair until I return.

(At this point, Mr. Irvine assumed the chair).

Mr. MONET: This would explain Mr. Bishop's failure to attend the meeting of the committee as requested. This completes the record so far as the butter investigation is concerned.

Now, in connection with fruits and vegetables, Mr. McCallum, of the Dominion Fruit Company was requested on May 18, in volume No. 59 of the minutes of evidence to file the annual statement of Western Grocers Limited. I am now placing before you a number of copies of this annual statement.

Mr. MCGREGOR: On what page is that request found?

Mr. Monet: It is on page 2980. There were also requests of Mr. McCallum on pages 2985, 2992 and 2999, to which answers have been given in this document.

A request was made of the Crelinsten Fruit Company to give a breakdown of the carloads of oranges for a certain period, to wit, November 20 to November 27, 1947. This breakdown has been supplied and a letter is attached to it dated June 16, 1948. This covers all the requests made in the fruits and vegetable investigation.

The last document is concerned with the artificial silk and nylon investigation. A request was made of the Canadian Celanese Limited to give certain information about taxes. I have now received from the Canadian Celanese Limited this information and it is contained in a letter dated June 21, 1948. The reference to this evidence is contained in Mr. Palmer's evidence, who was the last witness in the silk investigation.

Mr. Fleming: Mr. Chairman, is that letter very lengthy?

Mr. Monet: It is very short.

Mr. Fleming: Could we have it read?

Mr. Monet: Yes.

Mr. Fleming: Before you read it, Mr. Monet, may I ask whether the other documents are to be printed in the record as though read, or are they to be printed as an appendix?

Mr. Monet: They will be printed as appendices except in the case of the annual report from Western Grocers Limited.

This letter is dated June 21, 1948, signed by Mr. Allen, the treasurer of Canadian Celanese Limited.

June 21, 1948.

Mr. Fabio Monet, K.C.,
Counsel to the Special Committee on Prices,
House of Commons,
Ottawa.

Dear Sir:

In reply to the request made by Mr. Kuhl, we are pleased to list below the details of taxes charged against income for the year 1947, totalling $2,794,460.95.

Dominion of Canada Income and Excess Profits Taxes	$2,167,000 00
Dominion Sales and Excise Taxes	89,447 22
Provincial Taxes on Income and Capital	397,078 44
Provincial Tax on Purchases	41,771 63
Municipal Taxes	98,770 11
Miscellaneous	393 55
	$2,794,460 95

As the total sales for 1947 were $17,531,957.00, we calculate that if we had paid no taxes in this year a reduction in the sales price of our products of 15·9 per cent would have yielded the same net profit which we obtained in 1947.

This 15·9 per cent is broken down as between dominion, provincial and municipal taxes as follows:

		Per Cent
Dominion	$2,256,447 22	12·8
Provincial	438,850 07	2·5
Municipal	98,770 11	·6
Miscellaneous	393 55	
	$2,794,450 95	15·9

Yours very truly,

CANADIAN CELANESE LIMITED.

(Sgd.) A. G. ALLEN,
Treasurer.

There were also questions asked by Mr. Beaudoin and Mr. MacGregor with regard to employment at Drummondville and Sorel. The information is given in a letter bearing the date June 21, 1948. That completes the information requested by the members of the committee in the different investigations with which I had to deal.

I shall now call Mr. Ledoux.

Gaston H. Ledoux, President, Federation Nationale Catholique du Textile Inc., called and sworn:

Mr. MONET: Mr. Chairman, before Mr. Ledoux gives his evidence I would say that when talking with him this morning he expressed to me a desire to give his evidence in English.

By Mr. Monet:

Q. Would you please give your full name?—A. Gaston H. Ledoux.

Q. What is your present address?—A. 438 St. Denis street, Granby, Quebec.

Q. Would you give your present occupation?—A. I am president of La Federation Nationale Catholique du Textile Inc.

Q. It has been brought out before this committee that production is significantly less than it was during the war. Representatives of the leading companies in the industry have told the committee that this reduction is due first to the difficulty in getting men and women with whom to build up their second shifts; secondly it is due to absenteeism, particularly absenteeism on Saturday morning which was said to run as high as 39 per cent in the Montreal mills. Would you please tell the committee, Mr. Ledoux, whether you have any statement to make with regard to the allegations which have been made before the members of this committee?—A. I would like to stress the point Mr. Monet made a moment ago that I will give my testimony in English. I do that, not because I speak very good English, but it is for the benefit of the members of the committee who do not speak French, and I will do my best.

Mr. WINTERS: Before we have this evidence can you say in which companies your union operates?

The WITNESS: The union operates in the five principal textile companies mentioned in volume No. 66 of the Minutes of the Committee—Dominion

Textiles, Limited, Canadian Cottons Limited, Montreal Cottons, Drummondville Cotton, and Wabasso Cotton.

Mr. THATCHER: Is your union in all of those companies?

The WITNESS: All except Canadian Cottons Limited.

Mr. FLEMING: I assume you are not concerned in the other textiles, wool and artificial silk?

The WITNESS: Oh, yes.

Mr. PINARD: You are one of the branches of the Syndicates Catholique?

The WITNESS: Yes. I have prepared a very short brief, and I would like to point out that it was prepared very quickly because we had only this afternoon to work at it. If there are any questions after I have read the brief I will do my best to answer.

Mr. THATCHER: You have not got copies of it?

The WITNESS: I did not have time to have it typed so that you can understand copies are not available. Gentlemen:

Our association named La Federation Nationale Catholique du Textile Inc., affiliated to the Canadian Catholic Confederation of Labour represents 30,000 workers in the textile industry.

It was to find an answer to the complaints of our federation regarding rising prices in textiles commodities that the C.T.C.C. requested the Canadian government, in March of 1948, to undertake an investigation of textile commodities through the special committee on Prices. We wish to express our appreciation for the opportunity given us today to submit to the committee a few remarks regarding previous evidence given to the committee by certain manufacturers of textile products. At the outset we wish to state that the increases which have occurred in the price of textile products since September, 1947, and to date have not been caused by the recent increase in wages given to employees in the industry.

We suggest that the committee take as an example the case of the Dominion Textile Company—which represents four of the five special companies called before the committee—and it will be seen that wage increases which represent a rise of 30 per cent in average earnings affected the cost of production by about 4 per cent. If we refer to exhibit B7, page 3414 of the evidence produced before the committee we find that the differential in selling prices between the 15th of September, 1947, and 1st of April, 1948, is between 20 per cent and 35 per cent per yard. It will therefore be seen that the rise in prices is not accounted for by the rise in wages. The same situation applies to the Wabasso Cotton Company where it will be noted that the differential is even greater than that found in the figures of Dominion Textiles Limited.

Mr. FLEMING: May I interrupt there. Are you referring to the same dates, that is September 1, 1947, to April, 1, 1948?

The WITNESS: Yes, on exhibit B7.

Mr. MCGREGOR: September 1, 1947, to April 1, 1948?

The WITNESS: Yes.

By Mr. Fleming:

Q. You say that in no case has the increase in wages amounted to the increase in price?—A. The increase in the cost of labour is somewhere around 4 per cent although wages may have increased by 30 per cent or 35 per cent. For example, in exhibit B7 unbleached bed sheeting, the first item, is 49·875 cents and the difference in selling price from September 15 to April 1 is about 20 per cent—the latest selling price being 61·25 cents. If you take the two columns you will find the increases in some cases are as much as 35 per cent.

Q. Some of them are exactly the same?—A. Yes.

By Mr. Monet:

Q. You mean of the 20 per cent increase which appears there 4 per cent would be accounted for by wages?—A. Yes.

Q. The other 16 per cent would have to be accounted for by something else?—A. Yes.

By Mr. McGregor:

Q. There are some commodities which have not increased at all?—A. Yes, there are some increases which are not as high as 20 per cent.

Q. But wages have accounted for an increase of only 4 per cent you say? —A. For example there are some articles which have been increased from 18 to 23 cents.

In answer to some of the evidence given before your committee by certain representatives of the textile industry, we wish to make the following remarks: Referring to page 3515, when Mr. Dyde asked Mr. Gordon if he would clarify the point as to volume of production being limited by shortage of labour rather than by plant capacity; I will admit that there was a lot of truth in that statement, but that statement was not supported by facts or reasons as to why this so-called shortage of labour took place. Now, gentlemen, I would like to indicate some of those reasons. First, in a textile plant there is a considerable percentage of younger people, and by that I mean persons between the ages of 16 and 18, and in some textile plants they start them in between the ages of 14 and 15—for instance at Wabasso Cotton and Penmans Limited, and quite a number of others. But that is not the question. As almost everyone will recognize, young people of the type to whom I have referred are not as serious as older employees on their jobs, they get fed up a lot quicker and quit, and that is one of the causes for the heavy turnover in these plants. The second factor is the high percentage of female labour in the textile mills. As everyone knows, the stability of female labour as far as length of service is concerned, is essentially temporary in nature. The third factor to which I direct your attention is a practice which has been established as general policy, at least in connection with Dominion Textiles, Drummondville Cotton and Montreal Cottons, of turning off all employees on reaching the age of 65 and not hiring anyone over 45; as a matter of fact they do not hire them even around ages of 40, 41, 42, 43 or 44. It cannot be denied that there are lots of these people who have considerable experience in textile work.

Then, the fourth factor to which I wish to direct your attention relates to Mr. Gordon's statement as to the reduction of hours of work from $52\frac{1}{2}$ to 40 hours per week with a view to building up a second shift. The increase in average earning granted in November of 1947, which was from 55 cents to 75 cents, did not help to any great extent on account of the fact that the take-home pay of the individual remained about the same, and in many cases it was decreased, depending on the individual rate per hour for the particular operation involved.

Now, getting labourers to work on Saturday afternoons, or on Saturdays, when they have not been used to it because they are not used to working a 6-day week and asking them to do that for approximately the same take-home pay—and that is what the labourers look at most—it is easy to understand why they show a certain percentage of absenteeism on that particular day.

Now, to answer a fair question as to why a certain percentage of labour would still sustain a further reduction in take-home pay by not showing up to work on Saturday, the answer is very simple. A large proportion, if not all, of this Saturday absenteeism is accounted for by the fact that these people get themselves odd jobs for the weekend; such as a clerk in a store, working in a restaurant and so on, and making more money in that way than they would if they were to show up for the plant to work only a 7½-hour shift. To them that is the only way open to bring their take-home pay up to a standard which they would like.

Now, to conclude this presentation, I would like to stress to your committee that it might be of interest to its members, to ask Mr. Gordon or any of the other manufacturers to answer the following questions. Now, Mr. Gordon made the statement that total production was reduced by a considerable number of pounds per annum. I do not wish to throw any doubt on any of the figures mentioned on June 3, 1948, in No. 68 of the minutes of proceedings of the committee; but I believe it would be of great interest to find ou if the production has been reduced per employee, because to the best of my knowledge there was a larger number of employees in service during 1941 to 1946 than there are now. What I am really trying to say there is this, that if an employer has during a certain perod 1,000 employees producing 10,000 pounds that would be equal to 10 pounds per employee, and if in another period he reduced his staff by X per cent but the production per employee remains the same, 10 pounds, he cannot in all fairness claim that his production has been reduced and use that as a factor in increasing his selling prices.

Hoping that this brief will be of some interest and use to the committee may I again thank you for giving us this opportunity of appearing before you.

By Mr. Pinard:

Q. I would like to ask you a few questions concerning your employees at the Wabasso Company plant at Three Rivers. I wonder if you have read the evidence of Mr. Whitehead when he was here?—A. I read some of it, yes.

Q. There is a reference there to a collective agreement being negotiated.—A. That is in number—?

Q. That is in No. 56 at page 3574. I am going to read to you a few of the questions that were asked of Mr. Whitehead and the answers which he gave to them. They are as follows:

> Q. Mr. Dyde, could I ask Mr. Whitehad whether there is any collective agreement in force in Three Rivers between the Catholic Syndicate and your company?—A. Not at the present time; they are awaiting certification.
>
> Q. They have asked for certification from the provincial authorities? —A. Yes.
>
> Q. Do you oppose that application?—A. We are going to oppose it.

Then there is another question further down asked by Mr. Lesage:—

> Q. There is a certain dissatisfaction among your employees over this matter of belonging to the Catholic Syndicate?—A. The dissatisfaction to the extent to which you have been informed has only come about during the last few months.

Would you tell me whether you are aware of conditions at the Wabasso plant at Three Rivers, as to the dissatisfaction there between the employees and the manager of the company?—A. It is pretty hard to discuss that point. That is rather putting me on the spot. I will try to give you an answer. What is really happening there is discrimination of the one against the other.

Q. I understand your position. I am just asking you whether there are one or two comments you would like to make on that.—A. There is, of course, the union which is trying to negotiate an agreement and the company does not want the union. That is the first point. The first difficulty with which we are faced, and one which we are now trying to settle, is to have our union recognized by the company and certified as the bargaining agent. We were up against the same situation at Shawinigan Falls last year. The company put up a very bitter fight to try to keep us from getting certification, and they are now doing the same thing at the Wabasso plant at Three Rivers.

Q. Has an application been made for certification?—A. Yes, it has been made; not for the agreement, but for certification of the union.

Q. When was that done, do you know?—A. Oh, a couple of weeks ago; on the 4th of June we requested the government to give us certification.

Mr. FLEMING: And you are now awaiting to hear from the Labour Relations Board?

The WITNESS: Yes. I believe that now the Labour Relations Board has sent a man to the plant to look over the books of both the company and the union to find out whether we do have a majority of the employees with membership in the union.

By Mr. Thatcher:

Q. Do I take it from your evidence that the main point you are making is that the recent rise in textile prices has not been caused primarily or to a large extent by wage increases?—A. No, sir.

Q. You are stating categorically that it is not higher wages that has forced these prices up?—A. No, sir.

(Mr. Maybank resumed the chair.)

Q. There was one other point on which I was not just clear. When you were discussing this question of absenteeism—I think Mr. Gordon made the statement when he was here that absenteeism was one of the causes for lower production than they had during the war years—would you say that that absenteeism was caused in whole or in part by low wages?—A. Reducing the number of hours per week while the take-home pay remained unchanged for the average employee. That was the result we experienced when they reduced the number of hours per working week.

Q. Would you mind explaining that?—A. Well, it was due to the fact that the hours were reduced from 52½ to 40 hours per week, and that meant that even with the increase which was granted the average employee had no more, or little more take-home pay at the end of the week.

Q. You mean that the textile company cut the hours?—A. Yes, they cut the hours from 52½ to 40 per week. They just cut the number of hours per week by 12½. That did not make much of a reduction in the take-home pay, but when you take 12½ hours a week off production it is bound to affect the output of the plant.

Q. Yes, I see. How would that make for absenteeism if they are only working 40 hours a week?—A. The take-home pay is not enough for the average employee, particularly because of the shorter hours, or no work on Saturday. That is why they get work outside of the plant.

Q. You mean to say that they make more outside?—A. Yes, they earn more outside of the plant during the weekend. They work let us say Friday night, Saturday and sometimes if they work in a restaurant they can work on Sunday too. You see, by doing that, they increase their net take-home pay for the week.

Q. Then you are suggesting that one way for these companies to clear absenteeism in their mills would be to pay higher wages; is that it?—A. There is another point, which is this: that if you increase your wages but lower the number of hours worked in a week it leaves you with the same take-home pay. A thing which I think is very pertinent to the evidence which has been before this committee is that at Dominion Textiles the union had requested a normal work week of 45 hours while the company insisted on a 40-hour two shift basis.

By the Vice-Chairman:

Q. What about this, the increase in wages for the week, provided a full week was worked—do you get my idea—let me put it this way; we will talk about a dollar an hour just because it makes the arithmetic easy.—A. Yes.

Q. Now, take a dollar an hour for 40 hours, that is $40?—A. Yes, $40.

Q. But then it was said that on Saturday morning a great many people do not come, even though they get time and a half?—A. Yes.

Q. What would you say about a policy of offering $50 provided the whole 40 hours was worked, or the whole period was worked? What would you think of that as an incentive to prevent absenteeism?—A. To complete the idea that you have put in my head I should like to point out that the employees are not looking exactly for such a big amount of money per hour but are looking, in other words, for fair take home pay.

By Mr. Thatcher:

Q. Weekly pay?—A. Weekly pay, employees especially in textiles. Take, for example, a married man who earns 60 cents per hour and he works 40 hours in the week. He only gets $24, and believe me there is a large amount of people who work for 60 cents an hour in the textile industry.

Q. On Saturday it would be 5 hours worked and 7½ hours' pay?—A. Yes, so that the amount of money for such employees will not be enough to carry on with their families, and if he has a chance to earn let us say $10 or $15 during the week-end—and a lot of them do—I cannot very well blame them, and no company can very well blame them for doing so. To follow up the point you mentioned, an employee was working last year 52½ hours, and he was getting $40 in a week, but if the company reduced his hours to 40, and even give him 7½ hours' extra on Saturday, the fact they have to go in on Saturday afternoon, which they were not used to, and get about the same money and depend on the rate they used to have per operation in some cases, their earnings per week are reduced, even in spite of the increase given by the company.

Q. Did you say that a lot of married men are making only 60 cents an hour?—A. Plenty of them.

Q. Would you have any idea what the average wages in the textile industry would be? I may say before you answer that that a lot of companies we have had here have stated the average was around $1.05.

Mr. Beaudry: 85 cents.

The Vice-Chairman: I think you are a little high there.

Mr. Thatcher: Canadian Industries Limited gave their average wage as $1.05.

The Vice-Chairman: You may be right about that one but your expression may be not quite right.

The Witness: I can give you the average earnings for quite a few industries if you wish it.

Mr. Thatcher: I am very interested in getting this because it does not correspond with what the companies have told us.

The Vice-Chairman: Wait a minute, please, before you answer the question. Let us get things correct. I do not think you are quite correct, Mr. Thatcher, in saying a lot of companies said the average was $1.05.

Mr. Thatcher: I will retract that and say at least one company.

The Vice-Chairman: I do not think you meant that. I do not even remember that one company said their average was $1.05. I am not exactly disputing it. I do not remember, but your only point is can the witness give the average wage?

Mr. Thatcher: Yes.

The Vice-Chairman: That is quite a proper question.

By Mr. Irvine:

Q. You give us what you think is the average?—A. Dominion Textile, the average is exactly 75 cents an hour.

Mr. MONET: If you will allow me, you will find that on page 3517 of the evidence.

By Mr. Thatcher:

Q. That includes males and females?—A. Everybody.

Mr. FLEMING: Excuse me; the reference to the $1.05 applied simply to Canadian Industries Limited. You will find that on page 3638. The question was asked of Mr. Smith by Mr. Thatcher.

"Q. Your average wage is $1.05?—A. Yes sir." That was simply Canadian Industries Limited.

Mr. MONET: That was on the silk investigation. Now the witness is talking of the cotton industry only.

The VICE-CHAIRMAN: We have that cleared up.

By Mr. Monet:

Q. I understand you are talking about cotton manufacturing?—A. Especially of cotton.

The VICE-CHAIRMAN: These misunderstandings are bound to occur.

Mr. FLEMING: May I ask a question?

Mr. THATCHER: Let him finish please. I should like the average wage in some of the textile companies.

The WITNESS: We have, for example, another one, Penman's Limited, where the average earning is 64 cents an hour.

By the Vice-Chairman:

Q. Have you others in mind you can give?—A. Yes, Esmond Mill where the average earning is 57 cents per hour. You have Verney mills where it is 73 cents per hour.

By Mr. Pinard:

Q. Have you that information for any of the companies which have given testimony here, Wabasso Cotton or other firms?—A. As far as Wabasso Cotton I would not be able to say the exact average earnings because I have not the list of the payroll of the company. In all these companies I have just mentioned we have the complete payroll of the employees under agreement.

By Mr. Beaudry:

Q. Is there any reason to disbelieve the evidence of the various companies which was given here?—A. There is only one point I should like to make to you and it might be of interest. For Wabasso Cotton, for example, whatever the average figure might be which they gave you, it might have been a good idea to ask if the bonus was included in that average.

The VICE-CHAIRMAN: I believe most people would conclude that any money that was paid at all under any heading had been worked into that wage figure. It might not be so, but I certainly felt that whatever money was paid—

The WITNESS: I do not know; I was not here.

The VICE-CHAIRMAN: After all the witness was not here. I think it is a fair assumption the bonus was in.

By Mr. Winters:

Q. By the bonus you mean the piecework rate?—A. No, no.

By Mr. Beaudry:

Q. Overtime?—A. They call it participation au benefice.

The VICE-CHAIRMAN: I think we would call it a sharing of the benefits.

Mr. MONET: Profit sharing.

The WITNESS: No, not that.

By Mr. Thatcher:

Q. In the province of Quebec is there any minimum wage for girls in the textile industry?—A. Yes, a lot of them get as low as 35 cents.

Q. What sort of a law is it?—A. for apprenticeship.

Q. On piecework?—A. On piecework, or on any other operation. Take, for example, a girl who would be learning to be a spinner. She could very well start at 35 cents in some plants. I would not say all plants.

By Mr. Pinard:

Q. That all depends on the district where it would be? It is classified in different sections? You have different schedules under the existing law? For instance, you have one section around Three Rivers?—A. Yes. You are referring to the question of zone?

Q. Yes.—A. No, that is higher than the zone. The zone is only 24 cents for apprenticeship.

Q. But all wages are away over the existing legislation now?—A. Yes.

By Mr. Thatcher:

Q. There are not many girls paid 35 cents today, are there?—A. There are plenty of them in the Wabasso Cotton as low as 30 cents, 29 cents.

Q. How is that if the minimum is 35 cents?—A. I did not say the minimum was 35 cents.

Q. I thought you said that?—A. No, no.

By Mr. MacGregor:

Q. What he asked you was, was there a minimum wage law in Quebec?—A. Yes, 24 cents.

Q. 24 cents?—A. That is the absolute minimum. They cannot pay any lower than that.

Q. Are there many who pay 24 cents?—A. I know one that pays just about the absolute minimum. It is the Dionne Spinning Mill in St. George de Beauce. That is referring to the silk industry.

By Mr. Pinard:

Q. That mill is not situated in a metropolitan district. It is not in the same kind of district as other mills?—A. I would not bring that as an objection to the point we are discussing now because—

Q. It is not an objection. I am trying to clarify your statement as to that. —A. If you are talking of the districts in the higher zone the minimum is still 24 cents for apprenticeship.

By the Vice-Chairman:

Q. I want to go back to where you were a few minutes ago when you were talking about people working week-ends. Is this the situation that causes absenteeism, that while it is true your workers get time and a half on Saturday morning the fact is they can generally get a whole week-end of work at something else, and that adds up to more than they could get by this overtime pay? —A. Yes.

Q. That is what you would say is the probable cause of absenteeism; is that right?—A. Because—

Q. That is correct, is it?—A. That is correct.

Q. That is to say, there is a good deal of absenteeism on Saturday morning. That is true, is it? You agree with that?—A. Yes, I agree with that.

Q. There is very considerable absenteeism?—A. Not on Saturday morning, but on Saturday afternoon, on the second shift.

Q. On the second shift?—A. Not the first shift. On the first shift the absenteeism is not so great.

Q. But it is greater on the second shift?—A. Yes.

Q. You say that is usually caused by the employees endeavouring to earn more money by turning to a different job?—A. That is right.

Q. Are you yourself engaged in work in any of the mills?—A. No, I am not.

Q. Your work is looking after the business of the union?—A. I am looking after the business of the union.

Q. Have you personal acquaintance with a considerable number or some who work at other jobs like this during the weekend?—A. Yes.

Q. Can you give us any idea as to how many find that kind of job?—A. Well, let us say the percentage would be 20 per cent absenteeism on Saturday.

Q. If 20 per cent are absentees?—A. Let us take that figure of 20 per cent. I would say 18½ per cent are working somewhere else.

Q. The real reason for the 18½ per cent is that they have got another job over the weekend?—A. That is right.

By Mr. McGregor:

Q. Working in stores?—A. Stores, restaurants, or helping somewhere else.

By Mr. Irvine:

Q. Would it be fair to say the incentive offered to labour was not great enough to bring them to the job?—A. Yes, sir, it would be fair on this account because the amount of money drawn by the employees before and after the reducing of the hours remains the same, but the employee has to work on Saturday afternoon while before he did not have to.

By Mr. Beaudry:

Q. On the 52½ hours?—A. He was not working Saturday afternoon then. He was not working Saturday afternoon; he was finished at 12 o'clock Saturday noon. Now, due to the fact they reduced the hours and put on three shifts, the second shift has to work on Saturday afternoon starting at twelve and finishing at five. These people did not have to work on Saturday afternoon before but have to work on Saturday afternoon now, and they get about the same amount of money. Who would want to do that?

Q. How were the hours divided under the 52½ hour week?—A. There were two shifts, one day shift and one night shift.

Q. Let us take the day shift?—A. They were working fifty hours on the day shift and the night shift sixty hours, the average was 52½ hours.

Q. I wish to find out how the hours were divided. You say they were not working on Saturday afternoons, so how were the working hours divided?—A. Seven in the morning until six at night and Saturday morning until noon. The average was one hour at noon for lunch.

By the Vice-Chairman:

Q. Production figures for the cotton industry would reveal that production has gone down. Of course, I do not think it was said absenteeism was solely responsible for that. What additional suggestion can you make for increasing it?—A. There was one point Mr. Gordon did not feel like stressing and that was that the production per employee was not reduced. However, the number of employees was reduced, the personnel or the staff. I do not think anyone could maintain differently.

By Mr. Fleming:

Q. I think I asked him some questions about that. I am trying to sort out the different witnesses and the evidence they gave. He did not say there was any loss in productivity per employee but that, by reason of their inability to get all the labour they needed, on account of the over-all shortage of labour now, production had dropped. I though he put the emphasis on the over-all shortage of labour?—A. The over-all shortage of labour; that is why I brought up the point that a lot of employees would like to go to work for the companies. I have many examples. However, because these men are forty or forty-five, they will not be hired. Some of these people have had experience in the textile business, spinners and weavers and such people.

Q. Have you any specific cases, where qualified men have applied for employment and been refused?—A. Yes, many of them.

Q. We were given to understand that, in the case of all cotton companies, they were looking for more men.—A. Well, there is certainly something not clear there because I have many requests to help them get in the mill. These requests are from men, not from women, who are around forty-five but who have had experience in textiles.

Q. How many of those would there be?—A. I would not say because there are many.

Q. Could you give us some approximate idea?—A. It would be very hard to give figures on that.

Q. I am speaking now of these five cotton companies.—A. It is the policy for them not to hire them any more. That has been established about a year. They just do not hire anybody around forty years old. At sixty-five, everyone is out.

Q. Are you saying that is a policy on the part of these companies who were here, Dominion Textiles, Drummondville, Montreal Cottons, Canadian Cottons and Wabasso?—A. No, I would not mention Canadian Cottons because I do not know their policy. In so far as Montreal Cottons, Drummondville Cotton and Dominion Textiles are concerned that is their policy.

Q. You have not mentioned Wabasso?—A. That is their policy. They hire young people, 14, 15, 16 and 17 years old. They go out and get them as soon as they are ready to go to work.

Q. But the other aspect of it; you suggest they have a policy under which they are unwilling to hire men of forty-five. Could you not give us some approximate idea of the number of cases you have had of men whom you have been able to offer to them?—A. If that could help any, I would mention that in most cases—

Q. I was speaking of these particular companies?—A. I would mention that there would be an average of about three a week.

By Mr. McGregor:

Q. Three a week who would come to you?—A. Coming to me.

By the Vice-Chairman:

Q. You run into that three times a week?—A. Some weeks there would be none at all and others there would be five or six. I do not think I am mistaken when I say there would be an average of three a week.

By Mr. McGregor:

Q. You say these men are experienced hands. Why are they out of work?—A. Probably because they tried to find work somewhere else to better themselves. They quit their jobs and now they want to go back where they were before. They cannot go.

By the Vice-Chairman:

Q. There are pension plans in most of these organizations?—A. No, it is only the goodwill of the company—

Q. Do they have these pension plans, these goodwill pension plans in some of the companies?—A. Oh, yes.

Q. There are some of them?—A. Yes.

Q. Would it be that they do not want to take men of forty years of age because they will be pensionable too soon after being hired?—A. As long as they have completed twenty years of service, but nothing obliges the company to pay such a pension.

Q. I do not think you quite understand my question. I was wondering whether the policy of the company not to employ people forty years of age is influenced by the fact they see they will be forced to pay a pension or might have to pay a pension a little bit sooner?—A. It could be a reason.

Q. The existence of a pension plan, under some circumstances, might work against forty year old men being employed. Would you think there is anything in that idea at all?—A. Oh, yes.

Q. You hear that view expressed from time to time, you know?

By Mr. Fleming:

Q. There are two points which run through my mind arising out of your evidence: the first is in connection with your reference to the reduction in hours by the company. Do I understand the members of your union, providing the wage rates continue, would prefer to work forty-five hours to the present forty?—A. Yes.

By Mr. Irvine:

Q. Only because your wages are too low to make enough in the forty hours?—A. That is right.

By Mr. Fleming:

Q. The average person would prefer to work less for the same pay; I know I would. My question was put on this basis; if the wage rates remained constant, your members would prefer to work forty-five hours rather than the forty they work at present?—A. Yes. What we had in the back of our minds, we can say it now, the employees were seeking to adopt the forty-five hour week and get another five hours overtime which would increase their income for the week. The company said, on account of the half hour break, we will reduce the hours to forty and then the possibility, even with overtime, is only forty-five hours a week.

There is another factor which I could point out. The whole situation in the textile industry is something like a wheel. If one spoke is missing, everyone feels it. Absenteeism on Saturday afternoon affects the other shifts, even the third shift, due to the fact the work is not quite ready for them. You understand what I mean?

Q. There is some disorganization?—A. There is some disorganization in the system; that is the point. It would be a factor in reducing production. I am thinking of the point you mentioned to me. You asked Mr. Gordon if it was because of the production per employee and he said it was not so. The number of employees in Dominion Textiles, for instance, from the years 1941 to 1946 was quite large, much larger than it is today. It has been reduced. Large numbers have been employed so if the production is reduced, that might be one of the causes of the low production.

Q. There is one other point I wish to mention. You spoke about the importance of take-home pay?—A. Yes.

Q. Would the extent of the tax deductions affect that now?—A. I beg your pardon.

Q. To what extent are tax deductions at the source entering into this question we are now discussing?—A. I would say it would not affect it very much because the take-home pay for the individual is not so big that the tax affects it very much.

Mr. THATCHER: Wages are so low.

The VICE-CHAIRMAN: Most of them are not taxed. However, the witness wants to make sure that is not taken as a suggestion they should be taxed.

The WITNESS: Oh, sure.

By Mr. Fleming:

Q. I quite understand people in the low hourly rate brackets would not be taxable, but we had evidence—A. I would not say they would not be taxable, but the amount of tax taken off their pay is very little.

Q. Has it been a factor, I mean the tax deduction at the source out of the pay envelope, has that been a factor in this matter of absenteeism?—A. I would not say it has not been a factor because, in some cases, it might have been a factor but I will say if we take the average married man who has a little family, he is not taxable. I still say absenteeism on Saturday is not due to taxes, that is, a large proportion of the absenteeism on Saturday afternoon. It is not solely due to taxes. It is an attempt to get a greater amount of money to meet the family budget.

Q. I did not suggest it was only on account of taxes?—A. In some cases, I will admit it could be.

Q. One other point; we have evidence here—by the way, you are familiar with both spinning and weaving in this industry. Now, we had evidence here that spinning production was as high as at the war-time peak but in the weaving there had been quite a reduction in production. Now, is there any difference in wage scales as between spinning and weaving which would have any bearing on that question?—A. Oh yes. I do not know whether you have had an explanation of the wages and the manner in which it is arranged that employees work on spinning and on weaving. They have what we call a basic wage of 78 cents but that does not mean the employee is receiving 78 cents. He is on piece work and he is trying to reach that figure of 78 cents. There is a possibility of him making 78 cents but he does not get it all the time. He might get only 60 cents or 65 cents and as well he might get 80 cents, but very seldom it is that he goes higher than 78 cents because the piece work rate is based on 100 per cent full time in order to get that amount. If by any chance one of the looms breaks down then of course the amount of money is much reduced.

By Mr. MacGregor:

Q. When you speak of a general wage of 75 cents or 78 cents are you speaking of the money that the worker actually gets or what he can make?—A. What he can make.

Q. When the companies say they are paying an average of 75 cents an hour that is not so is it?—A. Oh no.

The VICE-CHAIRMAN: It might be so.

The WITNESS: Yes, it might be so.

Mr. FLEMING: At page 3554 of the evidence Mr. Gordon says "the weighted average over all groups is 75·18 cents an hour". He used the expression "weighted average", and then at page 3573 Mr. Whitehead, of Wabasso, says "our weighted average is 71 cents".

The VICE-CHAIRMAN: Yes.

Mr. FLEMING: That is the expression which was used.

The VICE-CHAIRMAN: The way the evidence was given it would seem that the witness was saying that is the amount of money paid, but it is conceivable as this witness now is saying that he was giving us the average rate as a possible rate.

Mr. WINTERS: We questioned him on that.

The WITNESS: I do not think that is the way, Mr. Chairman. I think the figure which Mr. Gordon gave might have been the right figure but those figures might change from one payroll to another.

The VICE-CHAIRMAN: Oh, he admitted that.

The WITNESS: It might change from as low as 70 cents average, to as high as 80 cents average but the over-all average might come to 75 cents.

Mr. MACGREGOR: I just cannot imagine any man making a statement that the pay was 75 cents an hour if it was not 75 cents.

The VICE-CHAIRMAN: I certainly thought that was what he was saying.

The WITNESS: He might have been giving the right figure for that particular period.

Mr. MACGREGOR: You have quoted us the figures on rates possible for a man to make but not what he makes.

The WITNESS: I have given what it is possible to make.

The VICE-CHAIRMAN: Sometimes the worker makes it. If you take what the witness says it is to the effect that sometimes the worker makes it, and sometimes he goes over the figure, so that it would appear to be quite probable and certainly possible that Mr. Gordon's statement is in agreement, because he fixes it at an average.

Mr. FLEMING: I think I might clear it up if I read the whole statement which is on page 3554. Mr. Dyde is examining Mr. Gordon:

> Q. You have with you this morning wage figures which I believe you are able to give the committee?—A. Yes.
>
> Q. Would you please produce those and read them into the record?—A. Yes. On Thursday I was asked the wage figures for different groups of employees and I could only give an over-all figure, namely 75 cents an hour. The actual figures are as follows: males, 21 years and over, constituting 48·44 per cent of the working force, the average wage is 86·33 cents an hour; females 18 years and over, constituting 32·30 per cent of the working force, the average wage per hour is 67·73 cents per hour; males under 21, constituting 13·62 per cent of the working force, the average wage is 65·53 cents an hour; females under 18, constituting 4·09 per cent of the working force, 62·46 cents an hour. The weighted average over all groups is 75·18 cents an hour.

The other reference was to the evidence of Mr. Whitehead and I remember asking a question as to whether the average was a weighted average or not, and the answer was given in reply to Mr. Lesage. Mr. Whitehead said: "our weighted average is 71."

The WITNESS: I quite agree with those figures as an average but I will not agree that they are the figures for the whole period of the year.

The VICE-CHAIRMAN: Mr. Thatcher?

By Mr. Fleming:

Q. I do not think you had completed your answer in reply to my question. I asked about the difference between the spinning and weaving rates and I thought you were going to say something further by way of explanation?—A. I was explaining how the rate was established. The basic rate established for weaving is 78 cents but the rate for spinning is 68 cents or a difference of 10 cents an hour. That is because the spinning job is not quite as responsible as the weaving job. Weaving is where the cloth comes out and it has to be perfect, while in the spinning they are only making the thread and not cloth and that causes a difference in the rates. The value of the job is not the same.

Q. I find that hard to follow because the information we have had is to the effect that spinning production is high whereas weaving production has gone down since the war?—A. It is on account of apprenticeship.

Q. Apprenticeship?—A. Yes, and on account of the turnover as was mentioned in the brief which I read a few minutes ago. There is turnover in young employees and there is a large turnover among females. Females getting married have had to be replaced by apprentices and production has been reduced on account of those apprentices.

Q. You mean that the apprentices are not sufficiently skilled?—A. While you can become a weaver in three months you cannot become a good weaver in that length of time.

Q. And that is the reason why weaving production has not been maintained?—A. It could be one reason.

Q. What other reasons are there?—A. Reduction in personnel, which I mentioned a moment ago.

Q. But notwithstanding that situation spinning production is maintained?—A. It is a lot easier to be a spinner than a weaver.

By Mr. Thatcher:

Q. Could I put two very brief questions. I wonder whether Mr. Ledoux can say whether wages in the textile industry in Quebec are about the same as wages in the textile industry elsewhere in Canada, or has he any statistics?—A. From the figures that we have reference to it would appear the figures in Quebec are very little lower than the figures for Ontario, but we are lower.

Q. The figures are lower for Quebec than Ontario?—A Yes.

Q. And those are the only two provinces where there is much textile production?—A. Those are the only two important provinces.

Q. Can you say how textile wages compare with wages in other manufacturing industries? Are you lower or higher?—A. We are considerably lower.

Q. You are lower in the textile industry than they are in the other manufacturing industries?—A. Yes.

Mr. McGregor: Are you taking into consideration that it may not be the same class of labour?

The Witness: No, I would not say it is the same class of labour because it is impossible for industries to get exactly the same type of labour. When I am speaking of the textile industry I am not speaking only of the spinning or the weaving, but I am speaking or the whole industry, knitting and so on. While knitting is not strictly a part of the textile business even so they do make a kind of fabric. There is a difference however between our industry and for example the aluminum industry. The textile industry wages are considerably lower than the wages paid by other manufacturers.

The Vice-Chairman: Most people would prefer to work in some other type of industry as opposed to the textile industry?

The Witness: Yes.

Mr. BEAUDRY: Can we make a comparison there? Are there many women working in the aluminum industry for instance?

The WITNESS: Yes.

The VICE-CHAIRMAN: Yes, there would appear to be quite a large number according to the Dominion Bureau of Statistics.

Are there any other questions of the witness?

The WITNESS: I would like to point out these figures which I have given have been in force only since November 1947 and before that the rate was 55 cents an hour.

The VICE-CHAIRMAN: I think that fact was brought out by the employers.

Before you go, Mr. Ledoux, I wish to thank you for your effort. Most of us you know do not have the advantage of speaking two languages, and for myself and the others I wish to thank you for giving your presentation in English.

The WITNESS: I hope you will forgive the mistakes which I have made.

The VICE-CHAIRMAN: You have not made any mistakes. The committee will adjourn until 9.30 tomorrow morning at which time there will be an executive session.

The meeting adjourned to meet June 24, 1948.

APPENDIX "A"

THE WARTIME PRICES AND TRADE BOARD
ENFORCEMENT ADMINISTRATION

OTTAWA, May 5, 1948.

Hon. Paul MARTIN,
Chairman,
House of Commons Prices Committee,
Ottawa.

Re: Nails

DEAR SIR: At the executive session of the Committee on Tuesday, May 4th, I was asked to forward to you a short summary of the present position on nails so far as the Enforcement Administration of this Board is concerned and I think you will realize that I shall not attempt to deal with the question of available supply and that Mr. Ashbaugh, the Steel Controller, who attended the same executive session can outline that situation with much more accuracy than it is possible for any member of the Board. I shall deal only with the question of the prices at which nails are being sold.

Nails sold by the producers and by the organized wholesale and retail outlets are being sold at prices which are very little, if any, higher than the maximum prices which prevailed when the Board's orders were in effect. So near as we can determine by far the greatest percentage of sales are made at these prices. It was said by Mr. Ashbaugh and I agree that a very minute percentage of nails are sold at markedly higher rates. Mr. Ashbaugh used the figure of less than 1% and I would think that that would be an accurate estimate. The nails which are being sold at prices markedly higher than the previous ceilings and the larger portion of the present day sales come from three sources:—

(*a*) American nails.
(*b*) Used nails which are resorted and recleaned, a laborious and expensive process of nails which are manufactured from scrap rod, more or less on a customs basis, again an expensive process.
(*c*) Nails purchased by various kind of middlemen from either recognized wholesalers or recognized retailers at proper prices and then resold from one dealer to another with an increased price at each exchange until they reach consumers at very high prices indeed.

It is the nails in paragraph (*c*) which are the subject of the advertisements in the press and the prices quoted in these advertisements are those which have seemed so startling to the public. Our investigation has shown that in many cases there are three and four or more middlemen involved. As an example nails have been purchased from retail hardware stores by an operator, who has then shipped them out of his province to a retail lumber dealer in another province and then that lumber dealer has sold them to customers, contractors and retail stores and the retail stores have in turn sold them to the public. You will see that this involves distribution taken to the retail level on two successive occasions, that is, it involves markups on two series of transactions, and the end price could not be anything but excessive.

We have leaves to prosecute out in reference to one such series of transactions and we are investigating about twenty cases largely of this type. It is difficult to say the exact number because each investigation turns up the series of transactions to which I have referred. It has been said that large contractors are holding off the market a very heavy supply of nails. The Board has never had any indication that a particular contractor is hoarding nails and the Board would investigate any such complaint if it were to receive the same. It is significant that the purchasers of such nails as I have referred to in paragraph (*c*) above have often been large contractors who have to have the nails in order to finish important contracts.

It is my suggestion to the Committee that in view of the small percentage of the nail production which is involved in these transactions and in view of the fact that many transactions of which we have heard involve a quantity of nails which compared to the whole production is infinitesimal that the Committee were it to carry on an investigation by producing witnesses and the usual procedure would be spending its time in investigating small and rather unimportant instances and would be largely repeating the investigation which is now being carried on by the Board's investigators. All of which I submit.

I remain,

Yours very truly,

WISHART F. SPENCE,
Enforcement Administrator.

WFS/PMM

DEPARTMENT OF RECONSTRUCTION AND SUPPLY
OTTAWA, CANADA

Office of the Controller

26th May, 1948.

Memorandum to: The Parliamentary Prices Investigation Committee.

Subject: Canadian Nails—Production and Distribution.

Production

All Canadian nail production stems from nail rod which is produced in two rod mills. One of these is located in Hamilton, Ontario, and is owned by the Steel Company of Canada Limited; the other is in Sydney, N.S., and is owned by the Dominion Steel and Coal Corporation Limited. The production of these two mills for the year 1947 was as follows:

Steel Company of Canada Ltd.	Dominion Steel & Coal Corp'n.
155,731 net tons	110,000 net tons (approx.)

These tonnages are broken down into a wide variety of rod mill products which, in turn, are fabricated into fencing, nails, barbed wire, reinforcing rods, baling wire and ties, plus a considerable number of other wire products.

The actual production of nails, as apart from the production of nail rod, is indicated in Schedule "A" attached (1929-1947 figures).

Schedule "B" (attached) indicates Canadian nail production for the year 1947 and the first quarter of 1948, as between the various nail makers and, in addition, indicates the number of nail machines owned and operated by these producers, as well as the basis on which these machines are now operating.

An examination of these figures reveals that all nail producers are on a basis one full eight-hour turn but that two are not operating in excess of this basis. Of the remainder, one is on the basis of 11$\frac{4}{5}$ per cent excess, another 20 per cent, another 128 per cent and one at 100 per cent. The average of the group, weighted to take into consideration the difference in number of nail machines is approximately 30·37 per cent in excess of one full eight-hour shift. Assuming, therefore, that nail rod and operators were available for two complete eight-hour shifts six days per week, present production represents 130·37÷200=69·63 per cent of total plant capacity. In view of the nature of nail making with the attendant repairs and changes in dies, it must be assumed that sixteen hours per day represents the maximum of a nail-making operation.

On May 18th and May 19th, exhaustive discussion were held with representatives of the Steel Company of Canada and Dominion Steel & Coal Corporation, with a view to learning which of the rod mill products could be reduced in consumption of wire rod during the next four months in order to channel the tonnage thus gained into nails of the size chiefly required in housing operations.

The present nail shortage, which is of chief concern to the Committee, is, I believe, in those sizes which are used in housing construction. It is among these sizes, and the required gauges of nail rod to fabricate them, that our efforts must be concentrated. It was decided, therefore, that wire fencing and barbed wire can provide gauges of wire from which to fabricate the housing range of nails. The representatives of the Steel Company of Canada and the Dominion Steel and Coal Corporation Limited returned to their respective plants with instructions to check with their operating personnel and immediately provide me with the following information:

(*a*) Available plant and manpower capacity for the production of 2″ to 4″ nails;

(*b*) The tonnage of nail rod which would be required to meet this capacity;

(*c*) The monthly tonnage of nail rod which is being used for the fabrication of wire fencing.

As soon as this information is available, decisions will be made to reduce the present production of wire fencing, plus other appropriate wire items, to a level which will yield sufficient nail rod to meet the collective plant capacities to produce nails in the 2″ to 4″ range.

Summary

While complete information with respect to changes in plant operations in order to step up nail production has not yet been received, it nevertheless appears clearly evident that the following course of action will be adopted immediately:

(1) During the period June 1, 1948, to September 30, 1948, the average monthly consumption of wire by wire fence manufacturers will be restricted to 66$\frac{2}{3}$ per cent of the average monthly wire consumption during the period June 1, 1947, to September 30, 1947.

(2) During the period June 1, 1948, to September 30, 1948, the average monthly consumption of wire by barbed wire manufacturers will be restricted to 50 per cent of the average monthly consumption of wire during the period June 1, 1947, to September 30, 1947.

(3) The wire which is secured by means of the above reductions in fencing and barbed wire will be devoted entirely to the production of nails of appropriate sizes for housing construction.

(4) In order that an undue hardship may not be imposed upon wire fence and barbed wire manufacturers, the above noted restrictions will not be made applicable to imported wire.

Approximately 75 per cent of all nails produced by various Canadian nail makers are sold to the large wholesale distributors throughout Canada: the balance is taken up in purchases by large consumers. This category includes the railways and the larger manufacturers of farm machinery, plus a considerable number of industrial concerns whose continual requirements over a period of years entitle them to the classification of "carload" buyers. This pattern of distribution is followed by nail makers and allocations are based, for the most part, upon 1937-39 sales. Therefore, if Wholesaler "A" received 5,000 kegs in 1939, his receipts for 1947 should be 5,000 kegs plus his percentage of whatever increase in production occurred in 1947. This pattern is only varied to the extent that the Government draws its requirements for priority housing at the producer level in Ontario and Quebec and at the wholesale level in the other Provinces, and thus reduces to some extent the total volume available for distribution. However, in view of the fact that the increase in production between 1939 and 1947 is in excess of total priority requirements, the remaining volume of nails is ample to permit higher allocations being given to wholesale outlets than was the case in 1939.

Summary

While some wholesale distributors follow a more or less definite pattern of distribution to retail outlets which is based upon 1939, or some other year, it is reasonably clear that this is not generally the case. Complaints being received from retailers indicate that in many cases their quotas are considerably smaller than the quotas which they received in the period 1937-1939.

Therefore, in order to be assured that the additional quotas of nails which will be produced as a result of the cut-back in fencing and barbed wire go to the smaller retail outlets and those persons who are attempting to construct houses throughout Canada without priority assistance, it will be necessary to secure the co-operation of the wholesale dealers and jobbers. If this co-operation cannot be secured, it will be necessary to adopt other means to attain the desired objective.

Respectfully submitted,

(Sgd.) F. K. ASHBAUGH,
Steel Controller.

SCHEDULE "A"

Nail Production—Period 1929-1947 (Incl.)

Year	Kegs	Year	Kegs
1929	1,233,100	1939	1,329,859
1930	955,360	1940	1,465,736
1931	796,140	1941	1,652,644
1932	684,360	1942	1,487,565
1933	744,920	1943	1,471,260
1934	1,062,420	1944	1,298,460
1935	1,046,520	1945	1,400,420
1936	1,186,847	1946	1,176,860
1937	1,247,984	1947	1,546,490
1938	1,156,130		

Office of the Steel Controller.

OTTAWA, 26th May, 1948.

"SCHEDULE B"

NAIL PRODUCTION

Name of nail producers	1 Kegs of nail production year 1946	2 Kegs of nail production year 1947	3 Kegs of nail production January 1 to March 31, 1948*	4 Current operation of various plants in nail production	5 Percentage of plant capacity now in use based on 8 hour turn	6 Number of nail machines in plants of producers
	Kegs	Kegs	Kegs			
Dominion Steel & Coal	320,260	474,200	110,840	Operating two 8 hour shifts plus 25 machines on third shift.	128% in excess of 8 hour turn	89
Canadian Tube	32,740	50,770	14,720	Operating two 8 hour shifts for 6 day week.	100% in ecxess of 8 hour turn basis 6 day week.	9
Graham Nail	92,060	106,380	25,220	53 machines operating one 8 hr. turn 5 day week, 7 machines operating two 8 hr. turn 5 day week.	11-2/3% in excess of one 8 hour turn basis 5 day week.	60
James Pender	116,240	136,540	36,380	Operating 8 hour turn for 5 day week.	No excess above regular 8 hr. turn basis 5 day week.	56
Steel Co. of Canada	501,700	616,120	161,640	Single 8 hour turn 41,000 kegs monthly, Double 8 hr. turn 82,000 kegs monthly. (20% worked double shift).	20% in excess of one 8 hour turn	237
Morrison Steel & Wire	108,460	156,320	42,720	Operating 8 hour turn 5 day week.	No excess above regular 8 hr. turn basis 5 day week.	56
United Shoe Machinery	5,400	5,960	1,360			
Total	1,176,860	1,546,290	392,880			507

Monthly production average year, 1946—98,071 Kegs. Monthly production average year, 1947—128,857 Kegs. Monthly production average 1st 3 Months 1948—130,960 Kegs. 507 Machines operating 30·37% in excess of one 8 hour turn.

* Rod-mill down for repairs for 10 days in March.

APPENDIX "B"

SILVERWOOD DAIRIES LIMITED,
AN ALL CANADIAN ORGANIZATION

Head Office, London, Canada

LONDON, Ontario.
April 21, 1948.

Mr. FABIO MONET,
400 Elgin Building,
OTTAWA, Canada.

DEAR MR. MONET:

We are enclosing the answer to the two questions to which we were unable to reply during our interrogation by the Special Committee on Prices.

As evidence "hindsight is better than fore-sight" is certainly provided by the fact that we sold 2,248 boxes of butter at the beginning of December, inasmuch as it was so badly needed later on in the season.

Yours sincerely,

SILVERWOOD DAIRIES, LIMITED,
E. G. SILVERWOOD,
President.

HOUSE OF COMMONS SPECIAL COMMITTEE ON PRICES

SILVERWOOD DAIRIES, LIMITED

Butter Stored for Others April 1, 1947 to April 1, 1948.

At London,—Ingersoll Cheese Company—310 x 56=17,360 July-March (Whey Butter).

At Lindsay,—Canada Packers, Toronto—313 x 56=17,528 August-September; Eldon Creamery, Lornville—10 x 56=560 August-October; Lakefield Creamery—250 x 56=14,000 April-January.

Carlots of Butter Sold During Fiscal Year Ended March 31, 1948

Carlot No. 1—November 29, 1947, 630 boxes, sold to E. J. Shea at 64c.

Carlot No. 2—December 2, 1947, 400 boxes, sold to Rodway Co. and H. T. Chisholm at 64c.

Carlot No. 3—December 3, 1947, 597 boxes, sold to H. T. Chisholm at 64c.

Carlot No. 4—December 8, 1947, 621 boxes, sold to H. T. Chisholm at 64¼c.

THE BORDEN COMPANY LIMITED

Spadina Crescent, Toronto, Ontario.

April 22, 1948.

Mr. Fabio Monet, K.C.
Room 400, Elgin Building,
Ottawa, Ontario.

Dear Sir:

You will recall that during our appearance before the Special Committee on Prices we were requested to provide further information relative to certain matters discussed. This information is submitted herewith as follows:—

1. Reference—Minutes of Proceedings and Evidence, *No. 34*—Page 1686.

   Request—The names of the newspapers which have inquired regarding the price of butter during the period from 1946 to 1948.

   Response—We have contacted the management at each of our locations and with one exception, they each report that no calls of this nature were received during the period in question. Mr. Reynolds of our Ottawa Division reports having received four or five calls from the Ottawa *Citizen* and the Ottawa *Journal* during 1947.

   Note—The newspaper reports referred to by Mr. Warner (Page 1683) are the daily market quotations similar to the following taken from the *Globe and Mail*, April 21, 1948.

PRODUCE LINES ARE UNCHANGED

Trading continued steady on the local egg market yesterday and receipts arrived in good volume and cleared well at unchanged prices.

The butter market remained quiet due to the lack of sufficient supplies to meet the good demand.

Dairy Produce

Butter—			
Creamery, solids, No. 1	67¼	to	00
No. 2	66¼	to	00
Note: Price includes ¼ cent brokerage charge.			
Cheese—			
New colored, no prices available.			
Quotations to Retail Trade			
Creamery prints:			
First grade	69¼	to	00
Second grade	68¼	to	00
Third grade	67¼	to	00
Churning Cream—			
Country truck price:			
No. 1 grade	73	to	00
Delivered to Toronto:			
No. 1 grade	77	to	00

Note—Some Western Ontario cream prices are quoted 71 to 74 cents for No. 1, f.o.b. country trucks, net to the farmer.

2. Reference—Minutes of Proceedings and Evidence, *No. 34*—Page 1694.

   Request—Cost of Manufacturing Butter.

   Response—Schedule attached.

3. Reference—Minutes of Proceedings and Evidence, *No. 34*—Page 1700.

   Request—Estimate of Earnings on Storage Butter.

   Response—Statement of Approximate Earnings attached.

We trust the information submitted will meet your requirements.

Yours very truly,

THE BORDEN COMPANY, LIMITED,
W. D. WARNER,
President.

THE BORDEN COMPANY, LIMITED, OTTAWA DAIRY DIVISION

COST OF BUTTER MANUFACTURED—1947

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average for year
Production—pounds	22,143	15,210	51,020	87,223	69,003	82,824	74,465	64,528	71,449	70,062	27,163	16,038	651,128
Raw product cost	.3404	.3423	.3536	.3521	.4341	.4384	.4464	.4705	.5290	.5103	.5023	.5559	.4422
Production and ingredient cost	.0440	.0419	.0307	.0251	.0313	.0242	.0214	.0222	.0230	.0241	.0347	.0527	.0255
Printing—Labour and expense	.0142	.0159	.0092	.0043	.0041	.0030	.0056	.0074	.0068	.0062	.0142	.0202	.0093
Cartons, wrappers, etc	.0054	.0051	.0055	.0051	.0060	.0060	.0054	.0053	.0053	.0052	.0056	.0067	.0055
Total cost—Prints	.4040	.4052	.3990	.3866	.4755	.4716	.4788	.5054	.5641	.5368	.5568	.6355	.4825

THE BORDEN COMPANY, LIMITED

Approximate Earnings on Purchased Storage Butter
1947-1948 Season to March 31, 1948

Sales

Month Sold	Pounds	Average Sales Value	Total Value
September, 1947	16,832	·6446	$ 10,849 91
October, 1947	60,018	·6328	37,979 39
November, 1947	154,155	·6408	98,781 24
December, 1947	150,046	·6880	103,231 65
January, 1948	142,918	·7170	102,472 20
February, 1948	81,765	·7050	57,644 33
March, 1948	168,277	·7084	119,207 43
Total	774,011	·6850	$530,166 15

Cost of Sales

Purchased for Storage (Exhibit 4) 808,042 Pounds at ·5288	$427,279 86
Storage Charges	7,066 77
Total at ·5375	434,346 63
Less Inventory March 31, 1948—34,031 Pounds at ·5375	18,291 66
Cost of Butter Sold to March 31, 1948—774,011 Pounds at ·5375	416,054 97
Cost of Printing, Wrapping, etc.—774,011 Pounds at ·0148....	11,455 40
Cost of Selling, Delivery, etc., 1947 Average—774,011 Pounds at ·0448	34,675 70
Total Cost of Storage Butter Sold—774,011 Pounds at ·5971....	462,186 07
Net Margin Before Taxes—·0879	67,980 08

Prepared for Special Committe on Prices, House of Commons, Ottawa, Ontario.

SWIFT CANADIAN COMPANY, LIMITED
Toronto 9, Ontario, Canada

April 14, 1948.

Mr. Fabio Monet,
Counsel, Special Committee on Prices,
Room 400, Elgin Building,
Ottawa, Ontario.

Dear Mr. Monet:

Referring to your request Monday, April 12, that we furnish you a statement of our purchases of butter at Halifax, N.S., from Canada Packers Limited, for the months of February, March and April to date—we are accordingly listing our purchases below:

February—None.

March 23—100 boxes White Lily Brand Butter Flats—5,400 lbs. at $66\frac{1}{4}$ cents per pound.

March 29—100 boxes White Lily Brand Butter Flats—5,400 lbs. at $66\frac{1}{4}$ cents per pound.

April—None.

Yours truly,

SWIFT CANADIAN COMPANY LIMITED,

A. E. MILLARD,
General Manager.

SWIFT CANADIAN COMPANY LIMITED
Toronto 9, Ontario, Canada

April 14, 1948.

Mr. Fabio Monet,
Counsel, Special Committee on Prices,
Room 400, Elgin Building,
Ottawa, Ontario.
Dear Mr. Monet:

On Monday, April 12, we were requested to forward you our shipments of butter to B.W.I. points and Newfoundland for 1947 and the first three months of 1948.

Attached is a statement containing this information.

We regret that figures on actual shipments of butter to Newfoundland for the year 1947 are not available without going to considerable work redistributing thousands of sales tickets, but we have estimated the quantity to be between fifteen and twenty thousand pounds.

Yours truly,
SWIFT CANADIAN COMPANY LIMITED,
A. E. MILLARD,
General Manager.

SWIFT CANADIAN COMPANY LIMITED

Shipments of Butter to:

		B.W.I.	Newfoundland
1947			
	January	5,500 lbs.	
	February	12,100 "	
	March	11,692 "	
	April	2,280 "	
	May	6,006 "	
	June	4,603 "	
	July	5,600 "	
	August	3,382 "	
	September	18,900 "	
	October	602 "	
	November	5,862 "	
	December	—	
	TOTAL	76,527 "	Est. 15,000 to 20,000 lbs.
1948			
	January	—	8,000 lbs.
	February	171 "	5,000 "
	March	2 "	—
		173 "	13,000 "

AFFIDAVIT

CANADA
Province of Quebec,
District of St-Francis.

I the undersigned, C. Guy Bishop, of the City of Sherbrooke, merchant, being duly sworn upon the Holy Evangelists, declare:

That on or about the 14th day of April instant, I was duly notified to attend a meeting of the Committee duly appointed to enquire into the prices of commodities then sitting at the City of Otawa;

That on the 14th and subsequent days, I was confined at my house, on account of illness and under the care of Dr. W. E. Hume, of Sherbrooke, Que.

In testimony whereof, these presents were signed at the City of Sherbrooke, this nineteenth day of April, 1948.

C. GUY BISHOP.

SWORN before me at the City
of Sherbrooke, this
19th day of April, 1948.
CHENIER PICARD, N.P.,
Notary Public.

EASTERN TOWNSHIPS PRODUCE LTD.
PRODUITS DES CANTONS DE L'EST LTÉE
Farm Produce Produits de la ferme

SHERBROOKE, Que., 21 King West,
April 23rd, 1948.

Mr. FABIO MONET,
Counsel, Committee on Prices,
Room 400, Elgin Building,
Ottawa, Ont.

DEAR SIR: In reply to your letter received yesterday, the price I realized for my butter was 60½c.

Yours very truly,
C. GUY BISHOP.

SHERBROOKE, Que., 21 King West,
April 14th, 1948.

Mr. R. Arsenault,
Special Committee on Prices,
Committee Room 277,
House of Commons,
Ottawa.

DEAR SIR: Replying to your Summons to appear in Ottawa on April 13th, I have been sick for over a week, and accordingly I asked my physician to wire you that I would be unable to appear on this account.

In reference to the butter situation in Sherbrooke, the Eastern Townships Produce Ltd. have not handled any butter for over a year. I did personally purchase in September from A. A. Ayer Company 498 boxes of butter at a price of 59¾c. as a speculation, pure and simple. Shortly after I made this purchase, prices dropped to 57½c. in Montreal. I was not pleased with my purchase and made up my mind that as soon as the market got high enough to get back my purchase price and carrying charges I would sell, and this I did in November.

From what I know there have been no irregularities in the marketing of butter in the City of Sherbrooke during the past winter.

My opinion is that the shortage of butter was caused by the removal of grain ceilings last Fall which permitted prices to rise to a point where the dairymen would not buy, preferring to let their cows dry up and stop producing butter until such time as they could get grass and feed at more reasonable prices.

We sell substantial quantities of powdered milk from various producers in the Province of Quebec for feed purposes. We found in the month of December that feed mixers were not using this powder due to lack of demand from the farmer consumers, and in consequence the producers were quite ready to dispose of their holdings for export. In talking with some of the large feed mixers I was informed that their sales of feed had dropped off from 25% to 50%.

This is the information I would have given you had I gone to Ottawa to aid in the solution of the high cost of butter today.

Yours very truly,

C. GUY BISHOP.

DOMINION FRUIT LIMITED

WHOLESALE FRUITS & VEGETABLES

Executive Office

289 King St., Winnipeg, Manitoba

June 3, 1948.

FABIO MONET, Esq.,
Counsel to the Special Committee on Prices,
Room 400, Elgin Building,
Ottawa, Ontario.

DEAR SIR:—Responding to yours of May 27th:—

Ref. Page 2980 30 Copies Western Grocers Limited Statement for 1947, furnished herewith.
" " 2985 Memorandum attached.
" " 2992 " "
" " 2999 " "

Yours very truly,

A. McCALLUM,
Vice-President,
Dominion Fruit Limited.

A.McC/EC

REFERENCE PAGE 2992

Memorandum of sizes of oranges received by Rogers Fruit, Winnipeg, branch of Dominion Fruit Limited, between November 27 and December 18, 1947.

Sizes of Oranges	No. of Cases
80's	5
100's	12
126's	58
150's	151
176's	207
200's	263
220's	564
252's	545
288's	447
344's	178
	2,430

Total number of cases of all sizes	2,430
Number of cases of 288's included therein	447
Ratio of 288's to the whole	18·4%

REFERENCE PAGE 2985

The toal of sales to Shop Easy Stores Limited by Dominion Fruit Limited was as follows:

For the whole year 1946	$115,468.28
For the whole year 1947	98,591.06

REFERENCE PAGE 2999

Pension Plan—Dominion Fruit Limited—established July 1, 1947

Number of employees eligible 1st July, 1947	256
Number of employees making application to join	239
Percentage of applications to those eligible	Approx. 93%

Pension plan premiums included in the company's expense of 1947.

Past Service: First annual instalment—all such premiums to be borne by the company	$24,137.43
Future service: Company's contribution for six months ending December 31, 1947	11,799.77
	$35,937.20

Note A:—Had the plan been in operation the full twelve months of 1947, the company's contribution to Future Service premiums and total premiums would have been approximately $12,000 higher.

Note B:—The number of additional employees who will become eligible to be added *July 1, 1948,* is 48.

Note C:—On the establishment of the plan, it was optional with all employeees then on the payroll, whether they would become covered or not. However, each employee who enters the service of the company after July 1, 1947, is required to participate when eligible.

CRELINSTEN FRUIT COMPANY

Montreal Fruit and Produce Terminal

MONTREAL, Canada, June 16, 1948.

Mr. Fabio MONET, Counsel,
Special Committee on Prices,
House of Commons,
Ottawa Ontario.

DEAR MR. MONET: With reference to your letter dated June 8th and as per your request, we are herewith enclosing breakdown of oranges handled in individual sizes, showing cost and selling prices for the period of November 20th to November 27th 1947.

This represents a total of 7 cars handled during period in question. You will also note that we are indicating average profit or loss of each individual car, the sum of which is a profit of $2,786.58 or an average of $398.08 per car. Realization on 7 cars of oranges was $21,330.60 or a profit of 13·06 per cent on sales.

Comparing cost and selling prices, you will note that some sizes indicate a profit in excess of 13% whilst other sizes show less, or loss, which bears out testimony of Mr. Arthur Crelinsten that, notwithstanding high profits on some sizes, profit was less than 17%.

Yours very truly,

CRELINSTEN FRUIT COMPANY,

M. STEIGER,
Traffic Manager.

URTX 9585 Oranges—

544 Boxes Oranges 344 Size

	Cost	Selling Price
Average Loss—$165.54	$4.59	$4.32

ART 17910 Oranges—

25 Boxes Oranges 176 Size
25 Boxes Oranges 200 Size
170 Boxes Oranges 220 Size
170 Boxes Oranges 252 Size
171 Boxes Oranges 288 Size

561

Average Profit: $586.81.

	Cost	Selling Price
176s	$6.81	$7.75
200s	6.05	7.54
220s	5.54	6.59
252s	5.04	6.31
288s	4.53	4.98

PFE 71944 Oranges—

411 Boxes Oranges 344 Size
150 Boxes Oranges 392 Size

561

Average Profit: $344.80.

	Cost	Selling Price
344s	4.52	5.23
392s	4.27	3.94

PFE 50215 Oranges—

	Cost	Selling Price
25 Boxes 176s	6.80	7.79
25 Boxes 200s	6.04	7.68
170 Boxes 220s	5.53	7.30
170 Boxes 252s	5.03	6.34
171 Boxes 288s	4.52	3.98
561		

Average Profit, $464.32.

WFE 62157 Oranges—

	Cost	Selling Price
26 Boxes 176s	4.44	5.23
55 Boxes 200s	4.44	4.97
110 Boxes 220s	4.44	4.42
314 Boxes 252s	4.19	4.08
505		

Average Loss: $89.29.

PFE 71909 Oranges—

	Cost	Selling Price
18 Boxes 150s	6.14	7.52
47 Boxes 176s	6.14	7.43
143 Boxes 200s	5.64	7.00
153 Boxes 220s	5.38	6.55
101 Boxes 252s	4.88	5.85
69 Boxes 288s	4.37	5.50
25 Boxes 344s	4.12	5.45
1 Box 126s	4.88	5.60
2 Boxes 150s	5.38	6.20
1 Box 176s	5.38	6.50
1 Box 200s	5.13	6.00
561		

Average Profit: $377.04.

PFE 85181 Oranges—

	Cost	Selling Price
51 Boxes 220s	5.28	7.71
261 Boxes 252s	4.78	7.28
105 Boxes 288s	4.27	7.00
60 Boxes 344s	4.02	6.42
14 Boxes 220s	4.02	5.75
40 Boxes 252s	3.92	5.40
20 Boxes 288s	3.77	4.59
10 Boxes 344s	3.77	4.50
561		

Average Profit: $1,268.40.

Total average Profit on 7 cars of oranges	$2,786.54
Average per car	$ 398.08

Or 13·06% on Sales.

CANADIAN CELANESE LIMITED

MANUFACTURERS OF "CELANESE" BRAND PRODUCTS

1401 McGill College Avenue, Montreal

June 21, 1948.

Mr. FABIO MONET, K.C.,
Counsel to the Special Committee on Prices,
House of Commons,
OTTAWA.

Dear SIR:

In answer to the question put by Mr. Beaudoin and also by Mr. McGregor regarding employment at Drummondville and Sorel, we beg to inform you that in the most recent period for which we have figures, namely, week ending May 29, 1948, we employed a total of 4160 employees at Drummondville, P.Q. These were made up of 562 salaried employees, including office workers, foremen, superintendents, chemists and engineers, and 3,598 weekly paid wage earners. These wage earners earned $133,022.87 in the week May 23 to May 29, 1948.

Since the opening of the plant in the Spring of 1927 the Company has given full-time employment to its employees, the number of whom has increased through the years. We give below the average number of employees on our payroll at Drummondville in each year from 1927 to date:

1927	198	1938	2,584
1928	674	1939	2,421
1929	758	1940	2,624
1930	1,378	1941	3,021
1931	1,560	1942	3,064
1932	1,576	1943	3,027
1933	1,802	1944	3,037
1934	2,294	1945	3,130
1935	2,478	1946	3,526
1936	2,845	1947	4,011
1937	2,906		

The plant at Sorel, P.Q., started operations in December 1947. For the week ending May 29, 1948, we employed a total of 434 employees at Sorel, made up of 60 salaried employees and 374 weekly paid wage earners. These wage earners earned $11,887.29 in the week May 23 to May 29, 1948. These wage earners naturally included a higher than normal proportion of learners due to the plant being recently started up and also a higher than normal proportion of maintenance workers due to machinery being in the process of erection.

We anticipate that provided our new venture which is making new products is successful, we will be employing about 600 employees by the end of this year and then should be able to extend our plant and, consequently, our employment in the same way that we have been able to extend our plant and increase employment at Drummondville.

Yours very truly,

CANADIAN CELANESE LIMITED,

A. G. ALLAN,

Treasurer.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 77

THURSDAY, JUNE 24, 1948

WITNESS:

Mr. Sam Baron, Canadian Director and Vice-President of the Textile Workers' Union of America (C.C.L.), Montreal, Que.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

THURSDAY, June 24, 1948.

The Special Committee on Prices met *in camera* at 9.30 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudoin, Fleming, Irvine, Kuhl, Lesage, McGregor, Martin, Maybank, Mayhew, McCubbin, Merritt, Pinard, Thatcher, Winters.

The Committee proceeded to give consideration to a draft report, and at 11.00 a.m., adjourned the consideration of the said draft report until later in the day.

At 11.30 a.m the committee reconvened in public sitting, the Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudoin, Fleming, Irvine, Kuhl, Lesage, McGregor, Martin, Merritt, Pinard, Thatcher, Winters.

Mr. Fabio Monet, K.C., Counsel to the committee, in attendance.

Mr. Sam Baron, Canadian Director and Vice-President of the Textile Workers' Union of America (C.C.L.), Montreal, was called, sworn and examined.

At 12.30 witness discharged and the committee adjourned to meet again *in camera* at 2.45 p.m. this day.

AFTERNOON SITTING

The committee reconvened *in camera* at 2.45 p.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudry, Beaudoin, Fleming, Irvine, Kuhl, Lesage, McGregor, Martin, Maybank, McCubbin, Merritt, Pinard, Winters.

The committee gave further consideration to a draft report.

At 6.00 p.m. the committee adjourned until 9.30 p.m. this day.

EVENING SITTING

The committee met again *in camera* at 9.30 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Beaudoin, Fleming, Irvine, Kuhl, Lesage, McGregor, Martin, Maybank, McCubbin, Merritt, Pinard, Winters.

The Chairman brought to the attention of the committee a communication dated June 22, 1948, from the National Council of the Baking Industry.

15838—1½

On motion of Mr. Fleming, it was ordered that this communication, together with a communication from "La Ligue Patronale des Boulangers Indépendants", Montreal, under date of June 14, and further information submitted at the committee's request by Dominion Stores Ltd., General Bakeries Ltd., Consolidated Bakeries of Canada Ltd., Atlantic & Pacific Tea Co. and A. G. S. Griffin, W.P.T.B., be printed in appendix to this day's Minutes of Proceedings and Evidence.

The committee resumed and concluded its consideration of the draft report submitted earlier in the day.

An addendum to the said draft report, entitled "Conclusions" was read, considered and adopted, on division.

On motion of Mr. Maybank, the draft report as amended, was adopted, on division.

The Chairman made a brief statement, thanking all the members of the committee for their co-operation. He also expressed the committee's appreciation of the services rendered by the Clerk and Reporters, Counsel, Accountants, personnel of the Committee's Secretariat, Government officials, and the Press.

The committee adjourned *sine die,* it being then 1.45 a.m., Friday, June 25.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
June 24, 1948.

The Special Committee on Prices met this day at 11.30 a.m. The Chairman, Honourable Paul Martin, presided.

The CHAIRMAN: All right, Mr. Monet.

Mr. MONET: Mr. Chairman, before calling Mr. Baron as a witness I want to bring to the attention of the members of the committee that there are two corrections to be made with regard to the evidence of Mr. Palmer, who called me from Montreal yesterday. I have checked them. On page 3698 of volume 73 of the minutes of proceedings and evidence of Wednesday, June 16, 1948, the third line from the bottom of the page, it should read "increased over 80 per cent" instead of "increased over 8 per cent." Then on the next page of the same number—

Mr. FLEMING: What does that apply to? What was the reference?

Mr. MONET: This is the answer of Mr. Palmer.

"A. Overhead has increased from 0·0857 to—"

Mr. FLEMING: It was overhead.

Mr. MONET: On page 3699 of the same number, the tenth line from the bottom of the page it should read "has decreased from 17·68 to 17·10."

Those are the two corrections to be made. I will now call Mr. Baron.

Mr. PINARD: Before we proceed to do that I think in view of the short time we have left to consider and prepare our report that this gentleman should file his brief and that we should go on with our work.

Mr. LESAGE: We have too much to do to spend a lot of time hearing a witness this morning. After all, I am ready to go all night without sleep, but we must do something about our report. We met this morning for a couple of hours and we looked over about three or four pages.

Mr. IRVINE: I think it is too late to start talking like that.

Mr. LESAGE: Mr. Pinard has moved a motion, and I ask the chairman—

Mr. IRVINE: Do not railroad it for a minute. We have had a very long siege here. Time and time again it has been stated by witnesses that high wages were one of the chief reasons for the increase in prices. We have never had a chance to have representatives of labour here. We have had one man. I think we are wasting time now and we should proceed with it right away and have it over with. I certainly would oppose merely handing in the brief. I think we ought to be able to question this man the same as the others and have his point of view properly put before the committee.

Mr. FLEMING: There is a point about putting in the brief. We do not know the contents of the brief, and I would not want to see the brief just go into our records without knowing the contents of it. My understanding was that we were not calling these witnesses generally but that they were being called to deal specifically with a couple of points that arose out of our inquiry into the price of primary cotton textiles. I thought that was the purpose for which they were called, and the purpose for which we would hear them, and that was all. We were not going on into the realm of opinion on a good many things upon which many people are disposed to express opinions.

The CHAIRMAN: Well—

Mr. PINARD: Mr. Fleming said that the witnesses to be heard on behalf of labour would be heard as far as textiles were concerned. We heard a good witness yesterday on the point. Today we are dealing with the preparation of our report to parliament, and I should think we have just enough time—

Mr. LESAGE: We do not have enough.

Mr. PINARD: —to do it. I think if the gentleman would file his brief it would be enough.

Mr. IRVINE: We have all the time there is. There is no need for us to hurry at all, not the slightest. We are here to do this job. We should be carrying on for the next month so far as that is concerned. There is no hurry at all, not the slightest.

Mr. LESAGE: Do you move—

Mr. PINARD: Yes, I would move.

The CHAIRMAN: I think as chairman I have a duty to perform. Mr. Maybank, acting as chairman the other day, intimated this witness would be heard. It was said publicly, and I would think that we must adhere to that course. I strongly urge the committee to consider what its action would be and how it would be taken if we took that view. I would feel as chairman of the committee that we should not take that view. I understand that Mr. Lesage and Mr. Pinard are anxious to carry on with the report, that they have worked very hard, and their point of view is not without merit, but I must say what I believe to be my duty as chairman.

Mr. LESAGE: All right, there is a motion before the chair, and I should like to vote on it.

Mr. KUHL: Before you put the motion would you mind indicating exactly what this witness intends to say? Is he to attempt to contradict some evidence that has already been given us or is he to make a statement of general policy with respect to labour and labour relations? Just what is it that we are to expect?

Mr. MONET: If I may answer that, I might say that yesterday afternoon I asked Mr Baron to get in touch with me this morning at 10 o'clock for the purpose of interviewing the witness, as we did with all other witnesses, to be able to question him accordingly. I did not hear from Mr. Baron until about ten minutes ago when I reached this room where I was handed a copy of the brief which I now have before me. I do not know what is in the brief. I did not have time to read it. It was given to me a few minutes ago in this room. I do not know what the witness is going to say.

The CHAIRMAN: All right; then, I would think—

Mr. THATCHER: Mr. Chairman, on a point of order, this committee requested Mr. Baron to prepare a brief. He has done so. Surely to goodness we owe him the courtesy of hearing his brief.

Mr. PINARD: That is not what I said.

The CHAIRMAN: Order. The vice-chairman made a statement last night on the question of procedure. I have expressed my view as chairman of the committee. I am in the hands of the committee. It is not a question of not wanting to hear this witness. I have indicated what I think our position is. Let us get on.

Mr. PINARD: As to the remarks made by Mr. Thatcher I am not opposed to hearing the witness at all. I just said he should file his brief and that should be enough.

Mr. THATCHER: How can we question him on the brief if he does not read it first?

Mr. LESAGE: Did you move a motion?

Mr. PINARD: Yes.

Mr. THATCHER: On a point of order, surely you cannot do that. You have not done it with any other witness. We cannot question the witness intelligently if you do not have the brief read. You should rule that there should be no vote in the committee.

The CHAIRMAN: I cannot rule that. I have expressed my opinion, but I cannot rule. The committee must decide that themselves.

Mr. IRVINE: The committee already has decided to hear this man several days ago.

The CHAIRMAN: I have said that. I do not see how I can rule.

Mr. THATCHER: Apparently the Liberal party is trying to shut off labour if it will not hear a trade union.

Mr. LESAGE: That is unfair; that is false.

The CHAIRMAN: Order. I clearly stated as chairman of the committee at the outset when Mr. Thatcher was not here—and Mr. Irvine will corroborate what I said as chairman—that we would receive the witness. I thought as chairman it was my duty to say we should hear him. No one can say we are trying to shut off labour. I would be the last one to support that.

Mr. THATCHER: Mr. Lesage said that.

The CHAIRMAN: Mr. Lesage did not. Neither Mr. Lesage nor Mr. Pinard—order, I must ask for order—indicated that. Let us get on with despatch. All right.

Mr. FLEMING: There is just one point. The committee decided to hear the witness on the question of cotton textiles. There are some points there.

The CHAIRMAN: Let us proceed.

Mr. FLEMING: Those points—

The CHAIRMAN: Let us deal with matters as we proceed.

Samuel Baron, Canadian Director and Vice-President of the Textile Workers Union of America (C.C.L.), called and sworn.

By Mr. Monet:

Q. Would you please give your full name?—A. Samuel Baron.

Q. And your address?—A. 4855 Cote St. Luc.

Q. Montreal?—A. Montreal.

Q. Would you please give the members of the committee your present occupation?—A. I am Canadian director and vice-president of the Textile Workers Union of America (C.C.L.).

Q. I understand you have prepared a brief which is entitled "Testimony of Sam Baron, Canadian Director and Vice-President of the Textile Workers Union of America (C.C.L.), to be presented before the Special Committee on Prices"?—A. That is correct.

Q. And this brief I am now showing you is the brief you have submitted to me?—A. That is correct.

Q. I understand you have mimeographed copies for each member of the committee?—A. That is correct.

Mr. MONET: Mr. Baron, before I ask you to read the brief I will also ask you a general question which I should like you to deal with either at the end of the reading of your brief or before or at any time you wish if it has not already been answered in the brief you have submitted to the members of the committee. During the inquiry into the cotton industry—and I should like you to refer to the cotton industry only because this question I am now asking you deals with cotton only—it was brought to the attention of the members of the committee that production today in cotton was significantly less than during the war period, and the representatives of the leading companies before the committee said that reduction was due first to the difficulty in getting men and women to build up their second shift particularly, secondly absenteeism, and thirdly that absenteeism on Saturday morning ran as high as 39 per cent in the Montreal mills. I should like you to give your brief now.

The WITNESS: Mr. Chairman and members of the Committee: The first thing I should like to deal with is the widespread impression that high wages are a major cause of high prices.

Mr. LESAGE: Widespread impression where?

The WITNESS: Throughout the testimony, I got the clear impression high prices were due, to a large extent, to the extensive raises given labour.

Mr. IRVINE: Yes, one of the textile men said the day before yesterday that wages had been increased 155 per cent.

Mr. LESAGE: It was a factor; it was not anything else.

The WITNESS: As far as the textile industry is concerned, that is completely without foundation.

In the first place, even after the increases of the last few years, wages in the textile industry generally are not high. In the latest D.B.S. figures, April 1, 1948, average hourly earnings for textile products are the lowest for any group of manufacturing industries except leather products and tobacco, which are fractionally lower. Textiles are 70·6 cents, leather products 70·3, tobacco 69·9. For thread, yarn and cloth and hosiery and knit goods taken together (that is, textile products excluding garments and personal furnishings) the weighted average is 70 cents, which is lower than any other group except tobacco.

By Mr. Winters:

Q. From where was that figure of 70 cents taken?—A. From the D.B.S. report as of April 1, 1948.

Q. Is this a consolidation of certain figures which appeared in that report? —A. This is a consolidation.

Moreover, it must be remembered that these averages are pulled up by the figures for the organized plants. Courtaulds has an average of $1.053 an hour; Canadian Cottons 78·25 cents; Dominion Textiles 75·18 cents. Even Wabasso, which is only partly organized, has an average of 71·0. Of the 90,000 or so wage earners in the textile industry apart from the clothing trades, only about 35,000 at the very outside are organized in any kind of union. It is safe to say, therefore, that in the unorganized sections the rates are well below the average. But there is no evidence that the unorganized companies are selling their goods any cheaper.

Second, even though the wage increases have been considerable, they have not been reflected in corresponding increases in labour cost, but the increases in price have generally been more than proportional. Between September 1, 1947, and April 1, 1948, average hourly earnings in cottons rose from 60·8 cents to 72·3 cents, an increase of 11·5 cents, or 18·9 per cent.

By Mr. Fleming:

Q. Just there, are those figures taken from our proceedings or a D.B.S. report?—A. Those figures are taken from the proceedings of the committee—oh, no, those are from a D.B.S. report.

Between September 15, 1947, and April 1, 1948, the labour cost and the selling price per unit for various cotton products shown in Schedule B7 rose by the amounts and percentages shown in Table 1:

TABLE 1

Increases in Labour Cost and Selling Price per Unit, Selected Cotton Goods, September 15, 1947-April 1, 1948

Goods	Labour Cost Increase $	Labour Cost Increase %	Selling Price Increase $	Selling Price Increase %
Unbleached bed sheeting	.0099	10.1	.11375	22.8
Dyed drill	.0024	2.8	.0500	11.2
Printed percale	.0025	3.9	.0425	19.5
White flannelette	.0015	3.1	.0450	24.3
Denim	.0046	4.7	.0700	22.8
Work shirting	.0053	6.5	.0525	19.6
Ticking	.0050	4.8	.0750	22.7
Cotton blanket	.0553	4.8	.2000	7.0
White broadcloth, sanforized shrunk	.0186	16.9	.09625	35.2
Dyed pocketing	.0138	16.7	.0650	23.9
Dyed plain, Vicuna No. 13	.0145	16.5	.0600	22.2
Dyed satine	.0121	16.7	.0450	24.3
Beresford printed percale	.00178	3.7	.05625	29.4
Unbleached factory cotton	.00245	6.1	.07125	43.5
White broadcloth	.00413	6.4	.0575	20.4

From this table, three things are clear. (*a*) The percentage increase in labour cost per unit was in every case less, and in most cases far less, than the percentage increase in hourly earnings. (*b*) The percentage increase in selling price was in most cases appreciably above the percentage increase in hourly earnings. (*c*) The actual amount of the increase in selling price was in every case very much greater than the actual amount of the increase in labour cost.

In the artificial silk and nylon group, the increase in average hourly earnings, September 1, 1947 to April 1, 1948, was 8·7 cents (from 64·4 to 73·1), or 13·5 per cent. The increases in labour cost (for the companies which give figures) and selling price per unit, as shown in Schedule D7, are shown in Table 2:

Table 2

Increases in Labour Cost and Selling Price per Unit, Selected Artificial Silk and Nylon Goods, September 15, 1947-April 1, 1948

Goods	Labour Cost Increase $	Labour Cost Increase %	Selling Price Increase $	Selling Price Increase %
30 denier yarns	.02	3.1	0	0
40 denier yarns	.06	12.0	0	0
70 denier yarns	.06	12.0	0	0
Lingerie taffeta	.0126	5.6	.0245	4.3
Dress crepe	.0172	6.4	.0245	3.6
Lining	.0166	9.5	.0246	4.8
150 denier yarn	.0017 decrease	.9 decrease	0	0
Dress crepe (Bruck)	.0085	11.9	.0900	10.5
Dress satin	.0361	34.0	0	0
Bangaline	.0112	13.4	.3050	36.0

The most notable conclusion which emerges from this table is that in several cases where there was an increase in labour cost per unit, the companies evidently felt able to absorb the increased cost. A second, hardly less notable, is that in every case where there was an increase in selling price, that increase, in cents, was much greater than the increase in labour cost.

Both Table 1 and Table 2 illustrate clearly the fact that wage increases do not necessarily mean proportional increases in labour costs per unit. They also show that, though price increases are often blamed on wage increases, wage increases are often only a small factor.

My third point is that there appears to be evidence that in most cases the companies could have absorbed at least a large part of increased labour costs by cutting their operating profit or operating income. Table 3 compares the increase in labour cost with operating profit at April 1, 1948, and the increase in operating profit or income, both in cents per unit.

Table 3

Increases in Labour Costs and Operating Profit or Income per Unit, Selected Cotton, Artificial Silk and Nylon Goods, September 15, 1947-April 1, 1948

Goods	Increase in Labour Costs (cents per unit)	Operating Profit, April 1. 1948 (cents per unit)	Increase in Operating Profit or Income (cents per unit)
Unbleached bed sheeting......	.99	8.62	6.465
Dyed drill....................	.24	Loss	Loss, both dates
Printed percale..............	.25	.05	Loss, Sept.
White flannelette............	.15	.57	Loss, Sept.
Denim	.46	.96	Loss, Sept.
Work shirting................	.53	2.71	.84
Ticking	.50	4.03	2.62
Cotton blanket...............	5.23	24.15	.89 decrease
White broadcloth, sanforized shrunk	1.86	Loss	Loss, both dates
Dyed pocketing	1.38	.02	Loss, Sept.
Dyed plain, Vicuna No. 13.....	1.45	Loss	Loss, both dates
Dyed satine	1.21	Loss	Loss, both dates
Beresford printed percale	.178	.08	Loss, Sept.
Unbleached factory cotton.....	.245	2.168	Loss, Sept.
White broadcloth............	.413	2.537	Loss, Sept.
30 denier yarns	2.0	155.0	30.0
40 denier yarns	6.0	117.0	16.0
70 denier yarns	6.0	88.0	17.0
Lingerie taffeta	1.26	17.39	.86
Dress crepe	1.72	20.0	.23 decrease
Lining	1.66	17.1	.24 decrease
150 denier yarn	.17 decrease	38.71	.31
Dress crepe (Bruck).........	.85	21.64	3.86
Dress satin	3.61	47.89	5.57 decrease
Bengaline	1.12	30.95	10.89

In most of these cases, operating income per unit at April 1, 1948, was far larger than the increase in labour cost, and in nine of the twenty-five cases the increase in operating income was larger than the increase in labour cost per unit. This is not in itself conclusive, since from operating income the companies must make provision for taxes, interest on borrowed money, and various other charges. But in the light of 1946 and 1947 net profits, and in the absence of 1948 net profit figures, it suggests that the textile industry could have heeded Mr. Abbott's exhortation of last year to industry generally to keep down prices and profits. However, in a "free enterprise" economy, one can hardly expect any industry to pay much attention to such exhortations.

Mr. PINARD: On this point, I should like the witness to tell us what he means by that.

Mr. FLEMING: I have another point there; I am wondering what place that has in a brief or a statement purporting to be factual. This is purely an expression of opinion. It may be the witness' opinion.

Mr. THATCHER: We have been hearing opinions for weeks.

Mr. LESAGE: The opinion is uncalled for.

The CHAIRMAN: Let Mr. Fleming finish his point of order.

Mr. FLEMING: We are seeking for evidence as to fact. This certainly cannot be regarded as evidence of fact. It is a statement of opinion. I think we cannot receive a statement of opinion of that nature. I believe you could get a good many opinions. I believe you could get a good many contrary opinions, but that is not what we are here for. We called the witness in respect to facts, and I believe that Mr. Baron could assist us with his brief if it is confined to fact.

Mr. THATCHER: Mr. Chairman, we have heard opinions ever since we have been sitting here. We have had opinions from Graham Towers and from the managers of factories. Let us get on with the brief and ask questions afterwards.

Mr. IRVINE: I should like to ask if anyone here is prepared to say it is an opinion that it is "free enterprise" under which we are operating.

Mr. KUHL: Everything hangs on the definition of your terms.

Mr. LESAGE: I think we should talk about something else.

Mr. IRVINE: I think it would be better if we did.

Mr. PINARD: If the witness cannot qualify his statement just let him go on.

Mr. LESAGE: We have a lot to do, Mr. Chairman.

The WITNESS: I could get through with this brief in three minutes, if I am permitted to do so.

The essence of free enterprise—

Mr. LESAGE: "The essence of free enterprise"—that is an opinion. Come back to the facts. Go to page 6.

Mr. THATCHER: No, that is unfair.

The CHAIRMAN: May I try to pour cold water on this? Just a moment; I suggest, Mr. Baron, you go on with page 6.

Mr. THATCHER: A man has never been prevented from giving his brief like this. Surely it is not in order and it is just railroading.

The CHAIRMAN: I must take strong exception to that observation, Mr. Thatcher, because if there is one chairman who has not railroaded anybody it is this chairman. Everyone is tense, we are all tired, and I ask that we carry on without any observation that may offend one's sensibilities, even those of a poor little chairman like me. I know, Mr. Thatcher, you would not want to do that.

Mr. LESAGE: All right, let us get on with page 6.

The WITNESS: I should like to place before the committee a few comparisons between wages and profits in the textile industry and wages and profits in some other leading manufacturing industries. Table 4 shows average hourly earnings, April 1, 1948, and net profits as a percentage of shareholders' investment, 1947, for selected industries.

Table 4

Wages and Profits in Textiles and Certain Other Industries, 1947-1948

Industry	Average hourly earnings, April 1, 1948 (cents)	Percentage of Net Profit to Capital, 1947
Primary iron and steel	103.2	6.20 (Stelco, Dosco, Algoma)
Electrical apparatus	95.9	9.10 (Canadian General Electric, Canadian Westinghouse)
Meat packing	95.7	10.57 (Canada Packers, Burns)
Thread, yarn, cloth, hosiery and knit goods	70.0	9.11 (Cottons, artificial silk and nylon)

It is evident that the textile industry is making a handsome return on its investment as compared with primary iron and steel, which pays 33 cents an hour more.

Mr. PINARD: Again, we have not investigated the steel industry and I do not know where those figures come from.

The CHAIRMAN: You can ask the witness where they come from. I do not think it is an improper statement. If you desire to have authority for the statement you may question the witness later but I think the statement is perfectly proper in this brief.

Mr. PINARD: In which case we will have to go into a whole series of questions on his testimony, questions not related to textiles. The understanding when these witnesses were called was that they were dealing with the cotton textile industry but now they are dealing with the steel industry.

Mr. IRVINE: Let us be reasonable. This man is presenting his case in the best way he knows and this is his method of showing what the textile industry is doing compared with other industries. He is comparing wages and profits.

Mr. PINARD: You will certainly admit that nobody was asked, in the case of any other industry, to compare themselves with industries not under investigation.

Mr. FLEMING: Are we not missing the point? We invited witnesses from three organizations to answer, we were told, certain points raised in the examination of individuals from the cotton textile companies. It may be interesting for any parliamentary committee to go into questions of comparative wage rates but the essence of Mr. Baron's brief is the extent to which increased wage rates in the cotton textile industry have entered into the increased cotton prices. I cannot see what relevance to that inquiry there is in a comparison of wage rates in the cotton industry to steel and other industries.

Mr. IRVINE: That is the very point the witness is trying to make. He is saying that while they are paying higher wages in the other industries the prices are not affected to the same extent.

Mr. FLEMING: It is a straight question of proof and he does not need to go into that. Surely the place to determine whether increased wages have appreciably entered into the cost of cotton products is in examination of the figures of the cotton industry. What happens outside the cotton industry does not bear on the particular question. We cannot, unfortunately or fortunately, go into wage rates in general. This committee is limited to its terms of reference.

Mr. THATCHER: We have only one page left.

The CHAIRMAN: May we get on?

Mr. THATCHER: Just continue where you left off.

The WITNESS: It is making just about as much as electrical apparatus and meat packing, both of which pay almost 26 cents an hour more.

Mr. PINARD: That is entirely irrelevant.

The WITNESS: Indeed, heavy electrical apparatus, to which sub-group Canadian General Electric and Canadian Westinghouse belong, paying 104·7 cents an hour, or almost 35 cents more than textiles. It may be added that in the past year the textile industry has been installing a considerable amount of new machinery. This has already been added to its capital, but the full benefits have yet to be realized. Meanwhile, the effect is to reduce the apparent percentage of profit.

It would be interesting to have for all the companies figures comparable with those submitted by one company, which showed that its net profits in 1946 and 1947 were almost exactly the same as its total bill for factory wages and salaries.

Mr. PINARD: May I ask a question here? To what company are you referring?

The WITNESS: The two companies referred to are CIL and Bruck. The fact that another company's breakdown of selling price per unit showed for every article listed operating income far larger than labour cost suggests that the point might repay investigation.

Mr. PINARD: Which company was that?

The WITNESS: This is Bruck, the first one was CIL.

It was unfortunate that we have had no opportunity to examine the evidence submitted by representatives of the woollen industry, and that as far as we are aware some other sections of the industry, such as hosiery and knit goods have submitted no evidence. It is unfortunate also that, except for a few of the companies, no figures or average hourly earnings have been submitted. I hope, however, that the comments I have made on the figures submitted by the accountants and on the evidence of the companies' representatives will prove useful to the committee, and serve a constructive purpose.

Mr. LESAGE: Thank you very much, Mr. Baron.

The WITNESS: Mr. Chairman might I answer the question put to me by counsel. The question pertained to the problem of absenteeism and the difficulty of securing manpower, especially for second shifts, and also to the lower production level as compared to pre-war. I would like to say that absenteeism is not an ailment peculiar to the textile industry.

Mr. PINARD: Did you hear the testimony of Mr. Ledoux which was given yesterday?

The WITNESS: No, I did not.

Mr. PINARD: I was going to ask you if you would corroborate his evidence and that would have been shorter.

The WITNESS: There are many many reasons for absenteeism. I would like to make two generalizations which would have some bearing on the matter. One reason is the post-war let-down due to excessive hours of work during the war. Second, I would like to point out that when investigation was made it was found that absenteeism is greater in the lower-paid industries than in the higher-paid industries.

Third, the reason for absenteeism, possibly the most important reason, is labour relations within the plants concerned. May I point out to the committee that you had witnesses here from Courtaulds and Canadian Cottons who did not make the same complaint as was made by some of the other companies, and the fact of the matter is that absenteeism is not an important item in those plants which have harmonious labour relations, that satisfactory relations between labour and management have to a great extent reduced absenteeism.

On efficiency of production and incentives I would like also to point out that Canadian Cottons and Courtaulds again pointed out that they had no complaints to make. These companies are under agreement with the Textile Workers Union. Labour relations and morale is of a high order. And in regard to efficiency, I would like to say something as to the statement made before the committee that workers on incentive will work up to a certain point and then stop because they do not earn a sufficient amount of money. I would dispute that categorically. The fact of the matter is that production has increased in those plants of which I have personal knowledge on a basis of higher wages. In so far as the problem of the industry in securing manpower is concerned I would say that it is only due to the fact that it is a low-paid industry and nothing else. Now I think, Mr. Chairman, that I have answered the questions put to me by counsel.

(Mr. Winters assumed the chair)

Mr. THATCHER: Mr. Chairman, the evidence on page 2, of the brief would indicate that price increases these companies have recently put into effect in the textile industry have not been caused primarily by labour increases; is that what you are suggesting, Mr. Baron?

The WITNESS: Yes. I am basing that from my interpretation of the evidence of the various witnesses who have appeared before the committee emphasizing the increase in selling price being due to the fact that they had to pay a higher increase to labour.

Mr. LESAGE: Is that true, Mr. Monet? You heard the evidence.

By Mr. Fleming:

Q. Just a moment, Mr. Chairman; have you written your brief, Mr. Baron, on the assumption that the witnesses we heard from the companies treated the increased labour costs as being the principal factor in the rise in selling price? —A. One of the factors cited by the various companies, yes.

Q. It was one of the factors; I asked you if you assumed that it was a principal factor?—A. Yes, from some of the evidence that I have gone over that is what I assumed was a principal factor to justify their increases in prices, the increase in wages which they said they had to pay.

Q. I just wanted to clear that point up; in reading the brief that was your conclusion, that they had treated increased labour cost as a principal factor for justifying the increase in their selling prices?—A. As an important factor.

By Mr. Monet:

Q. Right there, may I ask this; did you prepare this brief after hearing the evidence, or before?—A. After.

Q. I understand from the reading of your brief this morning that this is more or less a review of the evidence given by the cotton industry here, you drawing your own conclusions?—A. By and large, that is correct.

Q. There was one witness yesterday afternoon who when dealing with the increase in prices in Dominion Textiles mentioned the fact that in the increase of 20 per cent the increase represented by labour was only 4 per cent of that 20 per cent. Do you say that from your reading of the evidence you came to the conclusion that these witnesses here had said that a main factor of the increase was labour? Is that what you are saying now?—A. No. I gathered from the statements made by the private companies that their increase in prices was largely attributable to the fact that they had had to increase their wages by 100 per cent, 200 per cent, even 300 per cent; and they gave all sorts of figures throughout the evidence showing the extent to which labour had affected prices and production.

By Mr. Fleming:

Q. May I ask you if before preparing your statement you read all the evidence which was presented here?—A. No.

Q. What parts did you read?—A. Well, I did read the evidence.

Q. I mean all the evidence of the textile companies who appeared before us?—A. I think I saw most of it. I will not be sure that I saw all of it, but I did read Courtaulds and Canadian Cottons, Dominion Textiles, Bruck and C.I.L.

Mr. PINARD: Did you read Mr. Knight's report?

The WITNESS: I studied it in order to get some of these figures.

Mr. MONET: Would you agree with Mr. Knight's report as to the figures as to labour; are you aware of them sufficiently to be able to answer that?

The WITNESS: No, I cannot answer that.

By Mr. Thatcher:

Q. Mr. Chairman, I suppose Mr. Baron is out organizing in the trade from time to time. He says on page 1, of his evidence that the average wage in

Courtaulds was $1.05, in Canadian Cottons it was 78·25, and so on; and then, he makes the statement, "that in the unorganized sections the rates are well below the average". Can you tell me in the province of Quebec what would be the average wages paid in some of the smaller companies which you have not yet organized?

Mr. LESAGE: Pardon me, Mr. Chairman; what is the question?

The ACTING CHAIRMAN: Repeat your question, please, Mr. Thatcher.

Mr. THATCHER: I think the witness heard it.

The ACTING CHAIRMAN: Members of the committee have a right to hear it too.

Mr. THATCHER: What were the average wages you found in some of these small factories in Quebec when you went to organize them?

Mr. LESAGE: That is out of order, Mr. Chairman.

Mr. THATCHER: Why?

Mr. LESAGE: It is not relevant.

Mr. THATCHER: I asked the same question yesterday when the representative of the Catholic Syndicate was here and he told us what he found. I do not know what the Liberal members are so touchy about.

Mr. LESAGE: You stick to Saskatchewan and leave Quebec alone.

Mr. THATCHER: Why should I leave Quebec alone, isn't this one country?

Mr. LESAGE: The C.C.F. are not in the province of Quebec and we do not want them.

Mr. THATCHER: But Mr. Duplessis is.

Mr. LESAGE: We don't want any C.C.F.

The ACTING CHAIRMAN: Order, gentlemen. I think Mr. Thatcher's question is in order.

Mr. THATCHER: Thank you.

The WITNESS: On the average I would say in the unorganized plants we have in Quebec that wages on the average would be at least 10 cents per hour less than in the organized plants, on the average. I have seen some plants that have averaged 45 cents an hour against an over-all average in the industry of 70 cents an hour.

Mr. THATCHER: I understand the minimum wage in Quebec is 24 cents an hour. I believe the witness yesterday said that. Did you find many employees in companies with which you came in contact in the province of Quebec who were getting anywhere near as low as that?

The WITNESS: In any organized plant there is no wage lower than 50 cents an hour.

Mr. THATCHER: But how about the unorganized plants?

The WITNESS: In the unorganized plants—take, for instance, the one at St. George de Beauce—at the time I was there there were about 100 girls and they were getting the provincial minimum of 24 cents an hour.

Mr. PINARD: Don't you think you should go further and make a little further explanation of that plant? Is it not a fact that the employees there receive special treatment which would justify the payment of that wage when you consider other provisions which are made for them? Do you not think you should enlarge on that?

The WITNESS: I do not think that 24 cents an hour represents all they get in value.

Mr. PINARD: That is what I am talking about. I am asking you whether there is not a very substantial difference there. Have you any personal knowledge of that? Don't you think you should enlarge on your statement and clarify it?

The WITNESS: I would not care to qualify that statement because I believe the rates paid are not conditioned on any peculiar circumstances—

By Mr. Lesage:

Q. Have you been there?—A. Yes.

Q. Have you organized there?—A. No, we have not.

Q. Why not?—A. We failed to organize because—

Q. Because Quebec does not want socialism.—A. I am not going to answer that question. We are not, at the moment.

The ACTING CHAIRMAN: Just a moment, I do not know whether that question is relevant at all, it has nothing to do with the subject under discussion.

Mr. FLEMING: We are a long way from prices at the moment.

The WITNESS: Might I at least say this?

The ACTING CHAIRMAN: Just a minute, Mr. Baron; does the answer you seek to make refer to the question of wage rates now before us?

The WITNESS: Yes. There is an implication in the last remark I would like to correct.

The ACTING CHAIRMAN: I do not think the remark was relevant, or your answer; therefore, it is not in order. I would suggest that we direct our questions and answers to the subject properly before us. Are there any other questions?

By Mr. Thatcher:

Q. Do you find that wage rates in the textile industry in Quebec are comparable to similar rates in Ontario or are they lower or higher?—A. It is a mixed situation—

Mr. LESAGE: What has that to do with the question of prices?

Mr. THATCHER: I asked the same question yesterday and no objection was taken.

Mr. LESAGE: I was not here.

The ACTING CHAIRMAN: Let him answer the question.

Mr. LESAGE: I do not see the purpose of the question.

The ACTING CHAIRMAN: It seems to me that the question is in order.

Mr. PINARD: Unless it is proven that conditions in both places are the same, and taking certain facts into consideration, we cannot rely upon the answer.

The ACTING CHAIRMAN: We have had branches of the industry operating in Ontario and Quebec, and I think it is relevant to hear evidence of wage structures in Ontario and Quebec.

Mr. IRVINE: If these companies are selling at the same price and one is paying lower wages than the other then I think the question certainly is pertinent as to the cause of the rise in prices.

The ACTING CHAIRMAN: I think the question is in order.

Mr. LESAGE: All right.

The WITNESS: Generally speaking—

Mr. BEAUDOIN: May I add one comment? Is the witness competent to give the variations?

The ACTING CHAIRMAN: You would have to judge that as a committee.

Mr. PINARD: There is also another point. I do not want to delay the proceedings, but unless the witness can tell us that the prices are the same in these industries to which he refers—

The ACTING CHAIRMAN: Mr. Pinard, it is up to the committee to bring that evidence out.

Mr. PINARD: —he is not a competent witness.

Mr. BEAUDOIN: Why not look for the best evidence? Why not ask counsel to get a copy of the minimum wage law of Quebec and a copy of the minimum wage law of Ontario and file them as exhibits?

The ACTING CHAIRMAN: The committee may have anything it wishes, and the committee is free to judge the evidence given by any witness.

Mr. IRVINE: You have ruled that the question is in order. I think we should have an answer.

The ACTING CHAIRMAN: Answer the question.

The WITNESS: Generally speaking rates in the textile industry in Quebec are lower than those in Ontario with the exception of those companies that have labour organizations within them.

Mr. LESAGE: That is all right.

The ACTING CHAIRMAN: Any other questions? Thank you, Mr. Baron.

The WITNESS: Thank you, Mr. Chairman and gentlemen.

The committee adjourned.

APPENDIX

NATIONAL COUNCIL OF THE BAKING INDUSTRY
140 Wellington Street, Ottawa, Ontario.
Telephone 2-4761

JUNE 22, 1948.

Honourable PAUL MARTIN,
Chairman,
Special Committee on Prices,
House of Commons,
Ottawa.

Dear SIR:

Enclosed please find a copy of a report submitted by Colonel C. M. Ruttan, Director of the Ontario Bakers Association in respect to "certain direct costs" of bread by the Great Atlantic and Pacific Tea Company. Attached to this report is a summary of figures prepared by Price Waterhouse and Company, a well-known Toronto firm of Chartered Accountants. There is also attached extracts from a memorandum prepared by Mr. G. C. Morrison of Morrison-Lamothe Limited, Ottawa, which I understand was given to Mr. Dyde at the time that bread prices were under investigation by your Committee.

This information has been gathered together to substantiate the statement made by Mr. C. M. Ruttan during the inquiry on bread prices that the Great Atlantic and Pacific Tea Company was using bread as a loss leader.

Figures pertaining to A. & P.'s production cost, etc., were taken from their evidence as recorded in the Minutes of Proceedings but information relative to costs beyond the bakeries to the various points of sale in Ontario and Quebec were gathered from sources believed to be reliable and accurate.

We have no way of verifying these figures from actual A. & P. records but inasmuch as we believe that your Committee is making a sincere attempt to gather all the facts with regard to these matters we presume you will be interested in having a copy of this report in order that your accountants will have before them a statement for verification.

Please bear in mind that this survey does not as indicated include store overhead.

Yours very truly,

NATIONAL COUNCIL OF THE BAKING INDUSTRY
R. P. SPARKS.

Copy of a Report Submitted to The National Council of the Baking Industry by Colonel C. M. Ruttan, Director, Ontario Bakers Association, for Submission to the Special Committee on Prices, House of Commons, Ottawa

In a submission to the Special Committee on Prices, on March 8, 1948 (page 857 of the minutes of the proceedings) I stated that the members of the Ontario Bakers' Association were of the opinion that a wrapped 24 ounce loaf of bread could not be produced and sold to the consumer, by the Great A. & P. Co., at 10 cents without loss.

In compliance with your Committee's instructions, I now beg to submit two lists of places (that marked "A" of places in Ontario and that marked "B" of places in Quebec) at which bread was purchased from the Great A. & P. Co.'s stores, together with the sales slips covering the purchases, and the paper bags in which the loaves were sold.

A statement has been compiled of:

(*a*) the stated costs of the Great A. & P. Co.'s 24 ounce loaf at their bakery platforms in Toronto and Montreal (as shown in Exhibit 33, page 676 of m. of p.)

plus,

(*b*) estimates of the transportation rates (truck and express) based on rates to bread shippers generally,

and

(*c*) estimates of the value of the paper bags used by the Great A. &. P. Co. as quoted to other bakers.

It is recognized that the transportation rates shown and the values of the paper bags may vary slightly from the amounts paid by the Great A. & P. Co. but it is respectfully suggested that the Special Committee on Prices might obtain the exact figures by simply asking the Great A. & P. Co. to furnish them; and at the same time ask the Great A. & P. Co. to state whether each store is supplied from their Toronto or Montreal bakery, or from both. For instance, the express rate on bread from Toronto to Peterboro is 40 cents per hundred, from Montreal to Peterboro it is $1.70 per hundred, and yet a local baker states that the Great A. & P. Co.'s bread for Peterboro is shipped from Montreal. As a further instance of uncertainty as to transport employed, Mr. Burdon stated in his evidence (page 677, m. of p.) that the Great A. & P. Co's bread was shipped to all but a few northern points by truck. Mr. G. C. Morrison of Morrison-Lamothe Ltd., Ottawa, advises (in the accompanying statement marked "C") that the Great A. & P. Co. ship their bread to Ottawa by express from Montreal, C.P.R. Train No. 1 and that the express rate is 60 cents per hundred or ·9 cent per loaf; that he obtained a quotation on the paper bag in which the Great A. & P. Co.'s loaf was sold in Ottawa and that quotation was ·45 cent per bag in very large quantities. Thus we have the platform price of the Great A. & P. Co.'s loaf 8·7 cents—transportation ·9 cent—the bag ·45 cent —making a total of 10·5 cents or ·5 more than the selling price, with no allowance for the operation of the store. This is typical of a number of instances quoted in the attached statements ("A" and "B" above referred to). The Great A. & P. Co.'s witnesses (page 699 m. of p.) gave a 10 per cent margin between the cost of bread at their bakery and the selling price over their store counter, as the percentage on which they operate on bread as compared with other lines; but insofar as milk is concerned the percentages are not comparable, as milk bears no additional delivery charge, whereas bread must bear the cartage from their own bakery to their stores.

Mr. Burdon (page 688 m. of p.) says in answer to a question "If it were my own business, I think I would rather have higher than 12 per cent sir". Q. "Then obviously as to the 10 per cent which prevailed on September 1st you would not consider that adequate?"—A. "I suppose that follows".

However, regardless of that opinion of their cost examiner, it was indicated in evidence (page 699 of proceedings) the gross margin of Great A. & P. Co's bread was 10 per cent to 13 per cent which is the difference between the Great A. & P. Co.'s 10 cent selling price and the costs shown in Ex. 33 of 9c and 8·7c respectively per loaf at the bakery platform.

On page 698 m. of p. the Great A. & P. Co's gross profit was quoted as 13·67 per cent and their expense rate as 11·7 per cent, which after allowance for taxes left less than 1 per cent net profit.

It seems obvious that if at so many points, as shown in the list of places above mentioned, the items of transportation and bags alone result in a loss, then bread expense must be much more than the average expense of 11·7 per cent, particularly when all the store charges, rent, heat, light, power, water, taxes, wages, etc., are taken into consideration.

Since it has been definitely stated that there is a profit on the Great A. & P. Co.'s 10-cent loaf (page 698 m. of p.) then all the losses at country points would have to be absorbed by the sales of bread in Toronto and Montreal.

In as much as bread is bulkier for its weight and of less value for its bulk than almost all other groceries, it takes up more room in trucks and on store shelves in proportion to value than the average grocery item, and therefore should bear a greater percentage of the expense of transporting it from the bakery to the stores, and the handling and the display space required in the stores.

The Great A. & P. Co have declared their average expense as 11·7 per cent of the selling price and that this allows for a profit of less than 1 per cent and therefore, if our statement is logical and we believe it is, that bread is more expensive to handle than the average grocery line, it would seem obvious that the less than 1 per cent profit must be reduced if not wiped out by a line as bulky and inexpensive as bread when compared with other lines. Regardless of turnover, if an item is sold at a loss, that loss cannot become a profit.

Thus without loading the obvious losses of many of the outlying stores on Toronto and Montreal, it is apparent (using the Great A. & P Co's own figures) that they cannot make their average profit on 10c bread, and that other grocery lines are therefore constantly bearing a portion of the legitimate charges against bread.

It is realized that our statements can only generalize until a break down of the Great A. & P Co's advertising, delivery, handling and packaging charges are as definitely determined as their cost of bread at their platform.

It should be emphasized that the price of 8·7c per loaf at the platform has been used throughout the calculations as shown on statements "A" and "B" attached. The cost of the Great A. & P. Co's loaf at December 1, 1947, was 9c per loaf, not 8·7c, which would mean that at that time they were losing approximately one third of a cent more per loaf than at present—all other things being equal. Due to the increase in freight rates, we believe that flour has generally advanced.

Certainly the Great A. & P. Co. was then (December 1947) selling bread at a marked loss according to their own figures as follows: Selling price per 24-oz. loaf 10c—Expense 11·7 per cent, which would mean (applying only their average expense to bread) that their loaf would cost them 10c—11·7=8·83c at their platform to enable them to break even. It then costs them 9c, incurring a minimum (average expense) loss of ·17c per loaf, and this, we repeat, is arrived at by charging only average expense against bread, which as has been demonstrated is not sufficient, due to the bulk of bread, for its weight and value as compared with other groceries.

These December 1947 figures (Ex. 33) cost of the 24-oz. loaf at platform 9c, with a selling price of 10c over the store counter demonstrate beyond all possibility of doubt that (whether wittingly or not, and we would prefer to think unwittingly since they admit they cannot tell from their own records) it has been the policy of the Great A. & P. Co. to use bread as a loss leader.

The Rt. Hon. J. L. Isley, Minister of Justice, on June 11, 1947, at Quebec City, addressing the Association of Better Business Bureaus said (ref. page 3 attached marked "D") quote—"Consumers and business men must be protected against fraud, against misrepresentation of goods, against the use of deleterious substances and generally against abuses of dominant economic power—and again page 3, quote—"Section 498A enacted as a result of the Price Spreads Commission bans certain kinds of unfair price discrimination and the use of economic strength to destroy competition by selling goods at unreasonably low prices".

We trust that your committee will take the necessary steps to satisfy itself that the economic power of the Great A. & P. Co. enables it to undersell the average baker, by absorbing a loss on bread and making a profit on other lines, whereas the baker cannot depend upon other lines to carry him through.

Free enterprise ceases to exist when dominant economic power holds sway in the role of consumer benefactor. The totalitarian state also claims to be a consumer benefactor, but it would seem unsafe to place unlimited power in the hands of the few until such time as mankind will abide by the golden rule.

C. M. RUTTAN,
Director,
Ontario Bakers' Association.

SUMMARY OF CERTAIN DIRECT COSTS RELATING TO A 24 OZ. LOAF OF BREAD PRODUCED BY GREAT ATLANTIC & PACIFIC TEA CO., LTD. WHEN TRANSPORTED AND SOLD AT ITS STORES IN CERTAIN CITIES AND TOWNS (NOTE 1)

(cents per 24 oz. loaf in all cases)

—	Before the increase in rail rates			Total	After the increase in rail rates			Total
	Cost price (f.o.b. bakery platform)	Cost of 10 lb. paper bag used at a store	Trans- portation Charges prior to April 8, 1948		Cost price (f.o.b. bakery platform)	Cost of 10 lb. paper bag used at a store	Trans- portation Charges after April 8, 1948	
	(Note 2)	(Note 3)	(Note 4)		(Note 2)	(Note 3)	(Note 4)	
Shipments from Toronto bakery to stores at—								
Barrie—via express	8.7	0.4	0.675	9.775	8.7	0.4	0.81	9.910
—via transport	8.7	0.4	0.66*	9.760	8.7	0.4	0.66*	9.760
Belleville—via express	8.7	0.4	0.75	9.850	8.7	0.4	0.915	10.015
—via transport	8.7	0.4	0.78*	9.880	8.7	0.4	0.78*	9.880
Bowmanville—via express	8.7	0.4	0.525	9.625	8.7	0.4	0.63	9.73
—via transport	8.7	0.4	0.54*	9.640	8.7	0.4	0.54*	9.64
Bracebridge—via express	8.7	0.4	0.90	10.00	8.7	0.4	1.095	10.195
—via transport	8.7	0.4	0.78*	9.88	8.7	0.4	0.78*	9.88
Brampton—via express	8.7	0.4	0.45	9.550	8.7	0.4	0.54	9.64
—via transport	8.7	0.4	0.345	9.445	8.7	0.4	0.345	9.445
Chatham—via express	8.7	0.4	0.975	10.075	8.7	0.4	1.185	10.285
—via transport	8.7	0.4	0.93	10.030	8.7	0.4	0.93	10.03
Cobourg—via express	8.7	0.4	0.525	9.625	8.7	0.4	0.63	9.73
—via transport	8.7	0.4	0.66*	9.760	8.7	0.4	0.66*	9.76
Dunnville—via express	8.7	0.4	0.75	9.85	8.7	0.4	0.915	10.015
—via transport	8.7	0.4	0.675*	9.795	8.7	0.4	0.675*	9.775
Fort Erie N.—via express	8.7	0.4	0.825	9.925	8.7	0.4	1.005	10.105
—via transport	8.7	0.4	0.735	9.835	8.7	0.4	0.735	9.835
Huntsville—via express	8.7	0.4	1.05	10.15	8.7	0.4	1.275	10.375
—via transport	8.7	0.4	0.855*	9.955	8.7	0.4	0.855*	9.955

Kirkland Lake—via express	*8.7*	*0·4*	*3.45*	*12.55*	*8.7*	*0.4*	*4.17*	*13.27*
—via rail freight	*8.7*	*0.4*	*1.455*	*10.555*	*8.7*	*0.4*	*1.755*	*11.305*
Kingston—via express	8.7	0.4	0.975	10.075	8.7	0.4	1.185	10.285
—via transport	8.7	0.4	0.885*	9.985	8.7	0.4	0.885*	9.985
Leamington—via express	8·7	0.4	1.05	10.15	8.7	0.4	1.275	10.275
—via transport	8.7	0.4	0.93	10.03	8.7	0.4	0.93	10.03
Lindsay—via express	8.7	0.4	0.525	9.625	8.7	0.4	0.63	9.73
—via transport	8.7	0.4	0.66*	9.76	8.7	0.4	0.66*	9.76
London—via express	8·7	0·4	0.90	10.00	8.7	0.4	1.095	10.195
—via transport	8·7	0·4	0.78	9.88	8.7	0.4	0.78	9.88
Napanee—via express	8·7	0.4	0.825	9.925	8.7	0.4	1.005	10.105
—via transport	8.7	0.4	0.855*	9.955	8.7	0.4	0.855*	9.95
New Liskeard—via express	8·7	0.4	3.15	12.25	8.7	0.4	3.81	12.91
—via rail freight	8.7	0.4	1.38	10.48	8.7	0.4	1.665	10.765
Niagara Falls—via express	8.7	0.4	0.675	9.775	8.7	0.4	0.81	9.91
—via transport	8.7	0.4	0.66	9.76	8.7	0.4	0.66	9.76
North Bay—via express	8.7	0.4	1.20	10.30	8.7	0.4	1.455	10.555
—via transport	8.7	0.4	0.975*	10.075	8.7	0.4	0.975*	10.075
Orangeville—via express	8.7	0.4	0.60	9.70	8.7	0.4	0.72	9.82
—via transport	8.7	0.4	0.585*	9.685	8.7	0.4	0.585*	9.685
Oshawa—via express	8.7	0.4	0.45	9.55	8.7	0.4	0.54	9.64
—via transport	8.7	0.4	0.495*	9.595	8.7	0.4	0.495*	9.595
Owen Sound—via express	8.7	0.4	0.90	10.00	8.7	0.4	1.095	10.195
—via transport	8.7	0.4	0.855*	9.955	8.7	0.4	0.855*	9.955
Paris—via express	8.7	0.4	0.60	9.70	8.7	0.4	0.72	9.82
—via transport	8.7	0.4	0.645	9.745	8.7	0.4	0.645	9.745
Parry Sound—via express	8.7	0.4	1.05	10.15	8.7	0.4	1.275	10.375
—via transport	8.7	0.4	0.885*	9.985	8.7	0.4	0.885*	9.985
—via rail freight	8.7	0.4	0.735	9.835	8.7	0.4	0.885	9.985
Port Hope—via express	8.7	0.4	0.525	9.625	8.7	0.4	0.63	9.73
—via transport	8.7	0.4	0.66*	9.76	8.7	0.4	0.66*	9.76
Rouyn, Quebec—via express	8.7	0.4	0.375	12.85	8.7	0.4	4.545	13.645
—via rail freight	8.7	0.4	1.515	10.615	8.7	0.4	1.83	10.93
St. Catharines—via express	8.7	0.4	0.60	9.70	8.7	0.4	0.72	9.82
—via transport	8.7	0.4	0.645	9.745	8.7	0.4	0.645	9.745

SUMMARY OF CERTAIN DIRECT COSTS RELATING TO A 24 OZ. LOAF OF BREAD PRODUCED BY GREAT ATLANTIC & PACIFIC TEA CO., LTD. WHEN TRANSPORTED AND SOLD AT ITS STORES IN CERTAIN CITIES AND TOWNS (NOTE 1)

(cents per 24 oz. loaf in all cases)

—	Before the increase in rail rates				After the increase in rail rates			
	Cost price (f.o.b. bakery platform)	Cost of 10 lb. paper bag used at a store	Trans-portation Charges prior to April 8, 1948	Total	Cost price (f.o.b. bakery platform)	Cost of 10 lb. paper bag used at a store	Trans-portation Charges after April 8, 1948	Total
	(Note 2)	(Note 3)	(Note 4)		(Note 2)	(Note 3)	(Note 4)	
St. Thomas—via express	8.7	0.4	0.90	10.00	8.7	0.4	0.945	10.045
—via transport	8.7	0.4	0.78	9.88	8.7	0.4	0.78	9.88
Sarnia—via express	8.7	0.8	0.975	10.075	8.7	0.4	1.185	10.285
—via transport	8.7	0.4	0.885	9.985	8.7	0.4	0.885	9.985
Sault Ste. Marie—via express	8.7	0.4	4.20	13.30	8.7	0.4	4.20	13.30
—via rail freight	8.7	0.4	1.11	10.21	8.7	0.4	1.35	10.45
Simcoe—via express	8.7	0.4	0.675	9.775	8.7	0.4	0.81	9.91
—via transport	8.7	0.4	0.735	9.835	8.7	0.4	0.735	9.835
Strathroy—via express	8.7	0.4	0.975	10.075	8.7	0.4	1.185	10.285
—via transport	8.7	0.4	0.84	9.94	8.7	0.4	0.84	9.94
Sudbury—via express	8.7	0.4	1.20	10.30	8.7	0.4	1.455	10.555
—via rail freight	8.7	0.4	0.87	9.97	8.7	0.4	1.05	10.15
Tillsonburg—via express	8.7	0.4	0.75	9.85	8.7	0.4	0.915	10.015
—via transport	8.7	0.4	0.735	9.835	8.7	0.4	0.735	9.835
Timmins—via express	8.7	0.4	4.425	13.525	8.7	0.4	4.545	13.645
—via rail freight	8.7	0.4	1.56	10.66	8.7	0.4	1.89	10.99
Trenton—via express	8.7	0.4	0.675	9.775	8.7	0.4	0.81	9.91
—via transport	8.7	0.4	0.78*	9.88	8.7	0.4	0.78*	9.88
Welland—via express	8.7	0.4	0.675	9.775	8.7	0.4	0.81	9.91
—via transport	8.7	0.4	0.66	9.76	8.7	0.4	0.66	9.76
Whitby—via express	8.7	0.4	0.45	9.55	8.7	0.4	0.54	9.64
—via transport	8.7	0.4	0.45*	9.55	8.7	0.4	0.45*	9.55

Windsor—via express	8.7	0.4	0.975	10.075	8.7	0.4	1.185	10.285
—via transport	8.7	0.4	0.93	10.03	8.7	0.4	0.93	10.03
Woodstock—via express	8.7	0.4	0.75	9.85	8.7	0.4	0.915	10.015
—via transport	8.7	0.4	0.735	9.835	8.7	0.4	0.735	9.835
Shipments from Montreal bakery to stores at—								
Ottawa—via express	8.7	0.4	1.05	10.15	8.7	0.4	1.275	10.375
—via transport	8.7	0.4	0.78*	9.88	8.7	0.4	0.78*	9.88
Peterboro—via express	8.7	0.4	2.55	11.65	8.7	0.4	2.55	11.65
—via transport	8.7	0.4	1.065*	10.165	8.7	0.4	1.065*	10.165

NOTES:

(1) General selling, administrative and overhead expenses of A. & P. stores are not included in the above summary. It is stated in the evidence of the Special Committee on Prices in respect of A. & P. "This is for the fiscal year ending February 1946. Sales were approximately $39,000,000.00; our expense rate .1170". There is no indication, however, as to what items of expense are included in the "expense rate".

(2) Cost price of 8.7 cents per 24 oz. loaf (f.o.b. bakery platform) at February 14, 1948 is taken from the printed minutes of proceedings and evidence of the Special Committee on Prices.

(3) Cost of .4 cents per 10 lb. paper bag used at a store is based on a quoted price of $4.00 per 1,000 as furnished to the Ontario Bakers' Association. It is understood that the 10 lb. bag has capacity for other merchandise in addition to a 24 oz. loaf, and as a purchase would usually consist of more than a loaf of bread, the total cost of the bag should be spread against the total of the purchase.

(4) Transportation charges—With the exception of items marked with an "*", express, rail freight and transport charges are based on rates per 100 lbs. of bread as furnished by the Dominion Traffic Association. For items marked with an "*" transport rates were not furnished by the Association, but since current "less than carload lot" rail freight rates usually approximate transport tariff rates (within 1 or 2 cents per 100 lbs. the rail freight rates have been used in computing these transportation charges. However, it should be understood that transport operators in Ontario and Quebec are not subject to rate regulation and large shippers may be able to obtain lower transport rates than those indicated in the above summary.

Rail freight rates shown for Kirkland Lake, New Liskeard, Rouyn and Timmins do not include cartage at either end.

The amounts shown do not include any charge in respect of the weight of containers used to ship bread.

PROVINCE OF QUEBEC

A. & P. BREAD—24 OZ. LOAF BAKED IN MONTREAL AND SHIPPED BY EXPRESS TO:

—	Cost at Plant	Express per loaf	Value of bag	Total	Selling Price	Gross Gain or Loss
Drummondville	8.70	0.88	0.4	9.92	10.00	Gain 0.08
Farnham	8.70	0.72	0.4	9.82	10.00	Gain 0.08
Granby	8.70	0.58	0.4	9.62	10.00	Gain 0.38
Lennoxville	8.70	1.18	0.4	10.28	10.00	Loss 0.28
Magog	8.70	1.10	0.4	10.20	10.00	Loss 0.20
Montreal	8.70	0.42	0.4	9.52	10.00	Gain 0.48
Richmond	8.70	1.18	0.4	10.28	10.00	Loss 0.28
Rock Island	8.70	1.65	0.4	10.75	10.00	Loss 0.75
Shawinigan Falls	8.70	1.18	0.4	10.28	10.00	Loss 0.28
Sherbrooke	8.70	0.91	0.4	10.01	10.00	Loss 0.01
Three Rivers	8.70	1.18	0.4	10.28	10.00	Loss 0.28

"C"

Extract from Memo prepared by G. C. Morrison

There are three basic things, in my opinion, out of line in the Bakery business.

1. Chain Store bread at ten cents for a twenty-four ounce loaf is selling too cheaply. (Demonstrate the A. & P. loaf)

According to Mr. Burdon, Cost Accountant of A. & P., Page 676, Exhibit 33, the cost of A. & P. twenty-four ounce loaf F.O.B. Bakery Platform in Montreal is.. 8·70

A. & P. ship the bread for their Ottawa stores by C.P.R. express each night on Train No. 1. The express rate on bread for Ottawa from Montreal is sixty cents per hundred pounds or ·90 per 24-oz. loaf...... ·90

This means the Express Company lays bread down at each individual store in large cartons. At the store the bread is unpacked, put on display, checked by the cashier and usually put into a paper bag. The loaf on exhibit was purchased in the regular way at the A. & P. store, Elgin street, near Cooper, and the girl wrapped it in a ten pound paper bag, on which I got a quotation from Continental Paper Products Limited, Ottawa, of 4.50 per thousand in very large quantities................ ·45

It was generally agreed by all Chain Store executives at the hearings that a minimum of one cent was required as handling charge in the Chain Stores. Mr. Bird of A. & P. on Page 699, Volume 15, stated that the margin on bread should be ten per cent and Mr. Meach of Loblaw's was most emphatic that one cent was not sufficient. However, I will add one cent for handling.. 1·00

Actual Cost .... 11·05

which shows conclusively that Colonel Ruttan was right when, on behalf of the Ontario Bakers' Association, he declared that A. & P. were selling bread at a loss.

"D"

Extracts from an address by

Rt. Hon. J. L. Ilsley

on

THE IMPORTANCE OF FAIR COMPETITION IN THE CANADIAN ECONOMY

to the

Thirty-third Anual Conference of
The Association of Better Business Bureaus

at

Quebec City, June 11, 1947.

"Although free competition is recognized as the motive power of our economy, our law makers have realized that certain rules of the road must exist to prevent abuse and to ensure that competition be not only free and effective, but also fair. Economic liberty in this regard, like social and political liberty, must be qualified to ensure that the freedom of one is not exercised at the expense of the freedom of others. Consumers and businessmen must thus be protected against fraud, against misrepresentation of goods, against the use of deleterious substances, and generally against abuses of dominant economic power.

Our Criminal Code, for example, prohibits fraudulent dealings, the obtaining of money or goods by false pretences, secret commissions and certain types or false advertising and branding. Section 498A, enacted as a result of the reports of the Price Spreads Commission, bans certain kinds of unfair price discrimination and the use of economic strength to destroy competition by selling goods at unreasonably low prices. No one has the right to foist on the public harmful substances or to misrepresent the nature of goods necessary for health. To this end statutes such as our Food and Drugs Act and the Proprietary or Patent Medicine Act are actively enforced."

ONTARIO BAKERS' ASSOCIATION 1947

Executive Committee and Board of Directors

Bernie Zurbrigg, President, Zurbrigg's Bakery Ltd., Ingersoll.
Wm. Henderson Jr., I.P. Pres., Wm. Henderson & Sons, Waterloo.
T. M. Dutton, 1st Vice-Pres., Wonder Bakeries Ltd., Toronto.
Walter McAdam, 2nd Vice-Pres., Jackson's Bakeries Ltd., Hamilton.
Robert H. Ackert, Secretary, 10 McNab Street South, Hamilton.
W. Harry Carpenter, Treasurer, The John McHutchion Ltd., Brantford.
Harry Barnes, Executive, Imperial System of Bak., St. Thomas.
Claire Beattie, Executive, Beattie's Northern Bread, North Bay.
Cliff. W. Cotter, Executive, Brown's Bread Ltd., Toronto.
W. E. Heal, Executive, Wonder Bakeries Ltd., Toronto.
G. Cecil Morrison, Executive, Morrison-Lamothe Ltd., Ottawa.

Balance of Board of Directors

M. D. Allen, Director, Can. Doughnut Co. Ltd., Toronto.
Art. Bennett, Director, Art. Bennett's Bakery, Port Arthur.
Lionel Bonner, Director, Meaford City Bakery, Meaford.

Maurice Dawes, Director, Johnston Baking Co., Woodstock.
Fred. Goodbrand, Director, Goodbrand Bakery Ltd., Sudbury.
John Gilchrist, Director, Gilchrist Bakery Ltd., Windsor.
Jos. Hassard, Director, Wright's Sanitary Bky., St. Catharines.
Archie Henderson, Director, Trent Valley Baking Co., Peterboro.
Frank Hill, Director, R. B. Hill Bakery, Hamilton.
Victor Loftus, Director, Canada Bread Co. Ltd., Toronto.
Egon Nielsen, Director, Nielsen's Pastry Shop, London.
Wesley Oswald, Director, Forest Home Bakery, Forest.
A. Ed. Parker, Director, Parker's Bread, Huntsville.
Doug. Parnell, Director, Parnell Bread Ltd., London.
G. J. Shaw, Director, Shaw Baking Co., Sault Ste. Marie.
Fred White, Director, White's Bakery, Brantford.
Alex. Wilkie, Director, Wilkie's Bakery, Owen Sound.
Earle Zurbrigg, Director, Zurbrigg's Bakery, Listowel.
Harry Zurbrigg, Director, T.V.B. Bread Co., Stratford.

President:

Mr. Jos. Robin
8300 St. Michel Blvd.

Industrial Adviser:

Lorenzo Lebel
3552 Hutchison St.

LA LIGUE PATRONALE DES BOULANGERS INDÉPENDANTS
(THE EMPLOYERS' LEAGUE OF INDEPENDENT BAKERS)

Secretariat: 2 Querbes Ave.,

Apt. 1,

CR. 5013-

Montreal, June 14, 1948.

Hon. Paul Martin,
Minister of Welfare,
House of Commons,
Ottawa.

Honourable Minister:

La Ligue Patronale des Boulangers Indépendants (The Employers' League of Independent Bakers), represents several hundred bakers in the Province of Quebec and the Ottawa Valley, a list of the localities where such bakers operate being attached herewith.

The Independent Bakers wish to present a memorandum to the Special Committee on Prices, in order to correct the publicity of certain newspapers by showing that the prevailing prices of bread are warranted.

We realize the work the Committee has in hand, but we deem it in the general interest to file officially as soon as possible a document with your committee of inquiry on prices.

Yours very truly,

(Sgd) LORENZO LEBEL,
Industrial Adviser.

LL/mmb.
Copy/JL

President: M. Jos. Robin, 8300 St. Michel Blvd.
Industrial Adviser: Lorenzo Lebel, 3552 Hutchison St.

"S'unir pour survivre"

(Unite to survive)

LA LIGUE PATRONALE DES BOULANGERS INDÉPENDANTS (THE EMPLOYERS' LEAGUE OF INDEPENDENT BAKERS)

Secretariat: 2 Querbes Ave., Apt. 1, CR. 5013.

Montreal, June 14, 1948.

SPECIAL COMMITTEE ON PRICES,
House of Commons, Ottawa.

The Ligue Patronale des Boulangers Indépendants, which, according to its constitution, aims at promoting, protecting and acting in the general and particular interests of the independent bakers (Boulangers Indépendents) and represents especially members in the following principal localities, in the Province of Quebec and in the Ottawa Valley:—Alexandria, Albanel, Alma, Asbestos, Assomption, Amos, Arvida, Adamsville, Arthabaska, Acton Vale, Avonmore, Bourlamaque, Belcourt, Brompton Ville, Bagotville, Bedford, Berthierville, Brownsburg, Bourget, Barraute, Beauharnois, Shawinigan Bay, Bellerive, Contrecœur, Coteau du Lac, Chicoutimi, Champlain, Charlemagne, Coaticook, Calumet, Chambord, Danville, Dolbeau, Du Parquet, Drummondville, Dunham, Daveluyville, Eastman, Farnham, Crabtree Mills, Grand'Mere, Granby, Grande Baie, Huntingdon, Hawkesbury, Huberdeau, Howick, Wickham West, North Ham, Ile Verte, Iberville, Joliette, Jonquière, Kénogami, Knowlton, Louiseville, L'Orignal, Lachine, Lavaltrie, Lake Megantic, L'Annonciation, Lac à la Tortue, L'Ange Gardien, Longueuil, Lanoraie, Lefaivre, Lachute, Laprairie, La Sarre, La Minerve, Matabetchouan, Mont Laurier, Montreal, Mont St. Grégoire, Matane, Melocheville, Maskinongée, Montebello, Moose Creek, Mansonville, Magog, Macamic, Maxville, Notre Dame de Lourdes, Nicolet, Nominingue, Napierville, Noranda, Ormstown, Précieux Sang, Plessisville, Papineauville, Princeville, Pte aux Trembles, Quebec, Rigaud, Roxton Falls, Rock Island, Rockland, Rouyn, Roberval, Richmond, Rimouski, Rawdon, Shawinigan, Senneterre, Sorel, Sherbrooke, Stanstead, Thetford Mines, Thurso, Terrebonne, Ste. Agathe des Monts, St. Ludger, St. Barthélémy, St. Thomas de Joliette, St. Alexis des Monts, St. Gabriel de Brandon, St. Urbain, St. Prosper, St. Anicet, St. Nazaire d'Acton, St. Alexandre, St. Jean d'Iberville, St. Maurice, St. Faustin, St. Félicien, St. Simon, St. Isidore, St. Louis de Gonzague, St. Timothy, St. Sébastien, St. Zénon, St. Sauveur des Monts, St. Antoine Abbée, Ste. Thérèse, St. Paulin, St. Benoit, St. Hughes, St. Vincent de Paul, St. Théodore de Chertsey, St. Joachim, St. Félix de Kingsley, St. Donat, Ste. Angèle de Laval, Ste. Eulalie, St. Pie, St. Narcisse, St. James, St. Valère, St. Pascal, St. Césaire, St. Cœur de Marie, Ste. Julienne, St. Joseph du Lac, St. Damase, St. Léon, St. Hyacinthe, St. Polycarpe, Ste. Rosalie, St. Liboire, Ste. Christine, Ste. Marie Salomée, Ste. Martine, St. Guillaume, St. Esprit, St. Ignace de Loyola, Ste. Julie, St. Thécle Station, Ste. Scholastique, Ste. Barbe Ste. Etienne des Grès, Ste. Agnès de Dundee, St. Eugène de Grantham, St. Cyrille, St. Liguori, St. Calixte, St. Célestin, Ste. Hélène de Bagot, St. Jérôme, St. Jean de Brébœuf, St. Lin, St. Félix de Valois, Ste. Monique, St. Eustache, Ste. Elizabeth, St. Marc, Ste. Anne du Lac, St. Paul d'Abbotsford, St. Tite, St. Boniface de Shawinigan, Ste. Anne des Plaines, St. Norbert, St. Eugène, St. Michel, St. Stanislas, St. Jacques L'Achigan, Ste. Flore, Ste. Ursule, Ville St. Laurent, Valleyfield, Vaudreuil, Ville St. Michel, Victoriaville, Val d'Or, Verchères, Val Barrette, Verdun, Warwick, Waterloo, Windsor Mills, etc., wish to submit to your Committee the reasons which justify the present level of bread prices and, for that purpose, we must consider the following price fixing factors:

(*a*) price increase of ingredients from 1939 to September 1947,
(*b*) increases after September 1947,
(*c*) delivery costs.

1. PRICE INCREASE OF INGREDIENTS FROM 1939 TO SEPTEMBER, 1947

	1939	1947
98-pound bag of flour	1.90	4.15
Yeast per pound	0.13	0.20
Malt per pound	0.07½	0.09
Powdered milk	0.08	0.14½
Shortening per pound	0.08½	0.22
Lard per pound	0.07	0.21½
Salt per ton	15.00	15.00
Sugar per pound	0.05-2	0.08-2
Dusting flour per pound	0.02-4	0.06-2
Coal per ton	8.00	15.75
Fuel oil per gallon	0.08	0.15-2
Waxed paper per pound	0.16-4	0.17-3
Unemployment insurance		200.00

Labour, increase from 30 per cent to 40 per cent.

2. *Increases Since September 1947*

Since September 1947 the bakers were faced with an increase of 1 cent a pound for yeast, $4.25 a ton for salt; 1½ cents a pound for paper; of 2 cents for cartons; of $1.75 a ton for coal; 1½ cents a gallon for oil; of 1 cent a pound for powdered milk; of 1½ cents a pound for malt; of $21.00 a ton for bran; an increase of 10 per cent in labour costs.

3. *Delivery Costs*	1939	1947	1948
Gasoline, a gallon	0·24	0·34	0·38
Hay, a ton	8·00	20·00	24·00
Oats, a ton	26·00	64·00	
Straw, a ton	8·00	18·00	25·00

Purchase of trucks, delivery wagons, increase of about 50 per cent. Upkeep of trucks and delivery wagons, increase from 30 per cent to 40 per cent. Labour costs, increase from 30 per cent to 40 per cent.

Other price increases refer to the purchase of horses, tires, harness, licences, insurance, bad debts, losses, etc.

The prices of bread remained unchanged from September 1939 to 1947 in spite of all these increases. The prices of cakes followed the pattern of bread prices. On September 14, 1947, the federal government discontinued the subsidy on wheat, which had the effect of more than doubling the price of flour. This increase in the price of flour for a 24-ounce loaf amounted to 2·2 cents. An increase of 3 cents per loaf covered the cost of the flour and left a margin of ·8 for the other increases, which was insufficient, especially for those who only manufactured bread. Therefore, this increase of 0·03 per loaf was justifiable, since moreover it was shown during the inquiry by the former bread administrator, Colonel C. M. Ruttan, that the Wartime Prices and Trade Board approved of an average of 0·03, though he personally was in favour of an average margin of 0·04 for a 24-ounce loaf, a margin of 0·03 being insufficient.

Increases since September 1947 accounted for an additional increase of one cent in February 1948. This increase only made up for the insufficient first one of 0·03 and took care of the other increases since September 1947. This other increase is undoubtedly justifiable. Furthermore, the President of Canada Bread stated so without hesitation: "The bakery would operate at a loss if it brought down to 0·13 the bread which it sells from door to door at 0·14."

If we consider the increases on delivery expenses since 1939, either labour, gasoline, maintenance of trucks, wagons, feed, oats, straw, insurance, etc., we have an idea of the proportion in which the costs increased. It costs more than 0·04 a loaf for house delivery. In fact, during the federal investigation, two important bakeries stated that a loaf delivered at the home cost 4·13 in one case and 4·33 cents in the other, and that before taking administration costs into account.

> If, according to the large bakeries, delivery costs amount to more than ·04½ of the retail price of a loaf, this factor is undoubtedly much more important in the case of these independent bakeries which have a smaller purchasing power and production volume.

The public is eager for home delivery. The greatest tribute to delivery at home appears in the editorial of *La Patrie* of January 29:

> The producers, rightly so, explain that the current price of these products is due to the cost of delivery, which in fact is high, because of the requirements of the public, which have become a habit. The latter must take this factor into consideration when he recriminates, and each of us must ask ourselves if we would be willing, in order to obtain a reduction in the price of milk and bread, to accept that involved in the service which he has become accustomed to receive from the milkman or the baker. These conveniences must be paid and that is how habits of comfort, typical of life in North America, contribute to the increase in the cost of living.

We therefore wish to submit these facts to your Special Prices Committee, in order to rectify, if possible, the publicity in newspapers to the detriment of the Independent Bakery Industry, and we believe our evidence to be decisive as regards the present prices of bread.

Should other details be necessary, we are entirely at your service.

Yours truly,

"LA LIGUE PATRONALE DES BOULANGERS INDÉPENDANTS"

(*Sgd.*) LORENZO LEBEL
Industrial Adviser.

LL/mmb—Copy/JL

DOMINION STORES LIMITED

Executive Offices

832 Old Weston Road

Toronto 9, Canada.

March 8, 1948.

Lou. D. Squair
Executive Vice-President
H. A. Dyde, Esq., K.C.,
Counsel, Special Committee on Prices,
Room 400, Elgin Building,
Ottawa, Canada.

Dear Mr. Dyde:

At the conclusion of my evidence before the Committee I was asked to read over the transcript of my evidence when it became available and to supply by letter certain information requested by the Committee.

I have now examined the evidence carefully, and have obtained the following information in response to questions by the Committee, which I had not at that time available.

(1) On page 426 of the evidence I was asked by Mr. Lesage for the names of our buyers in Montreal and Toronto during the last three months who dealt with bread.

Buying of bread and contact with our baker suppliers for our Montreal operation is normally conducted by Mr. Frank Raymond. If he were absent from our office, it would be referred to Mr. Armand Lavallee. Information regarding any changes in cost, service, etc., would be passed on to Mr. C. D. Townend, our Montreal District Manager. If the information indicated to him that any change should be made in what we were currently doing, in the way of advancing or decreasing selling prices, Mr. Townend would make that decision.

Buying of bread and contact with our baker suppliers for our Toronto operation is conducted by Mr. Joseph Voigt. If he were absent from the office it would then be referred to Mr. Hugh Blair. However, as in the case of our Montreal office, information regarding advances or declines in price is passed on to senior officials in the merchandising department. In the case of bread there has been a group, consisting of Mr. Ivor Crimp—Vice-President in charge of merchandising, Mr. E. C. Hillier—Supply Co-ordinator, Mr. J. E. Handricks—Toronto Division Manager, and Mr. C. C. Hutchinson—Assistant Toronto Division Manager, who have dealt with and made decisions regarding the retail selling price on bread since last September.

The above information applies not only to the last three months, but covers the period from September to the present time.

(2) On Page 430 of the evidence, I was asked by Mr. Lesage for the name of our buyer in Montreal, and the name of the employee of Harrison Brothers who discussed the advance in Harrison Brothers' prices on Friday, January 30.

The discussion was held over the telephone as I advised the Committee would probably be the case. Mr. Frank Raymond was our representative in that conversation and Mr. Sutherland of Harrison Brothers was the other party.

(3) On Page 432 of the evidence, I was asked by Mr. Lesage for the same information as set out in item (1) above.

(4) On Page 439 of the evidence, Mr. Lesage asked me: "Is there any director of your Company, Dominion Stores, who is a director of a bakery or flour mill, or anything connected with bread or the components of bread?"

In reply to this I gave evidence to the effect that Mr. J. W. Horsey was President and a Director of Dominion Stores Limited, and also Prresident and a Director of General Bakeries Limited. After searching for further information, unfortunately there is nothing in our records that gives any more information than this on this point. Other than Mr. Horsey and myself, the remaining Directors of Dominion Stores Limited are not actively engaged in the operation of the business. Insofar as I am concerned I am not a Director of any other corporation.

(5) On page 459 of the evidence, I was asked by Mr. Cleaver to produce the figures on cost price and selling price of the various twenty-four-ounce loaves handled by us immediately prior to price control.

The figures are as follows:

"Dominion" Brand (Richmello):

	Cents	
Selling price per loaf	7·50	(2 for 15c)
Cost price per loaf	6·00	
Gross Margin	1·50	

Per cent Gross Margin to Selling Price, 20 per cent.

Christie's Bread:

Selling price per loaf	10·00
Cost price per loaf	7·60
Gross Margin	2·40

Per cent Gross Margin to Selling Price, 24 per cent.

Weston's Bread:

Selling price per loaf	10·00
Cost price per loaf	7·50
Gross Margin	2.50

Per cent Gross Margin to Selling Price, 25 per cent.

Note: As these figures apply for 1941 there is nothing covering General Bakeries who were not in business at that time.

I believe this covers all the items which I was asked to supply, but if there is anything further in the matter please let me know.

Yours faithfully,

(Sgd.) LOU. D. SQUAIR,

Executive Vice-President.

GENERAL BAKERIES LIMITED

21 Carr Street, Toronto, Canada

March 16, 1948.

Mr. H. A. Dyde,
Counsel,
Special Committee on Prices,
Room 400, Elgin Building,
Ottawa, Ontario.

Dear Mr. Dyde: I am enclosing certain information which I believe will meet the commitments I made. However, if there is anything else, either that I have overlooked or which the Committee may now wish, please let me know and I will do my very best to supply it.

The statements enclosed are:

(1) Operating Statements for year to April 2, 1947, 16 weeks to July 25, 1947, 12 weeks to October 15, 1947 and 12 weeks to January 7, 1948.

(2) Inventory at July 23, 1947, September 17, 1947, and January 7, 1948, showing Bread Flour separately.

(3) Salaries of Officers of the Company, shown individually, which is what I understood was desired.

(4) Sales of Bread to certain grocers already named as selling below the "going" price.

In connection with this information, it appears that the situation can change from day to day. That is, any one retailer may on one day be selling the "Special" Loaf at 10c, then the next day possibly at 2 for 19c. Later he may sell it for the full going 12c price. I do not believe such variations to be common, but I understand they have occurred.

Also, a retailer may have taken the Special Loaf for a time and then discontinued.

The only point I wish to make is that the price situation in the case of a few retailers is not necessarily a constant one.

(5) Statement re volume of Returns of Unsold Bread.

There are several other points to which I should like to draw your attention:

(*a*) On page 605 of the evidence in the second line of the question by Mr. Harkness, the word December should be September.

(*b*) On page 607 about one-third the way down the page, an Answer is shown as ending with the words "ten retail units." That should read "ten-cent retail units"; that is, a unit is something selling at 10c retail; or an item selling usually for 40c retail would constitute 4 units.

The words above following "ten-cent retail units" are merely an explanation of the term and are not intended as a correction of the evidence. If I remember rightly, I did not give that explanation in my oral evidence.

(c) The confusion with reference to the effect of the January price increase, as evident in the evidence at the bottom of page 607, could probably be cleared up if it is recognized that the increase (less than 1c to us) applied to only about ½ of Montreal total sales and to only about 40 per cent of Toronto's total sales; but total sales were used to determine the profit percentage.

Please be sure to let me know if further information is required.

Yours very truly,

GENERAL BAKERIES LIMITED

(Sgd.) J. M. MacDonald,
Secretary-Treasurer.

J. M. MacDonald: DC
encls.

GENERAL BAKERIES LIMITED

Operating Statements for Specified Periods

—	Year ended April 2, 1947	16 weeks ended July 23, 1947	12 weeks ended Oct. 15, 1947	12 weeks ended Jan. 7, 1948
Sales—				
Bread	2,498,232	829,910	708,680	823,142
Sweetgoods	607,011	170,463	124,971	119,029
Cake	1,106,450	359,314	275,316	284,588
Total	4,211,693	1,359,687	1,108,967	1,226,759
Materials—				
Bread	1,075,200	367,548	324,212	433,293
Sweetgoods	259,727	71,337	53,936	54,577
Cake	555,770	189,507	146,047	156,211
Total	1,890,697	628,392	524,195	644,081
Baking Expense—				
Wages	586,632	190,157	155,477	162,896
Other	149,209	49,570	38,799	43,192
Total	735,841	239,727	194,276	206,088
Total Cost of Sales	2,626,538	868,119	718,471	850,169
Gross Profit	1,585,155	491,568	390,496	376,590
Selling Wages	683,464	224,187	173,630	189,399
Advertising	74,939	26,141	18,093	17,018
Other selling	268,844	79,574	74,353	76,831
Administrative, insurance, taxes and depreciation	268,090	91,402	71,059	73,738
Head office expenses	57,223	19,057	14,547	17,032
Total	1,352,560	440,361	351,662	374,017
Net	232,595	51,207	38,834	2,573
Corporate expenses and interest	36,436	13,251	13,664	13,070
Net before taxes	196,159	37,956	25,170	Loss 10,497
Provision for income tax	75,000	14,100	9,340	
Net profit from operations	121,159	23,856	15,830	Loss 10,497
Net	2·9% of sales	1·8% of sales	1.4% of sales	0·9% of sales-loss

Note: All figures are for entire company.

GENERAL BAKERIES LIMITED

Statement of Inventories at Specified Dates

	Bread flour Bbls.	Bread flour $	Other $	Total $
July 23, 1947	4,830	21,660	275,721	296,381
September 17, 1947	2,950	14,256	230,004	243,260
January 7, 1948	7,059	55,586	207,673	263,259

Notes: (1) September 17 figures are those for inventory taken on the night of September 16 after allowing for materials going into production for sale on the 17th. Or, our week ends on Wednesday night and the inventory, as above, taken on Tuesday night after allowing for materials used for sales on Wednesday.

(2) The heavy increase in flour from September to January is due to large purchases in Vancouver customary in late autumn and winter to provide reserve against possible transportation delays over the mountains.

GENERAL BAKERIES LIMITED

Statement of Salaries of Company Officers

J. W. Horsey, President	$ 5,000 per year
H. C. Wright, Vice-President and General Mgr.	15,000 per year
J. M. MacDonald, Secretary-Treasurer	7,500 per year

Note: (1) The salary figures above are in total, no bonuses of any kind having been paid to the officers.

(2) All the above salaries are charged in Head Office Expenses; these, in turn, charged out each period to the five divisions of the Company on the basis of 1½ per cent of the sales of the preceding period. These charges do not include Corporate Expenses or Interest.

(3) The salaries (including stenographic) account for about 50 per cent of Head Office Expenses.

(4) Our Head Office Staff consists of the above-named three people and one stenographer.

(5) Temporarily, Mr. Smith, General Sales Manager is in charge of our Toronto operation but his salary is charged to Head Office. This does not affect the amount of Head Office Expenses chargeable to Toronto since this charge is based on 1½ per cent of period sales.

QUANTITIES OF BREAD SOLD TO CERTAIN GROCERS

1. Bassin: Averaged 23 loaves per day for three stores together in January, 1948, on the Regular 13 cent loaf. Averaged less than 10 loaves per day for three stores together in February, 1948, on the Regular 14 cent loaf. Averaged about 50 loaves per day for three stores together in February, 1948, on the Special 12 cent loaf.

2. Hardies: Averaged about 12 loaves per day in January, Regular 13 cent loaf. This average remained the same for February. Selling about 8 loaves per day of Special loaf at 10 cents. For a time he sold it for 12 cents per loaf.

3. Hussey: In January averaged about 25 loaves of Regular 13 cent loaf. Sold Special loaf from February 9 to March 3, averaged 55 loaves daily. Most of this was sold at full 12 cent price.

4. Saunders: Not a customer prior to our sale of the Special loaf; now selling about 20-25 loaves per day at 10 cents.

5. 1380 Queen St. West: In January averaged 5 to 8 loaves per day Regular 13 cents. For a time used 5-10 Special loaf per day. Now selling about 70 sliced loaves per day, Regular 15 cents, selling at 11 cents.

6. 1098 Queen St. East: In January, averaged 4 loaves per day of Regular 13 cent loaf. Has sold our Special loaf, about 10 loaves per day, at 11 cents per loaf.

7. Lucatch: In January he averaged about 6 loaves per day of our Regular 13 cent loaf. In February he averaged about 20 loaves per day which he sold at 11½ cents. He was a customer for the Special loaf for only a few days.

RETURNS OF UNSOLD BREAD

The question arose as to the importance of Returns of Unsold Bread. This was in connection with the difference in price of Regular G.B. bread and Richmello, there being no returns permitted on the latter.

Under agreement with the salesmen, they are permitted to return up to 2 per cent of their take-out without charge to them; that is, the company absorbs up to 2 per cent, the salesmen being responsible for anything above that figure.

For the three four-week periods from November 13, 1947, to February 4, 1948, the Returns of Unsold Bread amounted to 1·6 per cent of bread sales. Bread sales in this case are considered to be total bread sales less sales of Richmello bread.

CONSOLIDATED BAKERIES OF CANADA LIMITED

1162 Bay Street, Toronto, Ontario.

H. A. Dyde, Esq., K.C.
Counsel to the Special Committee on Prices,
Elgin Building, Ottawa, Ontario.

Dear Sir,

The Special Committee on Prices asked me to let it have the figures on the operation of Consolidated Bakeries of Canada Limited for February which reflect for the complete month the increase of one cent which became effective on January 27. The following figures are given for the five weeks ending March 6, 1948:

Sales Volume—Toronto, 1,878,402; Montreal, 4,430,584; all bakeries, total, 9,052,456.

May we point out to you the decrease of 513,000 pounds seriously affects our operational figures.

	CENTS
Selling price range	12 and 14
Selling price	13·11
Material cost	6·16
Shop labour	1·11
Oven fuel	·16
Overhead	1·10
Total manufacturing	8·53
Sales wages	2·61
Delivery expense	1·81
Administration	·26
Total cost	13·21
Loss	·10

I would also like to bring to the attention of the committee that while it is commonly said that the baking industry is not affeced by the 8 per cent sales tax, the industry is affected by such tax in an indirect way. The 8 per cent sales tax is imposed on the following items used by it:

Shortening and oils
(all kinds except lard)
Trough grease
Pan oil
Divider oil
Acids
Cake Ornaments
Pan Papers (used for baking only)
Shop Uniforms
Pan Cleaning fluids and powders

Yeast
Eggs (frozen) separated whites
Eggs (frozen) separated yolks
Raisins
Currants
Peel
Dates
Cherries (processed—not frozen)
Arkady
Malt extract
Baking powder
Baking soda
Cream of Tartar
Nuts (shelled—any kind)
Spices—all kinds
Glucose
Corn Starch
Jams and Jellies (all kinds)
Molasses
Apple Pie Filler (except fresh fruit)
Fruits—all kinds—except frozen
Pineapple—crushed
Doughnut flour
Prepared Icings or Fillings
Flavors and Extracts and Colors (all kinds)
Chocolate
Cocoa
Gelatine
Glycerine
Mycoban
Cake Mixes (any kind)
Oatmeal
Cocoanut
Brooms
Brushes
Disinfectants
Cleaners
Soap
Floor Oil
Hardware (for all purposes)
Light globes
Boiler compound
Bread Tickets
Paper Towels
Toilet Paper
Stationery—printing and supplies
Salesmen's Uniforms
Delivery Baskets
Delivery Hampers
Route Books and covers
Horse shoes
Calks
Tires
Tubes
Tire Chains
Batteries
Spark Plugs
Repair parts for trucks
Alcohol or Anti-freeze
Cleaners and polishes
Horse blankets and covers
Brushes
Truck and wagon transfers
Wagon Repair parts
New wagons
New truck bodies

Yours very truly,

A. EARWAKER,
President,
CONSOLIDATED BAKERIES OF CANADA LIMITED.

AE:OW

HOUSE OF COMMONS
SPECIAL COMMITTEE ON PRICES

Statement of The Great Atlantic and Pacific Tea Company, Limited, in response to Questions arising in the examination into bread.

All prices and costs are shown in cents to two decimal places where appropriate.

Page 686.

As of February 14, 1948 the platform cost of bread was 8·70c. Adding to this the estimated delivery cost of ·42c. on a 24-oz. loaf, makes a total cost delivered to the store of 9·12c., which, at a retail selling price of 10c per loaf, shows a gross profit of 8·8 per cent.

The estimated delivery cost of ·42c. for a 24-oz. loaf is an arbitrary one. Some cost accountants would state it was high. Bread is bulky but light and it is easily handled. The actual cost would depend to some extent on the weight of the load and the size of the vehicle and cannot be accurately determined. After hearing Tea Company officials discuss the figure of ·42c., I am inclined to think it is high but I have not heard sufficient reason to warrant a lower figure. I am informed that the weight of the cartons is negligible and is not taken into consideration in the delivery cost.

Pages 689 and 709.

The evidence on pages 689 and 709 as to the relationship between the ingredient cost and the manufactured cost of a loaf of bread is rather confusing. Mr. Fleming's question at the top of page 689 is: "Well, it looks as though the *advance* in price of your flour has something at least to do with the increase in your percentage of gross margin to selling price between December 1 nad February 14?" Mr. Fleming obviously means the *decrease in the price* of flour.

From the figures given by Mr. Burdon on page 689, the cost of a barrel of flour decreased in the period December 8, 1947 to February 5, 1948 from $7.45 to $6.95 per barrel, a net of ·50c. A 10c. reduction on a barrel of flour reduces the cost of a 24-oz. loaf by approximately one-twentieth of one cent. The decrease of 50c. per barrel would therefore cause a reduction on a 24-oz. loaf of one quarter of one cent.

The cost of a loaf of bread decreased from 9c to 8·7c in the period December 1, 1947, to February 14, 1948. Part of this, to the extent of ·25c was due to a decrease in the cost of flour and the balance to increased production.

The gross profit on cakes and sweet goods is 15·78 per cent. The lowest gross profit on a cake item in Toronto is 9·52 per cent; in Montreal, 7·6 per cent. The highest gross profit on a cake item in Toronto is 24·57 per cent; in Montreal, 25·43 per cent. In each case, these profits are based on billing costs. These are platform costs and do not take into consideration delivery costs which are estimated to be the same as bread, namely ·28c per 1 lb.

The total number of all loaves shipped in the 4-week period ending January 31, 1948, was 1,113,757. The comparable figure for a similar 4-week period to decontrol for the four weeks ending August 30, 1947, was 888,535.

Page 691.

The question as to the allotment of tax charged to the baking and production of bread is answered on page 709.

Page 710.

One more store is in the 2 for 23c category, namely North Bay.

Page 716.

The Chairman suggested that as many as 1,800 loaves of white bread were sold in an Ottawa store in one day. During a recent average week of five days (all A & P stores being open only five days in the week), the average weekly sales of regular 24-oz. unsliced bread and Vita-B 24-oz. loaves for each of the Ottawa stores were 1,778 loaves, which works out at 355 loaves per day for each store.

The gross profit in dollars on all business for the 12-month period ending February 28, 1947, was $5,318,811. I refer you to Appendix "A", which was attached to my letter to you of March 11, 1948.

The exact figure for sales for the 12-month period ending February 28, 1947, is $38,904,582. The net rate profit on sales *before* income and excess profit taxes is shown on the margin of Schedule "A" as 1·79 per cent. This was a typographical error. The figure should be 1·77 per cent.

The net profit rate on sales *after* income and excess profit taxes is ·99 per cent. The gross profit rate is 13·67 per cent.

Pages 721-722.

On March 3, 1941, an official in the A & P Toronto office received a call from Mr. M. N. Campbell, vice-chairman of the Dominion Trade and Industry Commission, asking that a representative of the Tea Company appear before the Minister of Trade and Commerce the following Wednesday or as soon thereafter as was convenient. On March 14, Mr. Bird attended at Mr. Campbell's office at Ottawa and was informed that Mr. Morrison, president of the National Bakers' Council, and Mr. Sparks would be at his office at 2.15 that day and he asked Mr. Bird to be there. I attended with Mr. Bird at this meeting, which was presided over by Mr. Campbell. The Honourable Mr. J. A. MacKinnon was not present. According to my docket, Mr. Morrison's letter or brief to Mr. Campbell was read and discussed and was answered by Mr. Bird to the effect that the Tea Company was making money on its bread operations generally and in individual stores and that the Tea Company did not feel called upon to increase its price while it was making money and particularly during the war. At no time did Mr. Bird or the writer see Mr. MacKinnon. Mr. Bird reported verbally only to Mr. Beebe.

Ottawa, June 23, 1948.

Dear Mr. DYDE: With reference to the further information which was requested during my testimony yesterday, I can give you the following information, and will be ready to reappear before the Committee in connection with it, should you think that necessary.

You will recall that Table 4 of my report on wool gave comparative prices for raw wool for 1939-1948 inclusive. The first question was whether these prices represented prices obtained by the wool grower or whether there was some intermediate price between the grower's price and the price paid by the mill. The answer to that is that the prices I quoted from Table 4 were for scoured wool, that is, wool which had been baled, graded and cleaned. There are a great many factors involved in converting wool from what is known as the "greasy state" to the scoured state. I am enclosing Table 4A which gives the prices of greasy raw wool of Australian origin converted from the prices shown on Table 4. Will you please note that the conversion has only been extended to fine and coarse; you will readily see from a comparison of the two tables that medium quality is the same on both, the explanation being that I could not find the appropriate conversion factor for these qualities. As I have stated, the whole business of conversion is very complicated and depends on which of many scores of types of wool you are dealing with. However, I think Table 4A will be useful to you to convey an impression.

The second question raised was for what period the 1947 quotations of comparative fabric prices between the United Kingdom and Canada was taken (I think what the questioner had in mind was whether they were controlled or decontrolled prices). The answer to this is that the figures represented an average for the first half of the year; that is, they were average of the fully controlled price which existed for the first month of the year only, the price which resulted from the controlled increase between the end of January and decontrol, and the final decontrol price which arose, if my memory serves, at the end of March.

H. A. DYDE, Esq., K.C.,

The third question was directed, I believe, by Mr. Irvine and came up during the course of our discussion on the Board's activities in following up unreasonable and unjust prices. The question was what staff the Board employed as at the end of May. The figure is 1,147, but I should emphasize that the figure includes a very heavy rentals staff, an Oils and Fats Administration, and considerable personnel engaged in activities concerning the Emergency Import Control Division of the Department of Finance. This figure compares with just under 6,000, which was peak employment, devoted fully to prices board work under the overall price ceiling.

I trust that this will give you what is required, and if there is anything further, please call me.

Kind regards.

Yours sincerely,

A. G. S. GRIFFIN.

Special Parliamentary Committee on Prices,
House of Commons,
Ottawa.

TABLE 4A.

PRICES OF GREASY RAW WOOL

(cents per lb.)

—	Quality	June 1939	June 1946	June 1947	April, 1948
		¢	¢	¢	¢
Fine	70's	29.0	48.2	66.8	105.2
	64's	26.8	46.0	61.7	98.0
	60's	25.4	43.9	58.3	87.3
Medium	58's	35.1	63.0	77.3	104.00
	56's	32.7	58.4	60.9	78.00
Coarse	50's	18.3	29.3	28.1	35.00
	48's	18.0	27.8	26.8	31.9
	46's	17.7	26.1	25.8	31.3

SOURCE: Wool Intelligence: Commonwealth Economic Committee: January 1, 1948.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

No. 78

REPORT

TO THE HOUSE

FRIDAY, JUNE 25, 1948

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

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(As at June 25, 1948)

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Mr. Robert McCubbin,
Mr. Charles C. I. Merritt,
Mr. Roch Pinard,
Mr. W. Ross Thatcher,
Mr. Robert H. Winters.

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The Special Committee on Prices begs leave to present the following as its

REPORT

On the tenth day of February, 1948, the House of Commons passed the following Resolution:

"That a Select Committee of this House be appointed to examine and to report from time to time as to:

(a) the causes of the recent rise in the cost of living;

(b) prices which have been raised above levels justified by increased costs;

(c) rises in prices due to the acquiring, accumulating or withholding from sale by any persons, firms or corporations of any goods beyond amounts reasonably required for the ordinary purposes of their businesses.

That the Committee shall have power to appoint from among its members such subcommittees as may be deemed advisable or necessary to deal with specific phases of the enquiry, and power to send for persons, papers and records, to examine witnesses under oath and to print such papers and evidence from day to day as may be ordered by the Committee.

That the Committee shall have leave to sit while the House is sitting;

That seven members of the Committee shall constitute a quorum;

That the Committee shall have power to engage the services of counsel, accountants and other necessary assistants who shall be paid out of the appropriation for Parliament;

That the Committee shall consist of: Messrs. Beaudry, Cleaver, Fleming, Homuth, Johnston, Knowles, Lesage, Martin, Maybank, Mayhew, McCubbin, Merritt, Nicholson, Pinard, Smith (*Calgary West*), Winters, and that Standing Order 65 be suspended in relation thereto."

The following changes were made subsequently in the membership of the Committee: Mr. MacInnis for Mr. Knowles; Mr. Irvine for Mr. Nicholson; Mr. Harkness for Mr. Smith; Mr. Thatcher for Mr. MacInnis; Mr. Kuhl for Mr. Johnston; Mr. Beaudoin for Mr. Cleaver; Mr. McGregor for Mr. Homuth; Mr. Zaplitny for Mr. Irvine; Mr. Irvine for Mr. Zaplitny.

Following upon its constitution, your Committee met under the chairmanship of the undersigned and proceeded to organize and plan its activities. It was decided to investigate several different commodities with a view to arriving at an understanding of the forces which had brought about price increases in recent times, and to report on the other points in the terms of reference. The several commodities investigated are dealt with in order hereunder.

The Committee organized a Secretariat with an able corps of assistants; secured counsel in the persons of Mr. H. A. Dyde, K.C., and Mr. Fabio Monet, K.C.; and acquired the services of Mr. J. R. M. Wilson, F.C.A., in the capacity of Accountant.

With the exception of the inquiry into textiles, the Committee pursued the method of obtaining preliminary information from organizations in the industry under review and then called witnesses to give oral testimony and produce documents for the examination of the Committee.

In the case of the inquiry into the primary textile industry, the Committee secured the services of Mr. Maurice Samson, C.A., of Chartre, Samson, Beauvais, Gauthier & Company, Chartered Accountants, and requested him to make a complete examination of representative organizations in the industry and to submit reports of his findings to the Committee. These reports were submitted by Mr. Maurice Samson, C.A., and Mr. E. Harry Knight, C.A. Upon receiving them, oral testimony was given in amplification of the reports and thereafter representatives of several of the manufacturing companies in the industry were also examined both upon the statements in the report of the said accountants and upon other documentary material which the Committee had before it.

The Committee was set up to find the facts about the price situation. It was a fact-finding committee. Its purpose is to make clear, as far as possible, the real circumstances governing the present situation.

The Committee was not given power to fix prices, or to reduce prices. It had no power to halt rising prices. Such authority can only come by way of provincial or federal legislation. The Committee is of the opinion, however, that the very fact that it existed and that it had the power to subpoena witnesses to give an accounting of their business transactions has had a salutary restraining effect on unjustifiable price increases. This opinion is borne out by the statements of representative witnesses.

Where the facts disclosed seeming wrong-doing they were brought to the attention of the proper authorities. Certain prosecutions followed in accordance with existing legislation.

In the time at its disposal, the Committee was unable to investigate all the elements entering into the pricing of all consumers goods. But in examining, during its 77 public sittings, 130 witnesses the Committee obtained evidence of the Price situation in the production and distribution of certain essential commodities. These witnesses included Dominion Government officials, representatives of Consumer Associations, Corporations, Co-operative Associations, trading firms, Committee's Accountants and individuals. The verbatim evidence amounts to over 3,800 pages and is being tabled with this report together with 155 exhibits filed with the Committee.

SUMMARY OF FINDINGS

The Committee, in its investigations of price rises, found that the major causes of the upward movement of Canadian prices had their beginnings in the war years. The single most important cause was found to be external prices. Canada has developed an economy in which imports and exports play an important part. During 1947, for example, imports were valued at $2,600,000,000 and exports at $2,800,000,000.

The fact that foreign trade constitutes so large a part of Canada's total economic activity makes price levels in this country particularly sensitive to price changes in the world market. The Canadian price level has been forced to rise because of the vigorous upward pressure of external prices, which, in the present rehabilitation period with its world-wide shortages, have advanced continuously and in some cases with extreme rapidity.

At the same time the costs of production, wholesaling, and retailing have also risen. At each step in the merchandising system these increased cost elements have tended to increase the ultimate price.

The degree of influence upon prices of enlarged purchasing power is difficult to determine. That it does influence their level is admitted. Purchasing power in Canada, as indicated by "personal disposable income", has increased two and one-half times since 1939.

This expansion of purchasing power has undoubtedly acted as one of the causes of the increased price level.

In its investigations the Committee found that, in certain instances, opportunists, taking advantage of the special conditions existing, made unprecedented profits. While it may be true in some cases that such profits were of a non-recurring type, there is no doubt that the high prices that produced these profits did raise the cost of living at that time.

The Committee concludes that the significant causes of the recent rise in the cost of living in Canada are:

(*a*) the rise of external prices,

(*b*) the increase in the costs of production,

(c) the expansion of purchasing power in relation to goods and services available,

(d) certain supplementary factors which operate in specific cases as outlined hereunder.

In searching out, in accordance with its terms of reference, instances in which "prices had been raised above levels justified by increased costs", the Committee discovered a number of cases where, during the past eight months, individuals and companies had made profits which were considerably higher than those usually considered warranted. In these cases special circumstances such as restricted supplies, increases in external prices or exceptionally heavy demands made such profits possible. Where it was clear that advantage was taken of these conditions to obtain abnormally large profits, the Committee referred the evidence in these cases to the Wartime Prices and Trade Board. As a result, 12 prosecutions concerning butter were undertaken under the "just and reasonable" clause and other provisions of the Board's regulations. In 3 cases convictions have been registered. Prosecutions have also been authorized in 5 cases concerning fruits and vegetables.

The Committee is convinced that its action in conducting spot examinations in those commodities that are particularly vulnerable to price increases at the present time has had a deterrent effect on individuals and firms engaged in processing, handling or selling these, and related commodities.

CONCLUSIONS

In this report the Committee reviews the basic and supplementary factors contributing to the recent increase in the cost of living and gives consideration to the action that the government should take in regard to the matter of prices, which is one of the paramount problems in the public mind at the moment.

The Committee has come to the conclusion that certain specific measures should be considered by the government. The proposals which the Committee herewith puts forward are obviously not of equal importance and will not have an equal effect on the price structure. Nevertheless, each of them would play its part either in directly accomplishing a reduction in prices or in bringing into play those forces of informed public opinion which would contribute to this end.

The Committee therefore proposes as follows:

1. That the government consider the immediate appointment of a commission under the Public Enquiries Act to continue the work initiated by this Committee: that of investigating price structures and the factors leading to price and cost increases and increased profit margins.

The results of the work then accomplished by the Commission should indicate whether it would be advisable to assemble at the next session of Parliament a committee similar to the present Special Committee on Prices. The Committee comes to this conclusion because its investigation up to the present has clearly disclosed that there is a tendency in some instances in certain lines of business in Canada to take advantage of the special conditions prevailing to make the largest possible profits by keeping prices up and thereby ignoring the general well-being of the Canadian people.

The Committee is also of the opinion that this tendency can be checked by the suggested continuous scrutiny of prices and profits and by the resultant widespread publicity.

2. The Committee was impressed with the importance of the activities of the Combines Investigation Commissioner in preventing certain practices which tend to increase prices to exorbitant levels, and in creating conditions which lead to that free competitive action which should regulate prices in the consumer interest. At the same time the Committee feels that the funds which

it has been the practice to place at the disposal of the Commissioner are not now sufficient for the work which should be done.

3. That the government amend the regulations of the appropriate legislation, if that be found necessary, so that immediate specific action can be taken wherever the evidence discloses flagrant cases of profiteering at the consumer's expense. While recognizing that it is difficult to establish a hard and fast formula that can be universally applied, the Committee is convinced that there are cases of abuses where the public interest is so clearly being disregarded that action should be taken against the offenders.

The work of investigation and fact-finding already undertaken by the Committee has resulted in 12 prosecutions of those profiteering in butter, with 3 convictions already registered. In addition, proceedings have been instituted in 5 cases of profiteering in the fruit and vegetable industry. These prosecutions were undertaken by the Wartime Prices and Trade Board under the authority of its powers in regard to "just and reasonable" prices. The Committee feels that these activities should be extended, and that the regulations governing the powers of this Board might even be amended and strengthened, where found necessary, in order to ensure the maximum protection of the consumer.

4. That the Government consider the removal of import restrictions now in effect on certain fruits and vegetables, taking care not to affect adversely the interests of Canadian primary producers, particularly producers who, like those engaged in market gardening, are striving to increase production to meet the increasing demand.

The Committee recognizes that the exchange conservation program which has been approved by Parliament is both unavoidable and necessary. However, the Committee feels that in so far as this program creates a situation in which the scarcity of certain essential foods—a scarcity which can be and has been exploited by certain handlers of these commodities in such a way as to bring hardship to consumers—the Government should give consideration to removing or relaxing provisions of the program which affect these commodities.

5. The Government should give consideration to the desirability and practicability of restricting price rises by special taxation of unreasonable profits.

6. That the Government consider including in the terms of incorporation of businesses under the Companies Act a provision for the institution of a uniform system of business accounting.

By giving the lead in this way, the Federal Government could encourage the development of a more uniform system of accounting across Canada. This action would greatly facilitate the work of the Commission recommended.

The Committee noted from the evidence presented before it that there now exists a wide variation in business accounting practices. In some cases this evidence has shown that excessive profits can be concealed by accounting practices such as the manipulating of inventory values, the adjusting of replacement costs, and so on.

A universal accounting system has from time to time been advocated by various business associations in Canada.

7. That the Government give immediate consideration to amending the Companies Act to provide for a more complete disclosure of information about inventory reserves deducted in determining profits.

Your Committee recommends further that the Government consider in conjunction with the provinces a general revision of the disclosure now required by the various Companies Acts in annual financial statements of companies and of the provisions respecting the availability of such information to the public.

8. The Committee does not feel that the interests of Canadian consumers would be safeguarded by a system of overall price and related controls.

The Committee is of the opinion that, during this difficult transition period in cases where, it is clearly shown that hardship would otherwise ensue, the

Government should give consideration to the reimposition of certain control measures and to the application of some measure of temporary subsidy.

The experience of other countries in trying to maintain a system of overall price and related controls shows clearly that the cost of subsidies alone—not to speak of the heavy expenditures required to maintain the administrative machinery needed to administer and enforce controls—is prohibitive. Canada cannot maintain its position as a great world trader and, at the same time, insulate completely the Canadian economy from world-wide economic fluctuations. Nevertheless, the Committee feels that in the process of changing from a controlled war-time economy to one based on a desirable degree of freedom every effort should be made to avoid as much as possible disturbance to the Canadian economy and to keep to a minimum any hardship for the Canadian people resulting from inflationary tendencies in prices.

9. The Committee is of the opinion that the Government should consider whether the time has not come to remove the special excise taxes on commodities in common use in Canada.

Parliament approved these taxes as a part of the exchange conservation program. They were not intended for revenue purposes but for the furtherance of the Government's general program for the conservation of United States dollars and should not be continued beyond the period required for that purpose.

10. That the Government give close consideration to the question of revising the present rent controls with a view to removing the causes of individual cases of hardship. In the course of carrying out its investigation into the general price situation, the Committee noted the operation of Rental Controls. That these controls have been of great benefit to the great majority of Canadian families is a fact beyond dispute. The Committee feels that in specific cases they do result in hardships and difficulties for home-owners. At the same time, however, the Committee wishes to emphasize its opposition to any wholesale removal of rent controls at this time.

11. The Committee realizes that in the long run the Federal Government may be faced with constitutional difficulties in regard to its operations in the field of prices. This is clearly a matter in which, within the Canadian federal structure, responsibility normally rests with the provincial governments, although the Federal Government, under wartime emergency conditions, was compelled to take action in this field.

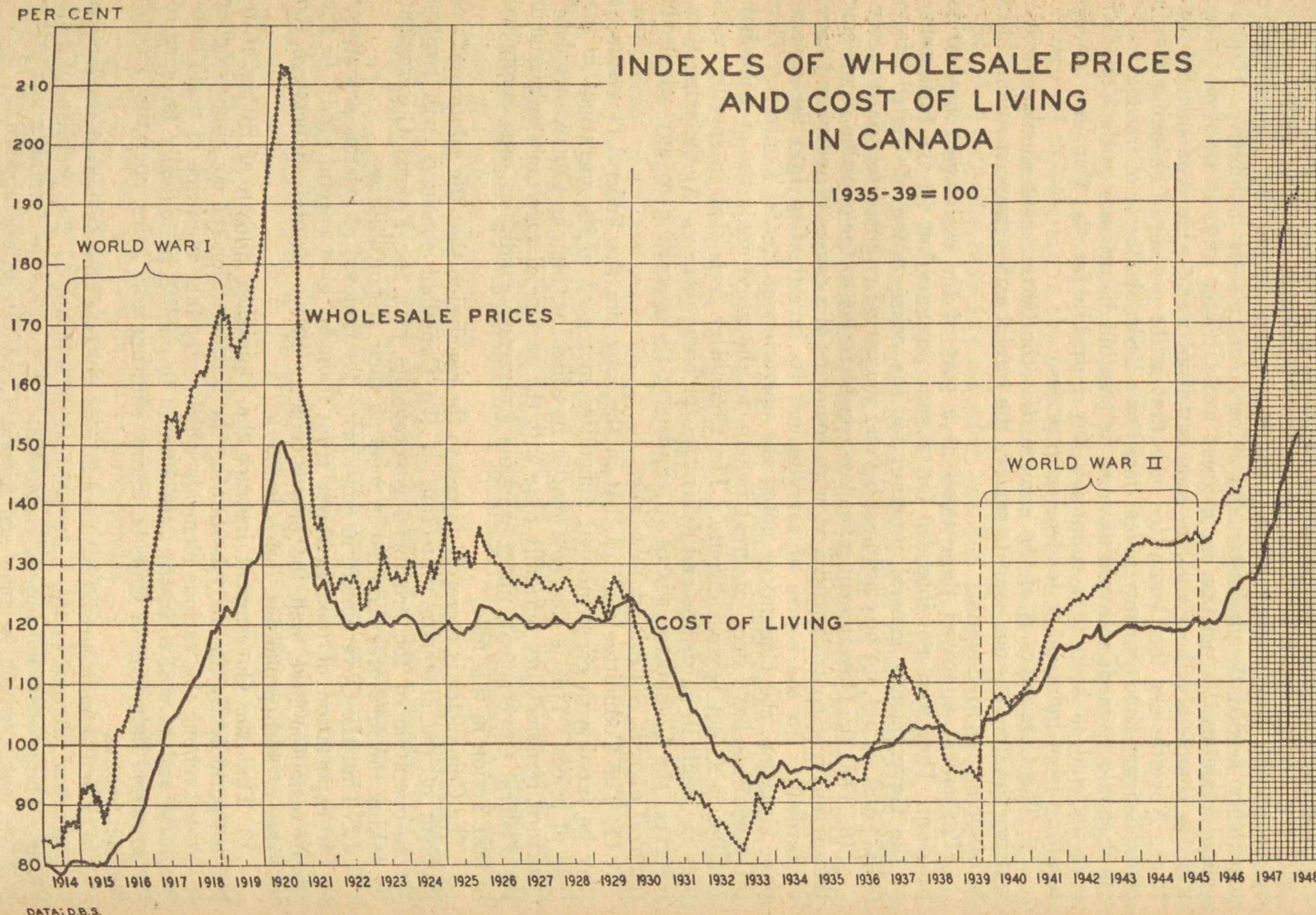
The Committee is therefore forced to the conclusion that the solution of the problem of the adequate protection of the Canadian consumer will require the co-operation of the provincial governments with the Federal Government by taking the measures required in meeting their responsibilities.

12. That the Government, in considering the removal of existing embargoes on the exportation of food products from Canada, give careful study to the supply situation here, and the proper balance to be maintained between the interests of both producers and consumers.

13. That the Government instruct the Dominion Bureau of Statistics to publish periodically an analysis showing the way in which the consumer's dollar is divided among the various elements which enter into the price of basic commodities; and as well to instruct the Bureau to publish periodically for each of the principal industries of Canada, figures showing total sales, operating income and net profits.

14. The Committee wishes to emphasize the fact that increased production at home and abroad is the only permanent solution to the problem of high prices. The present shortage of commodities is world-wide, forcing world prices to high levels, which in turn are forcing Canadian prices upward.

Since the war, industry in Canada has been making commendable efforts to relieve these shortages. The great amount of goods that Canada is contributing to the total world supply will aid substantially in relieving the present pressure on world prices, and in turn, will ease inflationary pressures in Canada.


INDEXES OF WHOLESALE PRICES
AND COST OF LIVING
IN CANADA
1935-39 = 100
PER CENT
WORLD WAR I
WHOLESALE PRICES
COST OF LIVING
WORLD WAR II
80 90 100 110 120 130 140 150 160 170 180 190 200 210
1914 1915 1916 1917 1918 1919 1920 1921 1922 1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945 1946 1947 1948
DATA: D.B.S.

THE COST OF LIVING IN THE PERIOD AFTER THE FIRST WAR

Although instructed to find the facts relating to recent price increases only, the Committee decided to make some study of the course of the cost of living since World War I in order to learn any lessons from that period helpful in the present situation. From this study it was evident that one of the chief characteristics of the cost of living is its tendency to wide fluctuations.

The cost-of-living index and the wholesale price index are convenient devices for measuring the changes that take place from time to time in price levels. These indexes are also useful for comparing the cost-of-living trends of different countries.

The cost-of-living index measures changes in the cost of a fixed family budget which includes the same amounts of the same commodities and services over considerable periods of time. Each component item is weighted and the total for each period is expressed as a percentage of the cost in a base period (for Canada 1935-39 = 100).

The wholesale price index is a method of comparing prices by taking the average wholesale prices of each of an extensive range of commodities in a base year and expressing prices of these in all other periods as a percentage of that price.

The Cost of Living Since World War I:

The cost-of-living index has varied considerably since 1913 as it responded to changes in the prices of goods and services. As a result of conditions very similar to those which followed World War II, the index rose from 79·1 in 1913 to 145·4 in 1920, an increase of 84 per cent. Within the general index, the index of food rose by 113 per cent (Table 1, Appendix).

During the post-war recession the index declined rapidly to 120·4 in 1922. It fluctuated about this figure for the remainder of the decade, the first significant variation occurring with the onset of the depression of the thirties. By 1933, the total index had dropped to 94·4 and the food index to 84·9, the lowest point since 1913.

This decline in living costs was associated with ruinously low prices for many commodities, especially for primary products. Wheat was 55 cents a bushel, eggs were 20 cents a dozen and butter was 20 cents a pound. Such prices were the result of greatly reduced purchasing power, for the conditions of unemployment which characterized the period were unprecedented, not only at home, but also abroad. (It was the period of bread lines and relief camps.) No person would wish to experience a repetition of the economic conditions which accompanied this price level.

Following the low point in 1933, prices rose gradually until, by 1940, the index had climbed to 105·6. The course of the cost of living index during World War II contrasted strongly with that of World War I. From 1914 to 1918, it rose from 79·7 to 115·6, or 45 per cent. From 1940 to 1945, the increase was from 105·6 to 119·5 or 13 per cent—a far smaller increase, in spite of the fact that during 1943 and 1944 the country was devoting about three times as great a share of its resources to the direct prosecution of the war as in 1916-1918.

In 1946, prices began to rise more quickly and then accelerated rapidly under the pressure of factors that are examined. By April of 1948, the index had risen to 151·6, while on the first of January, 1946, it stood at 119·9. This was an increase of 26 per cent or twice the increase which had occurred during the war years.

The Cost of Living in Other Countries:

High prices are world-wide. The evidence available to the Committee indicates than 50 countries show a considerable and continuous rise in price levels. The rise in prices during the past eighteen months in Canada has been greater than that in a number of these countries, but this is due mainly to the fact that prices in Canada were so rigidly controlled during the war period that at the end of 1945 Canada showed, in relation to pre-war levels, the smallest increase in the cost of living and in wholesale prices of any country in the world.

The price level in Canada, when compared with that of other countries, was held so low during the war that by December, 1947—in spite of a rise of nearly 30 points since mid-1945, which was more rapid than that of some other countries—the cost of living in Canada was still below that of most other countries in the world.

With regard to the United Kingdom, it was noted that the cost to the country of maintaining its price levels is estimated at £400,000,000 sterling per annum for subsidies only and it is significant that the United Kingdom Government has announced that subsidies would have to be limited to this figure. In Australia, they have recently decided by referendum that controls shall not be continued on a national basis.

It was found, however, that although the wholesale price index showed a 40 per cent advance in Canada, the Canadian general wholesale index was lower than in all countries but one.

Clearly the phenomenon of high and rising prices is not confined to this country. In fact, in almost all other countries the problem is much more serious than in Canada and unfortunately high prices in one country tend to influence the price levels in other countries. International trade being a factor of great importance to Canada, the high prices prevailing abroad are bound to exert a tremendous upward pressure upon our domestic price level.

Price Increases After World War II:

In order to investigate in more detail the forces behind the increase in the cost of living during 1946, 1947 and the first part of 1948, the Committee had a tabulation (Table 2, Appendix) made of indexes of wholesale prices for a group of major commodities based on prices prevailing in December, 1945. The general wholesale index and the indexes for individual commodities reflect more strikingly the changes in price factors than does the cost of living index which absorbs such changes according to the weights of its component parts. Both indexes move on a similar course, but the wholesale price index is subject to wider fluctuations than that of the cost-of-living index.

The relation of price changes in staple commodities to changes in the cost of living index is illustrated later (Table 2, Appendix). For example, from January to April, 1948, the price per pound of pork loin increased by 4·3 cents which was reflected by an increase of only 0·8611 points in the food index and 0·267 points in the total index. The reduction in the price of oranges during the same period, of 1·9 cents per dozen caused a decrease in the food index of 0·178 points and in the cost of living index of 0·055 points. These two changes together mean an increase in the food index of 0·8611, less 0·178 or 0·6831 points, and in the cost-of-living index of 0·267 less 0·055, or 0·212 points.

The wholesale price indexes (Table 3, Appendix) indicate considerable variations in the levels of prices which the component commodities reached by

April, 1948. From December, 1945, to April, 1948, beef prices, for example, showed an increase of 35·4 per cent, pork 73·8 per cent, fluid milk 63·1 per cent, potatoes 21·2 per cent, cocoa beans 283·4 per cent and vegetable oils 91·6 per cent.

Causes of Price Increases Since August, 1945

During the war the Canadian price level was stabilized by the application of over-all ceilings, by subsidies, and by the controlled distribution of goods. The effect of these measures was to protect the price level from the upward pressure of external prices, to keep down costs and to distribute supplies on an equitable and non-competitive basis. These efforts were supplemented by a vigorous campaign based on patriotic motives, designed to increase savings. Such savings not only aided in the financing of the war effort but also checked the expansion of purchasing power, and lessened the competition for scarce goods and services.

The forces and tendencies towards increasing prices were in existence during the war—price control, wage control, and related measures, merely kept them in check. This became difficult with the return to peacetime conditions. The Canadian economy became more complex as industry was reconverted from war to peacetime production, and as new capital enterprises appeared. In addition, the patriotic support that was essential to the successful operation of controls steadily diminished.

As controls were eliminated, the potential forces that were building up pressure on prices, were free to exert their direct effect on price levels. This occurred despite the endeavour to time decontrol measures to coincide with the periods of greatest supply and thus to affect price levels as little as possible.

The elimination of the system of controls is often thought of as being actually the cause of high prices which follow that elimination. This is misleading. Controls were a barrier to price increases occurring while the controls operated. Economic forces were always at work tending to force prices up and in fact prices rose. The control system was successful in temporarily combating such forces. However, it was apparent in the later days of control that the resistance to natural pressure was becoming more and more difficult.

To maintain the system of rigid overall price controls in the post-war period would have been progressively more costly than during the war. Rising external prices could only have been completely offset by the re-establishment of a complete system of subsidies at tremendous cost. It would seem not unreasonable to say that the cost of an overall system of subsidies would have been at least three times that of the highest war year with resultant increases in taxation.

Moreover, administration difficulties would have become infinitely greater with a return to the complexities of peacetime. The problem of regulating capital investment alone would have been of great magnitude. In addition, the administration of controls would not have continued to enjoy the great support given the policy during the war. At that time the great majority of Canadians had the one aim—to win the war. Wholehearted support was given to every plan designed to accomplish this. That single-minded support was a far greater strength in administering controls than were the multitudinous laws required to enforce them. Upon the return to peace, the situation was far different. There are many aims now. The patriotic urge to support administrative procedures is not present to anything like the same degree as in wartime.

Controls necessary to maintain a planned national economy became increasingly difficult to maintain as constitutional powers gradually reverted to the provinces.

External Prices

Reference has already been made to the influence of external prices on prices in Canada. Of all the various factors that have contributed to the increase in the Canadian cost of living, the upward movement of external prices has been one of the most substantial and one of those most difficult to cope with. Through their effect on goods exported, as well as on those imported, rising external prices have a direct and powerful effect on the Canadian price level. During the war years, the Canadian economy was effectively insulated from these pressures by subsidies with their related controls, bulk purchasing and export and import controls. When it seemed no longer feasible to maintain these temporary measures, these world prices exerted their effect as one of the forces already indicated in the foregoing sections of this report. All or nearly all Canadian imports rose in price, and commodities which are in some part exported, likewise rose in price in Canada to conform to the higher prices obtainable from them in international trade.

In discussing "overall" or "complete" control your Committee does not wish to indicate that a *modified* form of control, with perhaps subsidies ancillary to it, might not be feasible on a temporary basis on specific commodities during an emergency. Your Committee notes that during the present year the Government promptly instituted certain modified controls when these were clearly necessary to correct or prevent abuses, for example, butter and certain imported fruits and vegetables.

United States prices are of special significance in this respect. This is because Canadian imports from that country are of so great a volume. In 1946, their value was $1,405,000,000, and in 1947 they rose to $1,975,000,000. Decontrol in the United States began early in 1946. In March, 1946, the index of the United States wholesale commodity prices was 108·9. By June, 1947, it had risen nearly 40 points to 148·0, and by December, 1947, it was 163·2.

This rise was found to have an influence in increasing prices in Canada, but the impact on the Canadian economy was intensified by the fact that the rise took place in a period of expanding Canadian imports from that country. The result was to place a tremendous strain on the Canadian policy of orderly decontrol during this critical period.

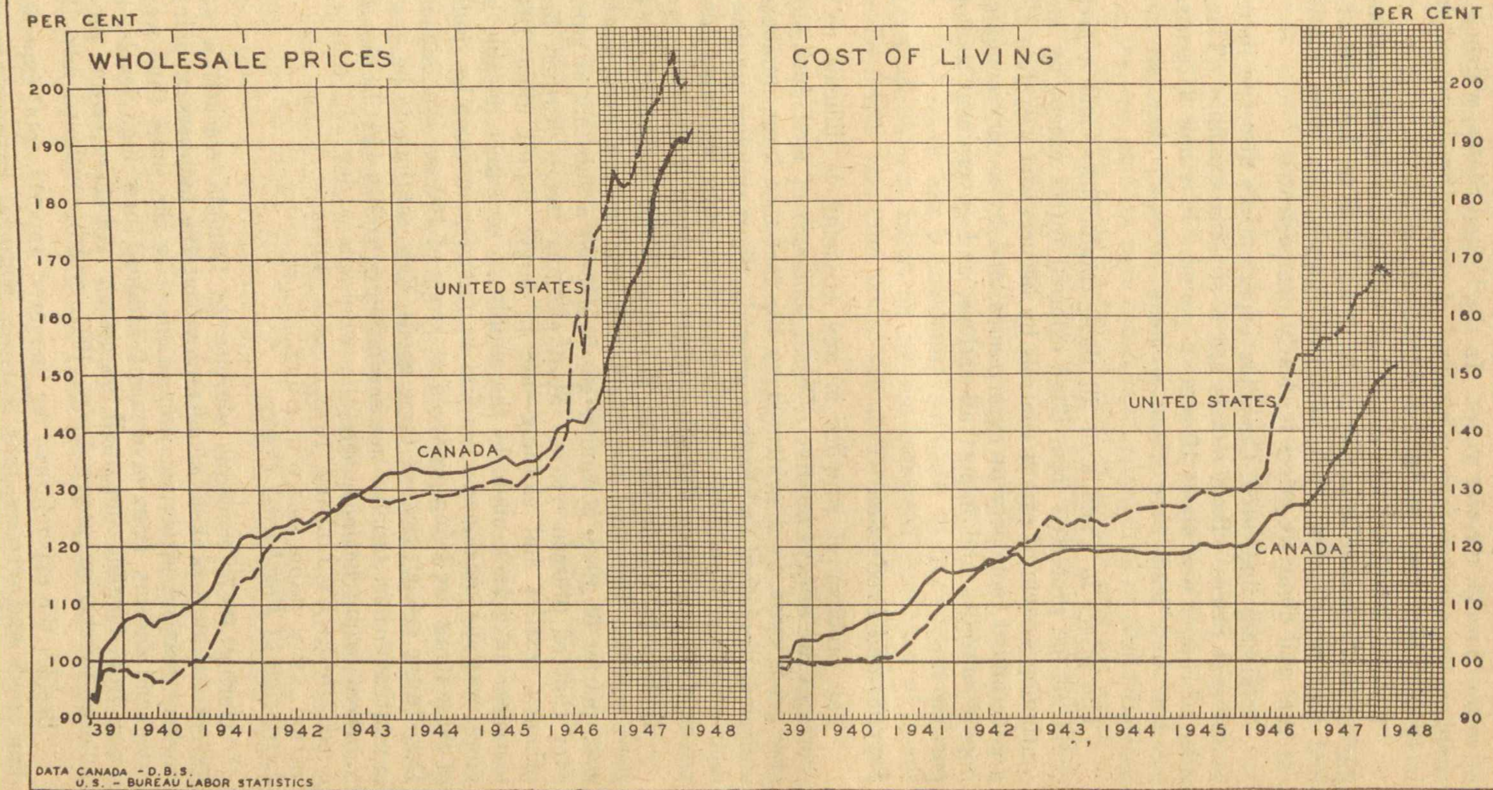
The Committee considered specific examples which indicate the relationship of external prices to our domestic prices. On April 15, 1947, when the subsidy was removed from cocoa beans, the wholesale index for that commodity registered 235·0. By January, 1948, it was 440—an increase of 205 points in that period, attributable solely to rising import prices.

The relationship is not quite so clear for other commodities since there are relatively few appearing in the wholesale indexes which are derived entirely from external sources. Tea and coffee are similar to cocoa and showed a similar trend, although not to the same extent, since supplies of these have not been quite as short in international trade, as in the case of cocoa beans.

The wholesale price index of cotton textiles, which are produced from imported raw cotton, stood at 114·6 in February 1947. The subsidy was withdrawn in three stages beginning in March, 1947. The subsidy was completely eliminated by September, 1947, and by November the index stood at 184·4. By April, 1948, it had risen still further to 190·0.

WHOLESALE PRICES AND COST OF LIVING
CANADA—UNITED STATES

1935–39 = 100



The wholesale price index for cotton textiles reflects the increase in the price of cotton through the war years. In the United States, which is Canada's chief supplier, the average price per pound of raw cotton increased from 10·2 cents in 1940 to 37·2 cents in April of 1948.

These are isolated examples, but taking into consideration the fact that, during 1947, Canada imported goods of all kinds to the value of $2,573,930,000, and that world prices have advanced sharply, the close relationship between external and domestic prices is clearly demonstrated.

As already indicated, Canadian export prices also rise in response to rises in external prices. Base metals are a striking example. The pre-war world price of copper was about 10 cents a pound. It is now 21 cents. World prices for zinc and lead were about 4 cents pre-war; they are now 10 and 14 respectively.

The prices in Canada of all these commodities, and a great many more, could not be protected from these external forces except by an elaborate and continuing system of export controls by licences and a system of permits, or by a government monopoly of export sales, and by a very complicated system of import subsidies and import allocations, and government monopoly of import purchases.

Supplies and Production

The problem of supplies in any economy is difficult to assess because shortages are always relative. World shortages of food, fuel, clothing and durable goods exist, as is evidenced by the fact that large numbers of people are underfed, ill-clothed and badly sheltered. Short supplies in other countries have their effect on Canadian price levels, since such shortages force up external prices, with results on Canadian prices as above indicated.

In Canada during the war years, very few commodities were in absolute short supply. Recently, the supply position has improved materially. By the first quarter of 1948, consumer goods showed a substantial gain in production over that of pre-war years. Most clothing items—leather, boots and shoes, primary textiles and clothing—are in larger supply than 1939. Significant increases have been made in the supply of consumer durable goods—refrigerators, washing machines, electrical appliances, automobiles, radios, etc. Some of these items are being produced at levels of 150 per cent higher than pre-war. Despite the rising prices of these goods, they continue to be, for the most part, in relatively short supply—not in relation to volume, but to the effective demand for them or purchasing power.

Expansion of Purchasing Power

During 1947, economic activity in Canada reached a peacetime peak. Except for local pockets of unemployment the numbers of gainfully employed workers reached maximum proportions. At the same time wages and salary rates and income from investment attained new high levels, as did the net return from farming and small businesses. All these factors produced a record level of purchasing power during 1947, which continued into 1948.

Besides the expenditures for increased imports, total expenditure on Canadian goods and services, that is, Gross National Expenditure, rose by roughly $1,400,000,000 or 12 per cent from 1946 to 1947. Since physical production of goods and services was only slightly greater than in 1946, this greatly increased expenditure directly contributed to higher prices. The increase in expenditure in private capital investment was large even in terms of physical volume, and was clearly an important factor in pushing up prices. In consumers' expenditure, however, in which there was only a small increase in physical volume from 1946 to 1947, higher prices and increased dollar expenditure were largely the result of rising costs of imported goods or materials, and increased prices in export markets.

The course of personal disposable income and personal expenditures for goods and services from 1938 to 1947 is shown in the attached chart as personal disposable income. The difference between the two represents savings which may take the form, for example, of increased holdings of government bonds or bank deposits. During the war, savings were substantial, amounting in 1944 to 21 per cent of the personal disposable income. Such a level of savings was the result of patriotic contributions to the war effort and to the diversion of production from consumer goods to the materials of war.

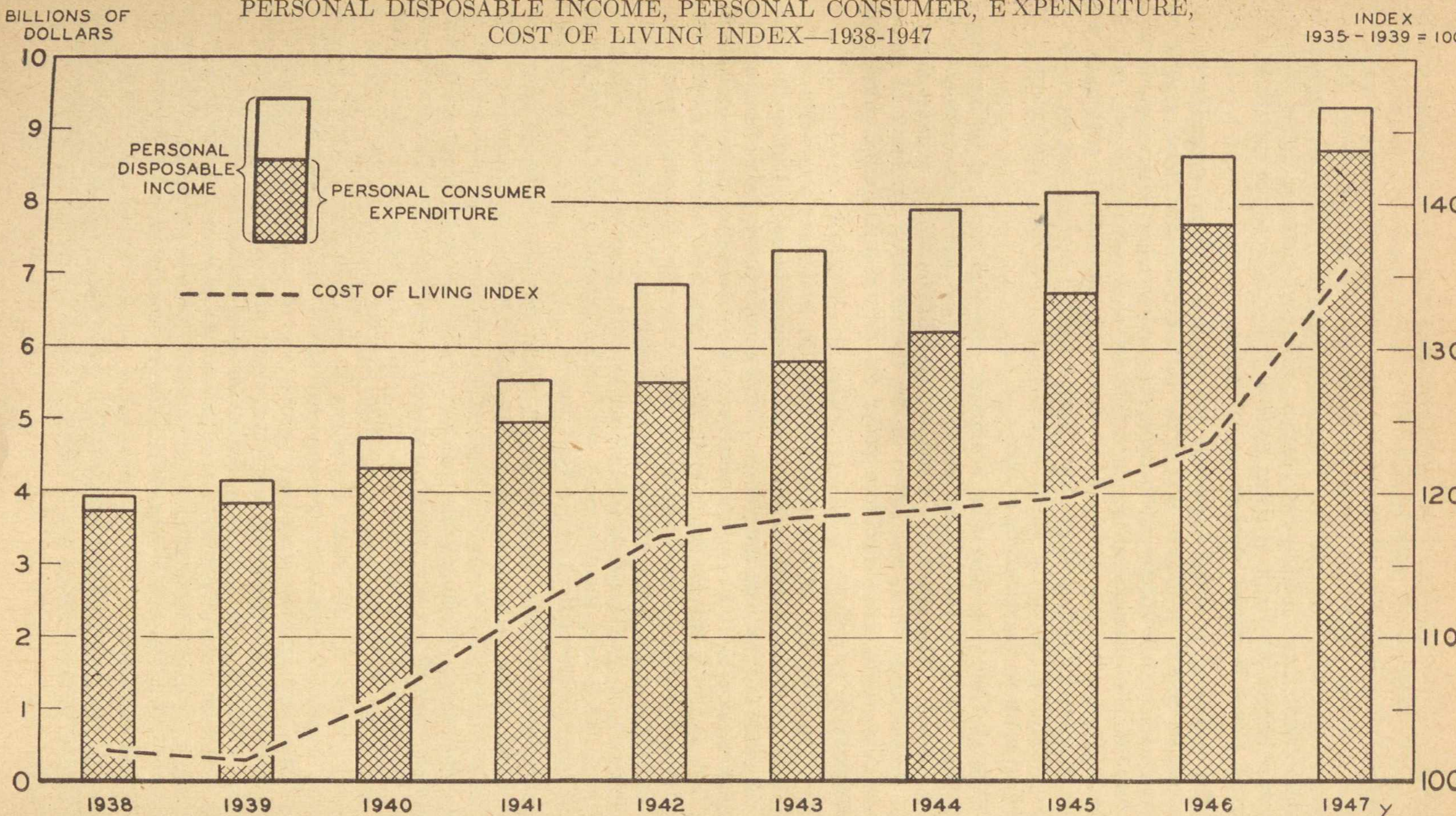
With the return to peacetime conditions, this high level of saving began to decline. By 1947, savings had dropped to 6 per cent of the personal disposable income. The result was a substantial addition to the volume of consumer expenditures which was taken up by the increased purchases of goods and services, while prices also rose under the presure of external prices and increasing costs.

In connection with this increased volume in consumers' expenditures, the Committee considered recent trends in the supply of money. During the time that the needs for financing the war were large enough to require assistance from the banking system, it was not necessary to take restrictive monetary action. The first improvement in the money supply available to the Government became possible after the Government came into possession of a considerable cash balance following the Ninth Victory Loan campaign in November, 1945. While war expenditure (including demobilization expense, gratuities, etc.) ran at a high level for several months more, no further general public borrowing or bank financing was required by the Government.

In January, 1946, the Bank of Canada began discussions with the chartered banks which ended in what is commonly called the Savings Agreement. This agreement limited the Banks' holdings of Government market securities (as distinct from special banking issues such as treasury bills and deposit certificates) to not more than 90 per cent of their personal savings deposits. Since the largest banks' Government bond holdings were at or about the 90 per cent figure at that time, the result was to guard fairly effectively against any major further addition to money supply due to banks continuing to buy Government bonds in the market. Another feature of the Savings Agreement was an undertaking on the part of the banks not to exceed an agreed rate of earnings on their investment portfolio of Government bonds. One result of this arrangement was that if banks wished to sell Government bonds in order to expend their loans and non-Government securities, they had to sell on the average a fairly long-term bond giving a remunerative yield; if the banks sold short-term low yield bonds exclusively, the yield on the remainder of their investment portfolio would go over the agreed limit.

The increase in earnings which banks might stand to obtain by having loans instead of Government bonds was thus somewhat reduced.

PERSONAL DISPOSABLE INCOME, PERSONAL CONSUMER, EXPENDITURE, COST OF LIVING INDEX—1938-1947



Y PRELIMINARY

DATA: D.B.S

Later, the Government's budget position improved to the point where there was an overall cash surplus and retirement of debt held by the banks became possible. This had the effect of limiting the amount of money in public hands.

At the same time the transfer of such funds to the Bank of Canada made it possible to effect some reduction in the cash reserve ratio of the chartered banks. During the latter war years and through 1946 the cash reserve ratio of the banks averaged about 11½ per cent. By mid-1947 the cash reserve ratio was down to about 10½ per cent and on balance the chartered banks had become net sellers of Government bonds in the market, while in previous years they had been making substantial purchases.

SUPLEMENTARY FACTORS AFFECTING PRICE INCREASES AND PROFIT MARGINS

The underlying factors which have just been described in this Report are the major causes of increased prices and of the increased wages which have in turn been related to costs and prices. Taking the Canadian economy as a whole they represent the fundamental upward pressures on prices.

In addition, there are other circumstances noted by the Committee, which have resulted in price increases over and above those which might normally be attributed to the main underlying economic trends. These special factors vary from time to time and from place to place. Each case must be reviewed on its merits. It is not possible to set down any firm formula that can be used in every instance to indicate whether prices or profit margins are *"just and reasonable"*, but in specific cases—fortunately not numerous—there can be no doubt from the experience of the Committee that *unreasonable* and *unjust* profits and prices have been brought to light. Neither is it possible to establish a set of given conditions—which in fact are neither "given" nor constant, but must vary according to the nature of the operation, the degree of risk, the type of commodity involved, the frequency of turnover, the temporary and long-term trends in demand and supply that are relative to degrees of productive efficiency, and to a dozen other economic considerations. The ways in which these operate must be assessed according to the circumstances in each case and do not operate as a constant in relation to every Canadian enterprise.

Your Committee was appoited to examine facts regarding price increases. The analysis of the evidence in this report brings out instances where price increases and increased profits have resulted from the factors dealt with in this section.

The evidence submitted to the Committee has led to the conclusion that while cost increases have taken place in accordance with the underlying developments indicated in other sections of this Report, and have resulted in price increases, there are indications of a tendency to take undue advantage of the present situation.

By far the greatest majority of individuals and businesses examined in this Committee have acted reasonably and prudently. In a few cases, however, price increases have resulted from deliberate acts which caused unnecessary expense to the consumer and were for selfish benefit.

Anticipating of Cost Increases

In certain cases, sellers have increased their prices in anticipation of later cost increases. A varying number of factors may enter into decision to take an action of this sort but in general when, for example, a merchant knowing that in three to six months' time a cost increase is going to take place at once deliberately advances his selling price to a level commensurate with the expected cost increase, he obtains a substantial increase in his profit margin and so varies the ratio between cost and selling prices. This practice is not unknown, and while it usually applies only to a relatively short period of days or weeks, it represents a case in which price rise has been effected.

Increases in Profit Margins

There is evidence that in certain cases the percentage of profit made on a given unit has increased substantially. While some sellers attribute this to some of the foregoing factors and attempted to justify it on the grounds of increased operational costs and the general higher level of prices, there were indications also that it represented in some exceptional cases a selfish attitude of trying to get the most out of the public without regard to the well-being of the consumer. This contention is based on the theory that so long as the public will pay a higher price, a higher price may be charged. While the great majority of witnesses before the Committee did not take this line, there were some instances in which it was apparent that a desire to increase private profit margins wherever possible and at all cost was paramount to consideration of the common good and of the well-being of Canada's economic system.

Condition of Temporary Scarcity

Deserving of special mention is the situation where, for one reason or another, a special temporary condition of scarcity may occur in a commodity. If the commodity is one which is in normal household demand, the conditions may suddenly result in which the consumer will at least temporarily pay excessively high prices for the few remaining units available. The Committee noted that where such temporary shortages have occurred in the Canadian economy a certain few sellers have, upon occasion, taken advantage of this condition to sell at prices which were excessive and to extend profit margins to the utmost. It has been argued that this action was justified by the fact that the seller whose normal degree of supply was cut off had to support himself by greater profits on the smaller supply available to him. This argument may in some circumstances have merit. It is, however, weakened by the fact that in some cases a seller has various alternative lines to which he can turn; particularly in a period of high economic activity such as prevails today in Canada, alternative lines and activities are usually available to the seller without too much difficulty.

Effects on Prices of Fractional Increases in Costs

A further opportunity to increase profits is presented in cases where costs increase by fractions of a cent per unit but the selling price per unit is increased by the full cent. This is brought out elsewhere in this report.

Geographical Variations in Price

Another aspect of margins of profit is the situation where the prices of a given article vary geographically to a greater degree than can be accounted for in difference in the transportation and other merchandizing costs. Thus the same article may sell in point "A" for $5.00 and in point "B" for $6.00 although the additional charges in carriage and marketing in point "B" are only, for sake of example, 40 cents. Sometimes, this variation may occur where the article is sold in different locations by different firms. In other cases, the same firm may sell the same article in different places at different prices which vary more than shipping and merchandizing costs make necessary.

A further example of the same situation can be found where the same, or virtually the same, articles are sold at different prices in the same city—usually by different sellers. All this contributes to unevenness in the price structure and raises questions regarding the position of the consumer, who is expected to pay different prices in either the same or different localities for the same or similar articles.

A strong case can be made that, where a single locality is concerned, varying prices are the virtue of the competitive system. They indicate that competition—which is an important balance in the price structure—is maintained. Where, however, the same operator sells at two different prices either in the same locality or in different localities, the practice may well require review. An example of this is where certain fruits were marketed in a metropolitan area at higher prices than they were marketed in outlying areas which, in fact, were farther from the original source of supply and where normally, for that reason, transportation costs should have made the selling price higher in the rural than in the metropolitan area.

Wholesaler-Retailer Relations

Another question is whether, in regard to specific commodities, a type of relationship between wholesalers, between retailers or between wholesalers and retailers, is involved which makes it difficult for prices to be set in a free competitive market. Indications of open or tacit agreements or attempts to regulate distribution methods and prices in certain conditions were found. Here again, each situation must be reviewed on its own merits; in certain instances, such an operation may be in the public interest, while in others it may be a factor designed to create or maintain high prices and wide profit margins and eliminate the free competitive interplay of prices. Where this type of activity appears to be a concerted move, it becomes a proper field for investigation under the Combines Investigation Act. On the other hand, the same practice may occur in cases which cannot be dealt appropriately with under this Act; for example, where, because of a regional monopoly in production, a single producer attempts to dictate retail selling policies or control prices, harm to the public interest may occur—although the operation may not in fact be a "combine".

Effect of Buyer's Resistance on Prices

Also among the supplementary factors which may vary the normal influence of basic economic trends affecting prices and profit margins, public opinion should be mentioned. In one sense, public demand, as has already been noted, may contribute to rising prices. In another and particularly important sense, however, it may play its part in bringing about a reduction in prices, especially by a narrowing of profit margins at all levels of business operation.

The work of the Canadian Association of Consumers has shown that when public opinion is formed on the basis of an adequate knowledge of all the facts in a given situation then the effect on prices is salutary.

The concerted resistance of buyers may develop from such work. When prices become too high for the ordinary consumer and purchasing falls off, there is a good chance that a reduction in price may take place and the majority of the intelligent business community adjusts itself to this situation. There may, however, be a minority which prefers to maintain a high margin of profit and a lower volume of sales rather than move to a lower margin of profit and a higher volume of sales.

There has been spasmodic publicity with regard to "buyers' strikes": The difficulty with these is that they are in most cases short-lived and usually arise from a lack of knowledge of the true facts of the situation. Housewives in a locality may stop buying a given commodity for a short period of time but quite frequently this merely gives a slight check to rising prices and when, after a short time, a resumption in buying takes place, the upward spiral again commences.

The best method of dealing with the price situation is the provision of as much factual information as possible on individual items so that, when necessary, any deliberate action on the part of the consumer against high prices may be well-founded and well-timed.

In this connection, your Committee believes that it has performed a useful public task. It has sought to ascertain not only the underlying factors in our changing price structure but also to bring to light cases where one or more of the supplementary factors described in this section have definitely contributed to increased prices or increased profits. It has received specific evidence that in some cases the intentions of sellers, whether wholesalers or retailers, regarding higher prices, have been changed as a result of the Committee's operations. In one particular case, a merchant reported to the Committee that, in connection with its hearings, he proposed to lower prices on a given article. In other cases, business interests have informed the Committee that, had it not been for its operations, they would have proceeded with price increases; regrettably, in a very few instances, the Committee was informed that these price increases were merely being delayed until its hearings were over.

RECENT PRICE INCREASES RELATED TO INCREASED COSTS

Its second term of reference required the Committee to examine the question of "prices which had been raised above levels justified by increased costs". In actual examination, the Committee found that there were some isolated incidents in which it was possible to single out prices which clearly had been raised higher than could be justified by their relation to increased costs.

In attempting to define the proper relationship of prices to costs, some witnesses contended that actual cost plus a fair profit would equal a reasonable price. This is an attractive but sometimes a misleading concept. To approach the price problem only in this way would lead into a morass of questions, largely unanswerable, as to whose costs should be considered, and for what period, and under what conditions of materials, of supply, or of market demand, and at what level of production, and with consideration of what levels of costs?

Inventory Appreciation

This is evident especially in relation to commodities which are subject to seasonal variation in production. For these commodities storage is the normal practice to provide supplies during the lean production period. The surplus from the flush season moves out of storage in the winter and spring. Meanwhile, storage, insurance, and handling costs have been added to the laid-in cost at the warehouse or cold storage. These factors have to be related to the selling price when the goods are moved out of storage 4 to 6 months later. In the interim, the market might have changed appreciably and the out-of-storage costs be quite unrelated to the selling price.

If the market rises substantially during the storage period, large gross profits will be made. Within the consistent upward trend of prices which began early in 1946 there have been recent instances of sharp and rapid price increases. The imposition of import control in November 1947, created conditions favourable for such increases, as is found later with regard to fruits and vegetables. With butter the effective cause of large profits was the temporary ascendancy of strong demand over limited supplies, and in the case of meat the chief cause was an increase in external prices.

Butter

The Committee investigated two large co-operatives handling butter and nine companies engaged in the manufacture or wholesaling of butter.

In the case of each of the trade witnesses it was apparent that very substantial profits from the sale of butter had been made during the fall and winter of 1947-48.

On page 1273 of the Evidence Mr. J. S. McLean, President, Canada Packers Limited, Toronto, says: "In the storage year 1947-48 a large profit, I might say a very large profit, was made on storage butter."

It is reported on page 1309 of the Evidence that the total quantity of stored butter for the year 1947 and 1948 by Canada Packers Limited, was 5,843,712 pounds.

On page 1312 the same witness admitted that the average net difference between the purchasing and selling prices of the stored butter for the year 1947-48 had been 11·21 cents a pound for a total profit of $509,105.

On pages 1570 and 1571 of the Evidence, Mr. E. G. Silverwood, President of Silverwood Dairies Limited, says: "The average cost of 145,323 pounds of storage butter stored by the company for the year 1947-48 was on February 28, 51·96 cents.

The same witness said (page 1571) that these 145,323 pounds of butter, which the company had on hand at the end of February 1948 were sold at the ceiling price or at $\frac{1}{4}$ of a cent less. The witness admitted also that the net profit for the company had been approximately 12·65 cents a pound for each of the 145,323 pounds of stored butter.

On page 1716 of the Evidence, Mr. A. E. Millard, President and General Manager, Swift Canadian Company, Limited, Toronto, said that the Company had stored 3,187,852 pounds of butter for the year 1947-48.

The same witness on page 1717 said that by the end of March, 1948, they had sold all the stored butter and on pages 1718 and 1719 the witness agreed that the net profit on each pound of stored butter realized by the company for the year 1947-48 had been 9·57 cents a pound.

On page 1426 of the Evidence, Mr. John Freeman, President, Lovell & Christmas (Canada) Limited, Montreal, dealer in butter and cheese and operator of cold storage plant, admitted that a net profit of 2·65 cents a pound had been realized by the company for its operations during the current fiscal year. When asked if he thought this to be a fair and reasonable profit on the operations of the company the witness said that he thought the profit was an unusual one; that such a profit could not be foreseen until very late in the season; that the profit was considerably higher than for many years past and that as a matter of fact the company had never had in the past a profit like that and doubted if they would ever have it again.

For the six companies which were able to supply monthly operating statements, a gross profit of 7·1 cents per pound was realized during the four months, November, 1947, to February, 1948, and a net profit of 4·5 cents per pound. The magnitude of these profits can be realized by comparing them with the corresponding profits of the previous fiscal year of these companies. The gross profit in 1946-47 averaged only 2·8 cents per pound and after deducting applicable expenses the companies suffered a net loss of 6·2 cents per pound. While this was below average for several companies, the net profit over a period of years on butter operations has not been large. In the case of Canada Packers, the average profit for the nineteen years from 1929 to 1947 amounted to only ·14 cent per pound.

The evidence shows that the acquisition of butter by the companies during the summer and fall of 1947 for sales during the winter months is in accordance with their usual trade practice. On page 1273 of the Evidence, Mr. J. S. McLean, President of Canada Packers Limited, stated: "At the beginning of the storing season (about June 1) we make the nearest estimate possible of our total requirements of butter during the dispersal season, i.e., November 1 to the end of March (19 weeks). For that period we count upon buying one-half of our requirements out of current production. The other half must be stored. By this calculation we determine the number of boxes to be put into storage throughout the surplus season."

On page 1470, Mr. W. R. Aird, President, Dominion Dairies Limited, Montreal, in answer to a question as to what would determine the quantity of butter to be held by the company after it being manufactured said: "Our reasonable requirements from month to month to see us through till the following production year."

On page 1536, Mr. E. G. Silverwood, President, Silverwood Dairies Limited, London, Ontario, in answer to the same question, answered as follows: "We determine the amount we store by way of an estimate of our sales requirements for the winter months."

On page 1714, Mr. A. E. Millard, President and General Manager, Swift Canadian Company, Limited, Toronto, said that for the years 1943, 1944, 1945, 1946 and 1947, the company had always about the same amount of stored butter.

In the case of three companies, Canada Packers, Swift Canadian, and Silverwood Dairies, their accounting systems were such that it was possible to separate the profits on storage butter from those obtained on the current purchases and sales. Evidence submitted showed that Canada Packers realized a profit of $509,105 to February 28, 1948, on sales of storage butter, the profit being equivalent to 11·2 cents per pound; Swift Canadian reported a profit of 9·57 cents a pound and Silverwood Dairies a profit before general overhead expenses, of 11·41 cents per pound. In the case of these three companies, their total profits from storage butter amounted to $884,694. The total profits from all butter sold by these companies during the period November, 1947, to February, 1948, amounted to only $933,248. Thus it will be seen that 95 per cent of the profits during this period arose from the sale of storage butter.

The abnormal nature of the profits on storage butter was not denied by the trade. Mr. J. S. McLean referred to it as "an enormous profit" and "an unprecedented profit", and other witnesses spoke of it in similar terms. On the other hand it was pointed out that an industry with such opportunities for profit was also vulnerable to corresponding losses. As one witness said "Perhaps the next year, and certainly within two or threee years, there will be a reverse movement and we will buy butter at the high price and sell it at the low price."

In considering the question of profiteering in butter it is worth quoting some of the evidence given by Mr. K. W. Taylor, Chairman of the W.P.T.B. In discussing the question of unjust and unreasonable prices, page 119 of the Evidence, the witness stated: ". . . . Hence, when we took the ceilings off there was bound to be a certain amount, and perhaps in places a considerable amount, of readjustment. If a commodity was selling in a seller's market the price would tend to rise and the margins to widen. Where there was a fairly balanced supply and demand prices tend to respond to the competitive situation. Now, lacking a formal ceiling on prices to determine what is the fair price, "reasonable and just" become very much a matter of opinion. . . . There is, then, in the nature of the case a very broad band or twilight zone of depth between what is clearly reasonable and clearly unreasonable. I might take, as an example, butter. I would express the personal view that a retail margin over current cost of say 10 cents a pound would be clearly unreasonable. Even there I do not know whether a judge and jury would agree with me."

As regards butter, the difficulty in determining if there was profiteering is greater than for most other commodities. The difficulty arises from the fact that the price of butter is very rapidly reflected in the price of its principal raw material, butterfat. The time lag between these two events is very short because of the high degree of competition for cream among butter manufacturers. Also, the evidence presented to the Committee showed that distributors of butter did not accumulate sufficient stocks during the summer season to fulfill their winter and spring requirements.

The normal program of operations of the wholesaler is therefore such that he must continually replace his stocks of butter out of new production, or else resign himself to a complete depletion of storage stocks, and consequent suspension of business, during part of the year.

The problem is, consequently, to determine if an unusually high wholesale margin should be regarded as unjust and unreasonable, in view of the replacement cost of butter. Another problem which arises is the following: stocks held by different companies varied in average, per unit cost, because they were purchased at different times. Thus a resale price which might be just and reasonable for one firm could be considered unjust and unreasonable in the case of another. It is also evident that the retail price of the butter would be the current retail market price. In the circumstances, could a firm be held to blame when it took an unusually high profit, if it could be reasonably certain that by denying itself part of this profit it would only add to someone else's profit? The complexity of the problems are evident.

In view of the foregoing, it may be concluded that profiteering, in the accepted sense of the term, did not take place. It is doubtful if any single firm could have reduced its price below the current market price without facing the probability of having its stock exhausted within a short time; and also that, since replacement of these stocks would necessarily have been at the market price, then, in effect, the net result to the company would have been to deprive itself of a profit only to pass this gain on to the next agent in the chain of distribution.

However, the butter trade cannot be completely exonerated from blame in another respect. Although all witnesses testified that the profits made by their firms were "unprecedented", "unexpected", and "abnormal", in no case was evidence represented that any attempt was made to reduce prices by selling below the market price. The effect of such a move on the public relations between the industry and the consuming public might have amply repaid any small reduction of profits resulting from such a trial. It is particularly noteworthy that in the evidence of the National Dairy Council no mention is made of any suggestion for a lowering of price. Even if such a move had been almost certainly unsuccessful it is regrettable that no one in the industry even considered such an attempt.

Meat

The scope of the examination with respect to meat was nation-wide. Representative cattle and hog producers from Ontario and Alberta came before the Committee. Four packing companies were asked to submit figures with regard to their operation. Canada Packers Limited were asked to direct their attention particularly to operations in the Toronto market; Swift Canadian Company Limited, to operations in Winnipeg; Wilsil Limited, to operations in Montreal, and Burns & Company Limited, to operations in Alberta. The Committee heard from representative chain stores in Montreal, Toronto and Winnipeg. A number of independent butchers were called. In addition to the foregoing, the Chairman of the Meat Board, Department of Agriculture, and officers of the Wartime Prices and Trade Board gave evidence. Attention was directed mainly to beef and pork as being the meats most widely consumed by Canadians.

Following decontrol of prices on October 22, 1947, and during November and December, 1947, and January, 1948, profits from the meat operations of the three large packing companies, Canada Packers Limited, Swift Canadian Company Limited and Burns & Company Limited, increased very substantially. A comparison of the average profit per pound of meat sold by the three large packers during the winter of 1947-48 and the corresponding figures for the previous year are set out below:

Profit from Meat Operations Before Deducting Inventory Reserves, Bond Interest or Income Taxes

Months	Per Pound of Meat Sales 1946-47	1947-48
November	.40c	2.29c
December	.04 loss	0.99
January	.37	1.26
February	.27	.25 loss
Average	.26c	1.15c

These profits per pound were derived from substantial total profits on most operations. The three companies showed profits of $2,593,472 in November of 1947; $905,399 in December and $1,000,892 in January 1948, or a total for the three months of $4,507,783. For the same period during 1946-47 the comparable profit was $664,909 on about the same volume of sales (Table 4, Appendix). During February, 1948, the three showed a consolidated loss of $218,927.

The period covered includes the months when volume of slaughterings is seasonally high, and in 1947-48 the volume was increased because of the backlog arising from the strike in the packing-house plants during September and October of that year.

Particular attention was paid to the extent to which profits may have been in the nature of "inventory profits", that is, profits arising from the packers having purchased cattle or hogs at one price level and then selling meat a few weeks later after prices had increased. Such an opportunity for profit would appear to have existed when the United Kingdom bacon contract became effective on 5th January, 1940 and the export price of Wiltshire sides increased over-night by 7c per lb., with a corresponding increase in the price of hogs. The evidence showed, however, that on inventories held for export to the United Kingdom, any profit arising from this increase was taken by the Meat Board, so that the packers did not benefit on that portion of their inventory. This was dealt with most clearly by Mr. R. S. Munn, General Manager of Burns & Company Limited, who said (page 2377) "The Bacon Board never allows any appreciation on stocks on hand. The export stocks we had in December, 1947, went forward to the Meat Board at the old price" So far as the balance of their inventory was concerned, a theoretical profit of 7c a lb. would have been realized had the domestic price immediately reflected the higher export price, but Mr. Munn pointed out that "we were actually selling at less than our export costs.. and as we sold the old pork we would make a profit on it but on the new pork we were losing on it and on the average that shows us less profit than a year ago" (page 2378). Accordingly, Mr. Munn stated that "there was no inventory appreciation".

Increased Costs

Considerable evidence was taken on the actual increase in costs during recent months. Costs were found to have increased, in varying degrees, in all phases of the operations examined by the Committee. Increases were found to have occurred in the costs of primary products, in wages and salaries, in transportation, plant operation and administration. However, there was a considerable body of testimony which indicated the tendency of prices to lead costs in terms of time. In other words, the expanding volume of purchasing power, reacting upon available supplies, in addition to external prices, pulled domestic prices up more rapidly than increasing costs pushed in the same direction.

Bread

The examination in bread was confined to the districts of Toronto, Montreal, Ottawa and Hull. The Commissioner of the Combines Investigation Act had already announced the appointment of a Commissioner to conduct an enquiry in Western Canada he informed the Committee that he was engaged at the time in an investigation of flour in both eastern and western Canada (page 192.).

The Committee received evidence from several large baking companies, from a number of representative chain stores, and from several independent retail merchants. Most of the evidence was with reference to the 24-ounce wrapped unsliced white loaf, and whenever in this report reference is made to "a loaf" or "a loaf of bread" it is to be understood to mean a loaf of bread of this particular description.

The Price increases in the Toronto and Montreal markets were as follows: *Baker's first quality loaves,* sold from wagons or in retail stores—previous price of 10c a loaf increased to 13c a loaf in September, 1947, and to 14c a loaf in January, 1948.

Chain stores, special brands

Previous price of two for 15c increased to 10c a loaf in September, 1947; no subsequent increase.

There was evidence that the increase of 3 cents a loaf in September, 1947, for baker's first quality bread and the increase in chain store price at about the same time were justified, so far as the baking industry was concerned, by increased costs. Mr. K. W. Taylor, Chairman, Wartime Prices and Trade

Board, in referring to the September increase, said that increases not in excess of three cents a loaf could be regarded as warranted and that he had hoped that a price as low as two loaves for a quarter might emerge (page 534).

Mr. Taylor also said that in September, 1947, it was the judgment of the Prices Board that four cents was an unnecessarily high increase (page 536). The increased cost of flour at that time amounted to 2·17 cents per loaf, and of this increase, 1·96 cents per loaf was due to the removal of the subsidy on flour.

The subsequent increase of 1 cent per loaf in January 1948 was more open to question. After 15th September, 1947, costs had increased in most cases because of the changes in the formula used and because of higher wage costs. On the other hand, the cost of flour was reduced during this period. It seems clear from the evidence that in the case of some companies an increase in sales value of their products in January, 1948, was necessary if they were not to operate at a loss. However, the company which first introduced the higher price level in Toronto, Christie's Bread Limited, was operating under profitable conditions at the sime (pages 998-999).

In Ottawa, the retail price of baker's first quality loaves, which had increased by 3 cents a loaf in September, 1947, did not increase subsequently.

In Toronto, the retail margin on baker's first quality loaves varies from store to store, and on September 1, 1947, margins ranged from 2·00c to 2·55c per loaf. These margins had increased by September 24 until at that date they ranged from 2·60c to 3·64c per loaf. These increased margins were not satisfactorily explained. Mr. R. G. Meech, Vice-President of Loblaw Groceterias, Limited, said that the only explanation was that the company felt it was not getting enough for handling bread (page 366). Mr. Meech considered a margin of 28 per cent on sales as being safe and that as a percentage of sales, their margin at the end of January was 26 per cent (page 370). Nevertheless, the over-all gross profit was said by Mr. Meech to be 17·75 per cent which as he said: "enables us to conduct our business, to pay our expenses, and leave a small percentage of profit" (page 394).

Mr. John M. Arnold, a Director of Pickering Farms Limited, a large independent retail store in Toronto, informed the Committee that in spite of the general increase of one cent per loaf in January 1948, he had held his selling price of baker's first quality loaf to 13c. He said that at 13c his gross margin as a percentage of the selling price was 15·9 per cent. When asked if he thought 15·9 per cent was fair and adequate margin for a self-service store, he replied "Yes, I honestly think it is" (page 775).

On March 5, 1948, John B. Parent of Dionne Limited of Montreal, informed the Committee that "due to a reduction of one-half cent on our cost of bread, and also to the request of your Committee, we have changed our reselling price on bread today from fourteen to thirteen cents in all our stores" (page 853). Dionne Limited operates five self-service stores and one service store all in the City of Montreal (page 785).

A good deal of evidence was directed to the question of the relative quality of various brands of bread. The Committee requested Dr. L. B. Pett, Chief, Nutrition Division, Department of National Health and Welfare, to conduct an analysis of the loaves of bread mentioned in evidence. Dr. Pett appeared before the Committee after having analysed twenty-two different loaves of bread, eight of which were of the special brands sold in chain stores, and the remainder were baker's first quality loaves.

In response to a question by the Chairman, Dr. Pett at page 2556 said "The average calorie value per loaf of the 10-cent bread is slightly better, but the price being different it is clearly better".

Before leaving the subject of bread, and in view of the possible impropriety in some cases, of the increase of one cent in January 1948, your Committee wishes to call attention to the desirability of having some continued form of scrutiny over bread prices.

Butter

As a result of the removal of the butterfat subsidy on May 1, 1947, the wholesale price of creamery butter rose an average of eight and one-half cents per pound during the month of May. With the removal of the price ceiling and rationing on June 9, a further rise, averaging one and one-quarter cents per pound, occurred during the month of June. July showed a fractional average increase of one-quarter cent per pound, but from August onwards the average price per pound of butter rose rapidly until, in January, 1948, it reached an average price of 68 cents per pound. This represented an increase of 19·5 cents per pound from the average price in May, 1947, the last month in which a ceiling price was in effect. On January 15, 1948, ceiling prices were reimposed on butter with the basic maximum price being set at 67 cents per pound, for No. 1 grade creamery butter, wholesale solids at Montreal.

The evidence shows that the price of 67 cents was established to conform with the price set for cheese under a 1948 cheese contract with the United Kingdom and any lower price would have diverted milk production from butter to cheese.

On page 1194 of the Evidence, when asked what influences the production of cheese as compared to butter, Mr. J. F. Singleton, Associate Director of Marketing Service, Dairy Products, Dept. of Agriculture, answered as follows: "It is the return to the producer. . . It is a fact that when butter gets to a price which is about 2½ times the price of cheese or more than that there will be a diversion from cheese to butter, and when it gets down around twice the price or less there will be a diversion from butter to cheese."

The Evidence shows that the rise in the price of butter, between June, 1947, and January, 1948, is attributable largely to the demand and supply situation as it existed during the latter part of the summer and the anticipation of a shortage of supplies during the early months of 1948. With the removal of the restrictions on rationing butter consumption increased appreciably without a proportionate increase in production of butter. Statistically, the situation was as follows. Monthly stocks of butter from July 1 to December 1, 1947, were slightly above the same months in 1946, production from June to December inclusive was 18·1 million pounds above 1946. Production from June to December inclusive was 18·1 million pounds above 1946 and disappearance was 23·2 million pounds above 1946, in the same period.

In view of this situation, wholesalers and other distributors of butter were anxious to secure adequate supplies of butter to cover their normal requirements in the November to May period. This anxiety to obtain butter by the wholesale trade was countered by a reluctance on the part of those who manufactured or held butter to sell. The interaction of these two factors, in the market resulted in a rising price.

The causes of the rise in the price of butter from June 1947 to January 1948 may be summarized as follows: the removal of rationing restrictions resulted in a sharp increase in consumption. This increase was not accompanied by a corresponding expansion in production. As the situation became apparent to the trade, it was reflected in an increased demand for butter. Since the statistical position was equally apparent to those persons who had butter for sale, they in turn showed some reluctance to sell this product. The removal of ceiling prices from dairy products provided a free market for butter. The expectation of a deficiency in the supply relative to the anticipated demand was therefore the cause of the rise in price. This rise in price was the result of the interplay of demand and supply factors in a competitive market.

Meat

Prices of beef increased steadily and sometimes sharply from November 1947 on. The increase which began in the latter part of April 1948 was particularly marked. The reason invariably given by the packers was that the increases were due to higher prices paid to the farmers for cattle and to steady consumer demand. The producers in turn offered evidence of increased costs on the farm or on the range. Weather conditions in the ranching country of Western Canada were unusually severe in the Spring of this year, thus reducing the available supply. Mr. Hargrave, Assistant Superintendent, Dominion Experimental Station, Swift Current, said that there was an over-all increase of 141·3 per cent in the cost factors of the Western cattle ranch when the period 1938-41 is compared with the year 1948 (page 2111). Mr. Brown, President of Ontario Beef Producers' Association, informed the Committee that grain for feed, which in the period 1946-47 cost him $38.00 per ton, had increased to $60.00 per ton in April, 1948 (page 2056). The monthly average price of good butcher steers at Toronto is shown in a table at page 1988.

In pork there was a very sudden and substantial increase in prices during January, 1948. The increase in the price of pork at that time was mainly attributable to the higher price obtained for pork under the United Kingdom contract which became effective on January 5, 1948. However, here primary producers also had to meet increasing costs, particularly due to the higher costs of feed grains after the removal of ceilings and subsidies in October, 1947. Mill feed prices are shown at page 1995 of the Evidence. The monthly average price of B-1 hogs at Toronto is shown on page 1991.

While the most substantial factor in the increased prices paid by the consumer can properly be attributed to higher prices paid for cattle and hogs, the Committee also examined the larger packing houses and certain retail stores to ascertain to what extent, if any, they were responsible for the higher prices.

At the packing house level, the evidence showed that over the year the profit per pound of meat was equivalent to only a small fraction of a cent, and even the complete elimination of normal packing house profits would not materially affect the price to the consumer. At the same time, in November and December, 1947, after the packing house strike which ended in October, the profit margins increased to several times the normal amount.

Mr. J. S. McLean, President, Canada Packers Limited, after stressing the highly competitive nature of the meat packing industry, explained its pricing policy as "in each case we get as much as we can, we buy the cattle as cheaply as we can, we sell beef for as much as we can" (page 2620) and again, "the salesman gets as much as he can and the buyer when he is on the market buys cattle just as cheaply as he can" (page 2630). In discussing the increased profit margins of November and December, 1947, Mr. McLean concurred with the Vice-Chairman of the Committee who said "in this period you experienced good fortune above what you experienced in some other similar period in the pursuit of your policy of buying cheap and selling dear" (page 2631).

To an extent, therefore, the higher profits of the packing houses at this period may have increased the retail prices to a level above what they would have been had the packing houses sold their products at the slightly lower prices which would have left them with only their normal profit margins during this period. But the period of high margins was brief, for the consumer resistance which developed in February had the effect of reducing them, and in some cases resulted in the packers carrying on their meat operations at a loss during that month.

There was also some evidence that retail margins, particularly in the case of independent stores, increased during January, 1948, but these too appear to have been reduced in subsequent months, probably as a result of consumer resistance.

The Committee's examination into meat was made before it was possible to obtain statistical or accounting evidence relative to the sharp increases in beef prices in May and June.

Fruits and Vegetables

The evidence shows that the wholesale and retail trades obtained higher margins than normal during the winter months of 1947 and 1948 for imported fruits, thereby increasing the price to the consumer. The representatives of the wholesale trade contended that such higher margins were necessary to compensate for the reduced volume of merchandise which was available because of the import restrictions.

Detailed figures of operations submitted indicate, however, that the increased margins were more than necessary to compensate for losses in volume, with the result that higher than normal profit was earned during the winter months of 1947 and 1948.

On page 2863 of the Evidence, Raphael D. Wolfe, Secretary and General Manager, The Ontario Produce Company, Limited, Toronto, admitted that the operating profit before taxes for the company which was $73,588 in 1946 went up to $118,815 in 1947.

The same witness, at page 2864 of the Evidence, agreed that with the exception of the year 1939 his company had had in 1947 by far the very best year since its existence. The witness also admitted, on the same page of the Evidence, that this result was obtained in spite of the fact that the sales of the company for the year 1947 were slightly lower than in 1946.

On page 2866 of the Evidence, the witness said that with the exception of the year 1929 the gross profit to sales for its company had not averaged as much as 8 per cent over the year. Questioned as to the gross profit to sales for the months of November and December, 1947, the witness admitted (page 2867) that the gross profit to sales has been 11·9 for November and 18·4 for December. He also admitted that the gross profit to sales had been 17 per cent for the month of January 1948 and 19·8 for the month of February.

On page 2930 of the Evidence, Mr. Geo. G. Anspach, President of George C. Anspach Company, Limited, Toronto, said that it would be fair to say that his company in 1948 had by far the best year since its origin, and that by a very large margin. The witness admitted also that this statement was true in spite of the fact that the sales of the company in 1947 were slightly lower than they were in 1946.

This evidence clearly established that much larger profits were taken by the trade than necessary to compensate for the reduced volume.

This situation, however, appears to have been corrected by the reimposition of price controls on citrus fruits, carrots and cabbage in February and March 1948, which limited the markups which could be taken by wholesalers and retailers on these products.

The very substantial increase in margins can be readily seen in the case of size 288 California oranges.

On page 2876 of the Evidence, David Austin, Assistant General Manager of Geo. C. Anspach Company, Limited, said that 75 cents on a crate of oranges gives a normal margin. The same witness admitted that the margins prevailing from November 28, 1947, to March 25, 1948, in his case, were all in excess of the established normal reaching a high on January 29 of $2.30 profit on a case of oranges size 288 or 34 per cent higher than normal. Many other witnesses gave similar evidence. This evidence indicated that the margin between the laid-down cost of California oranges to wholesalers and the selling price to the public amounted to 12·4 cents per dozen at the beginning of November, 1947. This margin increased in December to 18·5 cents, amounted to 17·9 cents in February, and after the reimposition of ceilings fell to 12 cents at the beginning of March, and 10·4 cents at the beginning of April.

Special attention was given to Dominion Fruit Company, Toronto, with regard to its dealings in celery during the year 1947. Mr. M. Blidner, Partner, Dominion Fruit Company, Toronto, on page 3087 of the Evidence, informed the Committee that the gross profit of the company for the year 1946-47 with respect to celery was $20,508 and $60,238 for the year 1947-48. And this in spite of the fact that the company handled one-quarter less volume.

The Committee took special notice of the transactions of two Toronto firms involving an importation of California potatoes, which were ordered just before the import restrictions were imposed on September 21, 1947. As a result of this ban on imports, these potatoes represented the only supply of new potatoes in Toronto at that time.

On the four cars the cost was submitted to have been $9,579.69 and the selling price $16,822.50, leaving a gross profit of $7,242.68. This was a gross profit of 75·6 per cent on cost and 43 per cent on sales.

A comparison of the gross profits earned by six fruit and vegetable wholesalers who were able to supply monthly statements of operations in the winter of 1946-47 and the winter of 1947-48, together with the amount of net operating profit before taxes on income during each month of this period will be seen from the following table:

	Gross profit per cent to sales		Net operating profit before taxes on income	
	1946-47	1947-48	1946-47	1947-48
	%	%	$	$
November	10.6	14.5	33,160	62,031
December	9·9	14·1	29,284	37,418
January	11·0	11·9	21,567	14,320
February	11·1	14·1	17,649	33,623
March	11·8	11·3	37,812	18,147
	10·9	13·2	80,904	165,539

It will be noticed that the gross increased on the average by 2·3 per cent of sales, and that the net operating profit more than doubled. The trade witnesses agreed that the trade had "reaped a benefit" from the rising prices.

In the case of domestic vegetables, the evidence shows that the price increase during the winter months was not necessarily related to production costs but was occasioned by a strong demand for the products and a limited supply.

Price increases were further accelerated by the publicity over the supply position. As a result, some substantial profits were realized on the handling of such fruits and vegetables. At the same time, this was said to be a "short run" condition, and increased plantings in 1948, given reasonably favourable weather conditions were expected to provide an increased supply of these products for the Canadian market at reasonable prices.

Primary Textiles

The examination in the primary textile industry was carried out with the assistance of a Chartered Accountant, M. Maurice Samson, C.A., employed for the particular purpose.

The Committee authorized the sending out of questionnaires to the companies engaged in the manufacture of primary textiles. The companies were asked to submit information to the Chartered Accountant, who examined and analysed the figures so submitted and reported to the Committee in writing the results of his analysis. The Committee also had the benefit of hearing oral evidence from the Chartered Accountant so employed.

In addition to the questionnaires referred to above, special detailed questionnaires were sent to the following companies:

(*a*) those engaged in the manufacture of cotton yarn and fabrics:
Canadian Cottons Limited,
Dominion Textile Company Limited,
Drummondville Cotton Company Limited,
The Montreal Cottons Limited,
The Wabasso Cotton Company Limited.

(*b*) those engaged in the manufacture of rayon and nylon yarns and fabrics:
Bruck Mills Limited,
Canadian Celanese Limited,
Canadian Industries Limited—Nylon Division,
Courtaulds (Canada) Limited.

(*c*) those engaged in the manufacture of woollen cloth:
Ayers Limited,
Dominion Woollens and Worsteds Limited,
Paton Manufacturing Company Limited.

The Committee, following the plan adopted throughout its sittings, heard evidence by commodity, first with respect to the cotton group, then the artificial silk and nylon group and finally the woollen group. In each case, with one exception, officials of Wartime Prices and Trade Board and of Commodity Prices Stabilization Corporation gave evidence in addition to the accountant and the representatives of the various companies.

Cotton

In his evidence, Mr. Griffin, formerly Secretary, Wartime Prices and Trade Board, said that Canada's primary cotton industry produces about 25 per cent of the cotton yarns which this country receives for weaving into fabrics. The 5 per cent deficiency, however, represents finer qualities of yarns in which we are almost wholly dependent on outside sources. In production of cotton fabrics our domestic primary industry has never produced more than 72 per cent of supply and in 1947 domestic production was under 50 per cent of supply (page

3488). In the years prior to the recent war, imports of cotton broadwoven fabrics came mainly from the United Kingdom. The supply from this source dwindled to an exceedingly small supply and our requirements were met by imports from the United States which increased very greatly during the war period (page 3491).

For raw cotton Canada is, of course, entirely dependent on imports. Raw cotton is imported in 500-pound bales and the figures of bale openings in Canada over a period of years were produced. This showed that whereas bale openings reached a peak of over 254 million pounds in 1940 there has been a marked decline in succeeding years to a figure just under 180 million pounds in 1947 (page 3507).

Mr. Hashley of the Dominion Bureau of Statistics said that bale openings in themselves give a good indication of the activity of the mills. He said: "if you know the number of bales opened you actually know what is going on in the cotton industry" (page 3508).

Mr. Glass of Commodity Prices Stabilization Corporation told the Committee of the plan of the cotton subsidy. As an indication of the importance of the subsidy, the witness produced a table showing that in 1946 alone there was paid out of the public purse over $13,000,000, and that between April, 1942 and December 31, 1947, there was paid a total of more than $42,000,000 in subsidies on raw cotton and cotton linters (page 3486).

Mr. Hughes of the Dominion Bureau of Statistics filed with the Committee a table showing imports of Fibres, Textiles and Textile Products (page 3500).

Mr. Harry Knight, C.A., a partner of Mr. Samson, who had been in charge of the detailed work in connection with the enquiry filed a written report which he explained in detail to the Committee (pages 3394 *et seq*). He produced samples of materials made by the 5 special companies with prices of each at various dates (page 3414). He also produced a table of specifications of the various fabrics which was filed as a supplement to his report (page 3468). The prices showed a consistent and substantial increase on all the items. For example, unbleached bed sheeting, made by Dominion Textile Company Limited, was being sold for 27 cents a yard on January 1, 1942; on September 15, 1947, immediately prior to the date of decontrol of prices, the selling price was fractionally under 50 cents a yard. In the same period, white broadcloth of the kind used in the manufacture of men's shirts rose from 16½ cents a yard to 37 cents a yard, and denim went from 18½ cents a yard to 37¾ cents a yard (page 3414). In Schedule B-7 of his report, Mr. Knight showed the components of cost in these various fabrics per yard (page 3422). Without analysing these in detail it did not appear that the profit remaining to the company from its selling price had increased unreasonably. In fact, it seemed apparent that the industry is highly competitive and that, on the whole, price increases had not been unreasonably out of line with increased costs. A table of the average price of raw cotton in the United States was filed showing price changes through the period from January, 1940, to April, 1948 (page 3487). The average price for the year 1940 was 10·20 cents per pound whereas in April, 1948 the price was 37·22 cents per pound. It was apparent that here was a case in which Canadian prices were largely at the mercy of the external price.

On the other hand, a question arose in cotton which the Committee had not previously met. From the various statistical tables filed, it was clear that the industry had been unable to maintain the high level of production that had been reached during the war years. From a high in domestic production of broad woven fabrics of some 369 million yards in 1942 the decline had reached a low of 265 million yards in 1947. The trade witnesses had varied explanations for the decline. Mr. Gordon of Dominion Textile Company Limited said that whereas during the war the Company ran a day shift and a night shift and also had special permission to keep the work going all night (page 2514) the Company was running a 48-hour week but actually averaged about 52½ hours on day shift and probably close to 60 hours on the night shift with overtime. After the war, the company cut down to 40-hour week with the idea of running a double shift system. According to Mr. Gordon, the company has been unable to get the labour with which to man this second 40-hour shift. If the company were able to get the help needed to run the mills on a second shift, production could be increased by 20 per cent. Mr. Fox of Canadian Cottons Limited attributed the falling off in production to shortage of labour (page 3465). Mr. Whitehead of Wabasso Cotton Company Limited said that there had been a steady falling off of the number of employees on his payroll (page 3572) and also that the workers' efficiency had declined.

Mr. Griffin of the Prices Board also filed a table showing comparative prices of certain cotton fabrics as between the United Kingdom, the United States and Canada. While comparisons cannot actually be drawn in all cases, it seems clear that the prices of cotton fabrics of comparative quality are higher in the United Kingdom and in the United States than they are in Canada.

The cotton industry is very susceptible to outside conditions as it is based on the importation of its basic raw material. Although all raw cotton must be imported, 95 per cent of the yarns required are home produced. The 5 per cent imported is, however, of disproportionate importance as it consists of yarns of finer qualities required for knitted hosiery, underwear and thread.

Before the war the home industry produced an average of approximately 73 per cent of the supply of cotton broadwoven fabrics. Imports from the United Kingdom accounted for 20 per cent of the total while the remaining 7 per cent came from the United States. During the war years imports from the United Kingdom dropped practically to nothing but there was a great increase in United States' supplies. Canadian production increased rapidly to a maximum in 1942, when war contracts were at their height and before the diversion of labour to more essential industries had become a serious problem. In 1942, taking no account of stocks, supply amounted to 568 million yards, being made up of 369 million yards domestically produced, 39 million yards imported from the United Kingdom and 178 million yards from the United States. Exports were 18 million yards. Since 1942 there has been a progressive decline in local production, offset to a large degree by increased imports from the United States. Exchange conservation measures will cut down the supply from that country in 1948 but it is hoped that there will be increased imports from the United Kingdom. An estimate (page 3491) has been made of probable supply in 1948, assuming domestic production at the 1947 level of 265 million yards and imports of 80-85 million yards and 80 million yards from the United States and the United Kingdom respectively. In such circumstances the amount available will be 22 per cent less than that of last year although 25 per cent above the 1935-39 average.

Despite the increase in the amount of cotton goods available, compared with pre-war, the Committee found no evidence of hoarding. In only one of the five companies examined in detail was the 1948 finished goods inventory larger than that of 1939. The comparative figures are:

End of fiscal period	Montreal Cottons Ltd. '000 yards	Canadian Cottons Ltd. '000 yards	Wabasso Cottons Ltd. '000 yards	Drummondville Cottons '000 lb.	Dominion Textile Co. '000 lb.
1939	6,259	6,084	16,131	448	6,457
1948	536	2,035	2,524	1,978	5,593

Price

The progressive rise in the price of cotton goods began while price ceilings were in effect, when it was a reflection of increases in the subsidized price of raw cotton. United States cotton prices have risen fairly consistently since the outbreak of war.

Raw cotton prices—U.S.A. U.S. Department of Agriculture prices as reproduced in trade publications.

Average for spot middling $\frac{15}{16}$ inch cotton at ten market centres in Southern U.S.A.

	Cents per lb.
1940	10·2
1941	13·9
1942	19·3
1943	20·6
1944	21·2
1945	22·6
1946	30·6
1947	34·4
1948—Jan.	35·15
Feb.	32·76
March	34·19
April	37·22

The cotton subsidy was based originally on a price (in Canada) of 11·4 cents per lb. for U.S. raw cotton. Effective March 1, 1946, this price was increased to 15·4 cents per lb. on Feb. 1, 1947 to 24·4 cents per lb. and on June 2, 1947 to 27·2 cents per lb. During the years that the subsidy plan was in operation, total payments on raw cotton and cotton linters amounted to $42,005,770. In 1946 alone $13,487,234 was paid out.

While the rise in the price of raw materials has had a very large effect on the increase in the price of cotton textiles, and is taking a disproportionate part of the sales dollar (see table overleaf), trade representatives were emphatic about the difficulties of securing labour, with a consequent effect on production and price. The shortage of labour and the reduction of the working week were shown to be a major factor in limiting production.

The effect on price of decontrol on September 15, 1947, was not immediate as, by agreement with the W.P.T.B., the companies filled all outstanding orders at the old prices (and, of course, received any subsidy due). The effect of decontrol on sales was to increase the monthly average of $8,902,000 for the period Sept. 1946 to March, 1947 (19 companies and 3 subsidiaries of tire and rubber manufacturers) to $12,818,000 for the corresponding period in 1947-48. It should be remembered, however, that during the subsidy period, manufacturers were subject to limitation of profits. In addition production was increasing during the latter period. It was, in fact, stated in evidence (page 3497) that the primary cotton industry had gone a long way towards preserving as closely as possible the relationship with the ceiling price which obtained at the time of decontrol.

While the selling prices of the products made by the five companies under special review all increased considerably during the price control period and afterwards, there was no increase in the share of operating income as a component of cost. Operating income is defined as the profit from operations before deducting taxes on income, interest on borrowed money and other financial charges, inventory reserves and depreciation in excess of the amounts allowed by the income tax authorities. It does not include investment income and profits or losses on disposals of investments and fixed assets.

For the 12 years 1936 to 1947 the components of cost of the sales dollar for the 5 special companies averaged:

	Cents
Raw materials—cotton	29·6
other	15·9
Labour	25·6
Overhead	16·3
Operating income	12·6
	$1.00

From January 1946, to March 1948, the components of the sales dollar showed the following variations:

	All raw materials	Labour	Overhead	Operating Income*	Sales Dollar
1946					
1st quarter	$0·443	$0·288	$0·175	$0·094	$1.00
2nd quarter	0·468	0·278	0·166	0·888	1.00
3rd quarter	0·372	0·323	0·195	0·110	1.00
4th quarter	0·407	0·305	0·181	0·107	1.00
1947					
1st quarter	0·496	0·265	0·265	0·075	1.00
2nd quarter	0·513	0·229	0·135	0·123	1.00
3rd quarter	0·503	0·226	0·151	0·120	1.00
4th quarter	0·514	0·284	0·170	0·032	1.00
1948					
1st quarter	0·522	0·252	0·165	0·061	1.00

* as defined.

Evidence was produced to show that, despite the level of selling prices for Canadian produced goods, the prices for imports from the United States and the United Kingdom were still higher. The tariff concessions, as granted in the 1948-49 budget, were made, according to one witness (page 3532) because the United Kingdom could not meet the Canadian prices. The effect of these tariff changes on retail prices will not be immediate and may be nullified largely by increases in the price of Egyptian raw cotton.

Artificial Silk and Nylons

Canada is largely self-sufficient as far as its rayon fabric requirements are concerned but depends on imports for approximately 20 per cent of its filament yarn requirements. Bemberg, used in stockings and sheers, is the only type of yarn wholly imported. Cut staple fibre is already being made by one plant while another should be coming into operation by the end of the year.

Production of rayon broadwoven fabric has approximately doubled compared with the pre-war average, and, with import restrictions in the principal markets, there has even been some tendency for inventories to grow.

Nylon is a new product on the market. It is produced by only one company, whose plant came into operation in June 1942. From that time until August 1945 all production was used entirely for war purposes. Since September 1945 the plant has been operating at capacity for the civilian market, except during a few months in 1947 when technical difficulties developed on the weaving side.

Detailed reports were presented to the Committee by four companies. The finished goods inventories of these companies, are in no case as high as they were in 1939 and the Committee found no evidence of the withholding of supplies.

Finished Goods Inventories

Producers of Yarn '000 lb.

	Courtaulds (Canada) Ltd.	Canadian Industries (nylon division)
As at 1939	616	x
Average 1940-1945	753	85
Average 1946-1947	352	101
Reported by Companies in 1948	424	72

x not operating.

Manufacturers of Fabrics '000 yards

	Canadian Celanese Ltd.	Bruck Mills Ltd.
As at 1939	1,707	229
Average 1940-1941	1,294	193
Average 1942-1947	1,254	209
Reported by Companies in 1948	740	81

Mr. Griffin said that Canada's rayon industry is relatively young but vigorous; that the industry had expanded steadily since its inception in this country and that prospects for 1948 are that a record yardage of fabrics will be produced (page 3643).

Unlike the cotton industry, said Mr. Griffin, the rayon industry, at least in the fabric aspect of its operations, produces nearly all the types and volume we require.

Mr. Glass of the Commodity Prices Stabilization Corporation described for the Committee the basis for subsidizing artificial silk fibres and yarns (page 3642).

For artificial silk and nylon, Mr. Harry Knight, C.A., filed a return report described as report "D", which he explained in detail to the Committee (pages 3582 et seq). He produced samples of materials made by three of the four special companies, the selling price and cost of which had been listed at various dates (pages 3603 et seq).

The prices showed a consistent and substantial increase on most of the items. For instance, Courtaulds (Canada) Limited reported that its selling prices of best quality prevailing 100/40 bright yarn on cake cones, which was being sold at 77 cents on January 1, 1942, was selling for 90 cents on September 15, 1947, and 95 cents on April 1, 1948. Each of the items manufactured by this company for which prices were submitted increased in price, the increases varying from 11½ cents to 18 cents per pound during the period from January 1, 1942 to April 1, 1948.

Canadian Celanese Limited had been selling lingerie taffeta for 45 cents a yard on January 1, 1942, and had increased its prices to 56 cents a yard as at September 15, 1947, and 58¾ cents on April 1, 1948. The price of dress crepe manufactured by the same company rose from 52½ cents per yard on January 1, 1942, to 68 cents on September 15, 1947, and 71 cents on April 1, 1948. The price of lining manufactured by the same company had increased from 44 cents per yard on January 1, 1942, to 54 cents on April 1, 1948.

The evidence disclosed that for Courtaulds (Canada) Limited the percentage of operating income to sale did rise from 6·9 per cent in 1946 to 21·3 per cent in 1947. It also disclosed that Canadian Celanese Limited percentage of operating income to sale did rise from 27·5 per cent in 1946 to 32·7 per cent in 1947. It also disclosed that the percentage of operating income to sale for Canadian Industries Limited dropped from 34·5 per cent in 1946 to 25·2 per cent in 1947.

The analysis of Schedule "D S" of Mr. Knight's report (page 3606) shows clearly that the net profit after taxes, by three of the four special companies, had substantially increased in 1947.

The net profit after taxes of Courtaulds (Canada) Limited jumped from $489,000 in 1946 to $1,434,000 in 1947, or from 2·9 per cent to 7·6 per cent on capital employed. (Schedule "D S" of Mr. Knight's report "D") while the net profit after taxes of Canadian Celanese Limited jumped from $1,959,000 or 12·4 per cent of capital employed in 1946 to $3,025,000 or 15·5 per cent of capital employed in 1947 (schedule "D S" of Mr. Knight's report "D").

Mr. Palmer, of Canadian Celanese Limited, admitted that for the months of January, February, and March, 1948, the profits of that company were substantially higher than for the same period in 1947. In spite of that, the witness said that the company increased its prices on April 1, 1948.

Asked whether in view of the very high profit of the company it would not be possible to reduce its prices Mr. Palmer definitely stated that there will be no reduction.

It appears that the profits remaining to Canadian Celanese Limited have increased unreasonably, and it is hard to understand that this company is not ready to decrease their prices.

The evidence also disclosed that Canadian Industries Limited, one of the four special companies referred to in Mr. Knight's report "D", had reduced its prices in December, 1946 and June 1947 (page 3651).

Asked if the company was contemplating a further reduction in the near future, Mr. H. G. Smith, first vice-president of Canadian Industries Limited, said that the record of price reductions which the company had made to date showed the trend of the policy of the company and added that without indicating any specific date as when a further reduction will take place the company certainly hoped to do so (pages 3656 and 3657).

Woollens

In his evidence Mr. Griffin said that Canada's woollen industry produces about 95 per cent of the yarns required, about 40 per cent of the worsted tops and approximately two-thirds of the woven fabrics available for the Canadian market. The yarns, tops and fabrics not produced in Canada are normally obtained from Great Britain.

The price of woollen fabrics has increased rapidly over the past two years. This is reflected in the Dominion Bureau of Statistics wholesale price index of woven fabrics and wool which has shot up from an average of 110·5 in 1946 to 185·5 in May, 1948, an increase of 75 points or 68 per cent. The selling prices of individual fabrics reported by certain of the larger companies showed comparable increases. Thus, Dominion Woollens and Worsteds Limited reported that one type of yarn-dyed worsted coating increased from $3.10 per yard on 1st April, 1947 (the date of decontrol) to $4.50 per yard in February 1948, while one type of yarn-dyed worsted fancy suitings increased from $3.00 to $4.70 per yard over the same period. Of these increases the increased raw material cost accounted for 76 cents and 67 cents per yard respectively, costs being based in each case on replacement values of wool used. Labour and overhead likewise increased as did also the amount retained by the company in excess of its costs.

The increase in raw material prices has undoubtedly been the most significant factor in the increase in the price of the finished products. The raw material, wool, is largely imported. Mr. Griffin pointed out our domestic raw wool clip does not look after more than 6 per cent of our requirements, and for the rest we must look to Australia, New Zealand and South Africa. The primary material cost is therefore dependent on prices in world markets and the better grades of raw wool have increased from three to four times the 1939 price. Increases during the past two years have been particularly marked; for instance, fine quality wool 70's increased from 71·8 cents per pound in June, 1946, to 99·5 cents per pound in June, 1947, and to $1.57 per pound in April 1948.

But while the primary cause of increased prices may be attributed to the higher prices prevailing for wool in world markets and there has also been an increase in labour and overhead costs, the record of the industry as disclosed by Mr. Knight's report indicates that during recent periods it has been retaining an increased portion of the sales dollar. The percentage of operating income to sales of three large companies increased from 8·1 per cent in 1946 to 13·4 per cent in 1947 and to 16·9 per cent in the first quarter of 1948. This means that, during this period of rising prices, selling prices were increasing faster than costs. Evidence was submitted by Mr. Henry Barrett, Dominion Woollens and Worsteds Limited, that a substantial part of the increase in his company's prices was due to the fact that the selling prices were "based upon replacement cost of raw materials rather than the actual cost of materials contained in same, as this is the only way it has been possible for us to finance the replacement of inventories". Thus he pointed out "the income for the year 1947 to the extent of $462,792 is not real income. Our company could not continue in business if the income from sales did not include provision for the replacement of inventories on a replacement price basis."

The question as to whether the price of woollen fabrics has been increased above an amount justified by the increase in costs depends, therefore, on whether costs should be taken as the cost of the material actually used or the current value of that material and the amount which will have to be put out to replace it in order for the business to carry on.

If the former method of accounting is employed the resulting increase in profits of the woollen industry indicates that prices have increased above an amount necessary to compensate the industry for higher costs. If, however, allowance is made for higher replacement costs the profits appear to be much more in line with what might be considered normal.

In this respect the pricing policy of Dominion Woollens and Worsteds Limited might be contrasted with that followed by the cotton industry. In the case of Dominion Woollens, selling prices have been increased immediately to reflect advancing raw material prices while in the case of cottons the manufacturers have disposed of their low priced inventories before increasing the selling prices of their products. In this way Dominion Woollens has obtained protection against subsequent price declines out of the increased prices paid by consumers in recent months, whereas the cotton industry has not taken this benefit and the consumers have accordingly obtained relatively lower prices.

Mr. Daniels of Paton Manufacturing Company Limited gave evidence. The price increases reported by this company were proportionately less than those reported by Dominion Woollens and Worsteds Limited, and a reduction in the relationship of operating income to sales during the first quarter of 1948 indicated that costs had increased more than had selling prices.

Mr. Tremblay of Ayers Limited was also heard by the Committee and he explained that because a substantial part of his company's manufacture consisted of the production of paper makers' felts the company's figures could not properly be compared with those of the other companies in the woollen industry.

Mr. Gaston H. Ledoux, president, Federation N.C. du Textile Inc., Granby, Que., explained to the Committee that his union represented 50,000 workers in the textile industry and was the bargaining agent for four of the five larger companies in the Cotton groups which had been represented before the Committee. He pointed out that he did not consider the increase in prices since 15th September 1947 could be attributed to wage increases beyond a total of not more than 4 per cent of cost and contrasted this with the substantial increases in selling prices. Dealing with the question of the shortage of labour which had been referred to by representatives of the companies he felt that this was due to several factors including the policy of retiring employees at 65 and refusing to hire those nearing 45, and the relatively higher turnover of the labour force which resulted from hiring in such a large proportion young people and particularly girls.

Dealing with the problems of absenteeism, he pointed out that the hours of work had been reduced from $52\frac{1}{2}$ hours per week to 40 hours per week, so that in spite of increased wages the workers take-home pay was about the same. In order to compensate for the increasing cost of living, therefore, the employees had resorted to part-time jobs over the week-end, which paid them better than they could earn by working in the mill on Saturday, even at time and a half pay. Mr. Ledoux also felt that the wages in the textile industry were less than in competing industries, and that this made employment in the industry less attractive.

Mr. Sam Baron, Canadian Director and Vice-President of the Textile Workers' Union of America (C.C.L.) was also heard and produced a brief in which he dealt with the relation of wages to prices increases. Mr. Baron concludes that the increase in selling price was very much greater than the actual amount of the increase in labour.

Mr. Baron pointed out also that the average hourly earnings for textile products are the lowest for any group of manufacturing industries except leather products and tobacco, which are fractionally lower.

Dealing with the question of the shortage of labour and the problems of absenteeism, Mr. Baron's evidence was to the same effect as that given by Mr. Gaston H. Ledoux, president, Federation N.C. du Textile Inc., Granby, Quebec.

PRICE INCREASES RELATED TO THE ACQUISITION AND WITHHOLDING OF GOODS

The third of its terms of reference required the Committee to enquire into "rises in prices due to the acquiring, accumulating or withholding from sale by any persons, firms or corporations of any goods beyond amounts reasonably required for the ordinary purposes of their business".

Price increases resulting from such causes represent a special case of the general class dealt with in the previous section. In its examination the Committee did not find it practicable to segregate the causes for price increases into absolute categories. Experience indicated that all possible causes had to be considered in relation to each question of increased prices.

Acquiring and withholding goods could take many forms in the complex Canadian economy. The practice could vary from the hoarding of a few hundred pounds of a scarce commodity in private hands to the so-called "cornering" of supplies on the large commodity markets. It would be difficult and largely non-productive to attempt to cover all the forms which such activity might take.

There is one general distinction which can be drawn between cases of acquiring and withholding. In one supplies are withheld awaiting an anticipated increase in the market and consequent financial gain, sometimes referred to as speculation. In the second, substantial supplies are acquired and withheld in order to force the market up; in such cases the usual description is a "corner".

At least two of the commodities considered by the Committee do not lend themselves to storage, i.e., bread and certain kinds of fresh vegetables. For this reason no attempt was made to relate prices to acquiring or withholding of these items.

Speculation

A considerable amount of evidence was taken concerning the operations of the Montreal Commodity Exchange in relation to butter.

Mr. K. H. Olive, President, Olive & Dorion, Limited, and President, Canadian Commodity Exchange, Montreal, was asked to describe the operations of the Commodity Exchange. On Pages 1739 and 1740 of the Evidence the witness made the following statement: "In the first place, the Canadian Commodity Exchange is an organization which enables buyers and sellers to meet and express their market opinion of the product which is being traded. It is an open market as compared with what I should, perhaps, call marketing behind closed doors, which, in my business experience is not the best type of marketing. I remember very well the developements which led up to the Commodity Exchange. In those days prior to the introduction of the exchange, it was pretty well impossible to establish a market from day to day, yet the commodity is a commodity which is produced and consumed every day . . . The trading practices would be conducted under rules and regulations which could be defended at any time, under any circumstances . . . It is nothing more or less than a place where people come together, under supervision, to express their market opinion on both the buying and selling side. There is nothing mysterious about it. The man who makes a bid stands behind it and if he makes an offer he has to do the same thing."

It was admitted that a small amount of speculation took place in this particular butter market since future transactions as well as spot sales, were part of the day to day operations. However, it was contended that the total volume of sales through the Exchange was not significant. The spot sales represented about 10 per cent of the creamery butter produced in Quebec in 1947, and the futures contracts about 4 per cent of the total produced in Canada.

It was also contended that the operation of a future exchange serves a useful purpose in financing and carrying the risk on surplus supplies from the period of peak production into the following deficit season. While there were possibilities of abuse and possibilities for improvement, a representative of a large cream producers' organization indicated his belief that producers, and producers' organizations, could not hold and manage all of the surplus butter from the flush season. The purchase of butter at this time of year, by others than the ultimate consumers, served as a strong support to a market which would naturally sag under the weight of surplus supplies. Conversely, storage supplies coming forward during the late fall and early winter had a strong tendency to keep the market from rising to the level which would occur if winter butter were the only supply.

For all of the commodities concerned, it was contented that the number of business units engaged in manufacturing processing or selling was such that no single individual unit could acquire sufficient supplies to significantly influence the market.

Considerable evidence was available to the Committee on the firms and individuals trading in butter in recent months. This information was obtained by questionnaires addressed to brokers, and to the 42 largest cold storage plants in the country. After examination of this evidence it was concluded that only an insignificant amount of butter had been handled by individuals not normally in the butter business.

As a result of the examination into butter prices, certain action was taken by the Prices Board.

Protective Agencies

As a related matter it should be noted that considerable testimony was taken on operations carried on under the Combines Investigation Act as these have an effect on specific prices or the general price level. The administration of this Act referred to in the section on prices and increased costs, and it would seem to be closely related to questions involving improper withholding from the market. While "The Combines Investigation Act confers no authority on the administering agency to fix prices, even maximum prices, or to decide that prices or profits in a particular case are "excessive" it was submitted that "The very existence of the prohibitions in the Combines Act is a protection to consumers; so are the continuous investigations; so are the less frequent prosecutions." (F. A. McGregor, Commissioner, Combines Investigation Act, P. 167).

The evidence offered in this connection indicated that investigations under the Act were not infrequently initiated as a result of the constant scrutiny of prices. When there are indications that prices are unjustifiably high the administration works back to determine whether any agreement is present. In the course of such an investigation the existence of improper stocks, or the withholding of stocks for unreasonable periods, would be susceptible of early uncovery.

During the war period the activities usually carried out under the Act were largely incorporated into the operations of the Wartime Prices and Trade Board. With the developement of the policy of price decontrol operations under the Act have been expanded. Currently the administration is engaged in six major investigations. While these are not, of course, directed toward exactly the same ends as those of the Committee they will tend to discourage and restrict any improper practices which lead to unjustifiable prices.

Since February of 1946 both the Wartime Prices and Trade Board and the administration of the Combines Investigation Act have been alerted to the possibilities of prices being raised by hoarding or improper withholding of goods. Except for indications of minor infractions neither agency has received evidence of such improper practices.

All of which is respectfully submitted

PAUL MARTIN,

Chairman

APPENDIX

Table 1.—COST-OF-LIVING INDEX, 1913 TO 1948

(1935-1939=100)

Year	Total Index	Food Index
1913	79·1	89·1
1914	79·7	92·2
1915	80·7	93·7
1916	87·0	103·9
1917	102·4	134·3
1918	115·6	154·2
1919	126·5	164·8
1920	145·4	189.5
1921	129·9	145·5
1922	120·4	123·3
1923	129·7	124·1
1924	118·8	121·8
1925	119·8	127·2
1926	121·8	133·3
1927	119·9	130·9
1928	120·5	131·5
1929	121·7	134·7
1930	120·8	131·5
1931	109·1	103·1
1932	99·0	85·7
1933	94·4	84·9
1934	95·6	92·7
1935	96·2	94·6
1936	98·1	97·8
1937	101·2	102·3
1938	102·2	103·8
1939	101·5	100·6
1940	105·6	105·6
1941	111·7	116·1
1942	117·0	127·2
1943	118·4	130·7
1944	118·9	131·3
1945	119·5	113·0
1946	123·6	140·4
1947	135·5	159·5
1945		
December	120·1	134·3
1946		
January	119·9	132·8
February	119·9	132·5
March	120·1	133·1
April	120·8	135·1
May	122·0	137·7
June	123·6	142·1
July	125·1	144·2
August	125·6	144·7

Table 1.—COST-OF-LIVING INDEX, 1913 TO 1948—*Continued*

(1935-1939=100)

Year	Total Index	Food Index
1946		
September	125·5	143·2
October	126·8	146·5
November	127·1	146·6
December	127·1	146·4
1947		
January 2	127·0	145·5
February 1	127·8	147·0
March 1	128·9	148·7
April 1	130·6	151·6
May 1	133·1	154·9
June 2	134·9	157·7
July 2	135·9	159·3
August 1	136·6	160·6
September 2	139·4	165·3
October 1	142·2	171·3
November 1	143·6	173·6
December 1	146·0	178·7
1948		
January 2	148·3	182·2
February	150·1	186·1
March	150·8	185·9
April	151·6	186·8
May	153·3	191·2

TABLE 2.—SELECTED RETAIL FOOD INDEXES, PRICES AND POINT CONTRIBUTIONS TO COST-OF-LIVING INCREASES, SEPTEMBER 1947 TO APRIL 1948

—	(a) INDEXES, (August 1939=100)			
	September 1947	December 1947	January 1948	April 1948
Blade roast	180.2	184.6	190.1	208.0
Round steak	194.7	198.4	202.9	210.7
Bacon	194.9	205.2	207.2	226.8
Pork loin	172.0	174.2	178.2	193.8
Butter	239.1	252.9	269.7	266.3
Canned peaches	134.2	156.3	156.3	155.3
Bread	110.5	148.5	148.5	152.0
Potatoes	151.1	164.2	165.9	171.2
Oranges	138.0	144.1	135.9	129.1

	(b) PRICES, (Dominion averages, Independent and Chain Grocers)			
	September 1947	December 1947	January 1948	April 1948
	¢	¢	¢	¢
Blade roast ... lb.	29.2	29.9	30.8	33.7
Round steak ... lb.	47.3	48.2	49.3	51.2
Bacon ... lb.	60.6	63.8	64.4	70.5
Pork loin ... lb.	47.2	47.8	48.9	53.2
Butter ... lb.	62.4	66.0	70.4	69.5
Canned peaches ... 20 oz.	26.0	30.3	30.3	30.1
Bread ... lb.	6.4	8.6	8.6	8.8
Potatoes ... peck of 15 lbs.	54.0	58.7	59.3	61.2
Oranges ... doz.	38.6	40.3	38.0	36.1

TABLE 2.—SELECTED RETAIL FOOD INDEXES, PRICES AND POINT CONTRIBUTIONS TO COST-OF-LIVING INCREASES, SEPTEMBER 1947 TO APRIL 1948—*Continued*

	(c) Point Contributions to Total Cost-of-Living Index					
	September to December		December to January		January to April	
	¢	points	¢	points	¢	points
Blade roast	+0.7	+ .032	+0.9	+ .041	+2.9	+ .132
Round steak	+0.9	+ .033	+1.1	+ .041	+1.9	+ .071
Bacon	+3.2	+ .093	+0.6	+ .017	+6.1	+ .177
Pork loin	+0.6	+ .037	+1.1	+ .068	+4.3	+ .266
Butter	+3.6	+ .418	+4.4	+ .511	−0.9	− .104
Canned peaches	+4.3	+ .018	no change		−0.2	− .001
Bread	+2.2	+ .102	no change		+0.2	+ .100
Potatoes	+4.7	+ .156	+0.6	+ .020	+1.9	+ .063
Oranges	+1.7	+ .049	+2.3	− .067	−1.9	− .055

	(d) Point Contributions to Food Index					
	September to December		December to January		January to April	
	¢	points	¢	points	¢	points
Blade roast	+0.7	+ .103	+0.9	+ .132	+2.9	+ .428
Round steak	+0.9	+ .108	+1.1	+ .132	+1.9	+ .228
Bacon	+3.2	+ .300	+0.6	+ .056	+6.1	+ .571
Pork loin	+0.6	+ .120	+1.1	+ .220	+4.3	+ .861
Butter	+3.6	+1.350	+4.4	+1.650	−0.9	− .337
Canned peaches	+4.3	+ .057	no change		−0.2	− .003
Bread	+2.2	+3.559	no change		+0.2	+ .324
Potatoes	+4.7	+ .503	+0.6	+ .064	+1.9	+ .203
Oranges	+1.7	+ .160	+2.3	− .215	−1.9	− .178

Source: Dominion Bureau of Statistics, Prices Branch.

TABLE 3.—WHOLESALE PRICE INDEX NUMBERS OF SELECTED COMMODITIES, 1945 TO APRIL 1948

—	Pork Carcass	Butter	Flour	Potatoes	Tea	Coffee	Green Cocoa Beans	Cotton Tex-tiles
1945								
December	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1946								
January	100.0	100.0	100.0	102.7	100.0	100.0	100.0	100.0
February	100.0	100.0	100.0	102.9	100.0	100.0	100.0	100.0
March	100.0	100.0	100.0	105.7	100.0	100.0	100.0	110.9
April	112.2	110.8	110.0	108.1	100.0	100.0	100.0	110.9
May	112.2	109.1	100.0	110.6	100.0	100.0	100.0	110.9
June	112.2	106.5	100.0	115.6	100.0	100.0	100.0	110.9
July	112.2	110.0	100.0	134.9	100.0	100.0	100.0	110.9
August	112.2	110.6	100.0	98.0	100.0	100.0	100.0	110.9
September	112.2	110.7	100.0	93.0	100.0	100.0	100.0	110.9
October	112.2	110.8	100.0	74.8	100.0	100.0	100.0	110.9
November	112.2	110.8	100.0	71.7	100.0	100.0	100.0	110.9
December	112.2	110.8	100.0	71.8	100.0	100.0	100.0	110.9
Year	109.2	107.5	100.0	98.3	100.0	100.0	100.0	109.1
1947								
January	118.1	110.8	100.0	73.0	115.5	118.2	100.0	110.9
February	121.3	110.8	100.0	75.1	115.5	118.2	100.0	114.6
March	121.3	110.8	100.0	77.6	115.5	118.2	100.0	144.6
April	121.3	110.8	100.0	77.4	115.5	118.2	235.0	144.6
May	121.3	136.3	100.0	95.9	115.5	118.2	235.0	144.6
June	121.3	138.6	100.0	100.3	115.5	118.2	235.0	158.9
July	121.3	139.3	100.0	129.9	115.5	118.2	235.0	159.3
August	121.3	151.3	100.0	106.2	133.9	131.9	315.0	159.3
September	129.4	167.1	182.6	91.1	133.9	131.9	315.0	159.3
October	129.4	161.8	182.6	86.9	133.9	131.9	513.0	159.3
November	134.8	165.4	182.6	104.5	133.9	131.9	453.0	184.4
December	135.0	180.5	179.7	113.9	133.9	136.5	423.1	187.5
Year	124·7	140·3	127·3	94·3	123·1	124·4	271·6	154·8
1948								
January	166.3	186.4	174.4	119.3	133.9	137.8	440.1	187.5
February	173.5	184.0	174.4	117.2	133.9	136.3	423.1	190.9
March	174.0	183.4	168.3	111.0	133.9	134.9	404.2	190.9
April	173.8	183.6	170.4	121.2	133.9	134.6	383.4	190.9

SOURCE: Table 6, Statistical Memorandum on Prices, Price Indexes and Other Data—Dominion Bureau of Statistics, February, 1948.

TABLE 4.—MEAT ENQUIRY

SUMMARY OF OPERATIONS, 1946–47

—	November 1946	December 1946	January 1947	February 1947	Total 4 months
VOLUME (000 lbs.)					
Canada Packers Packing Plants	56,218	36,381	32,219	31,982	156,800
Swift Canadian	37,016	25,642	22,066	25,953	110,677
Burns & Co	24,534	23,080	19,797	15,819	83,229
Total	117,768	85,103	74,081	73,754	350,706
	$	$	$	$	$
PROFIT FROM MEAT OPERATIONS—					
Canada Packers Packing Plants	127,228	144,128 L	49,286	95,964	
Branches	3,295	4,040 L	23,511	5,396	
	130,523	148,168 L	72,797	101,360	156,512
Swift Canadian	280,178	4,649 L	73,641	38,792	387,962
Burns & Co	61,578	118,172	130,837	57,556	368,143
Total	472,279	34,645 L	277,275	197,708	912,617
	¢	¢	¢	¢	¢
PROFIT per lb. of meat sales—					
Canada Packers	.23	.40 L	.23	.32	.10
Swift Canadian	.76	.02 L	.33	.15	.35
Burns & Co	.25	.51	.66	.36	.44
Total	.40	.04 L	.37	.27	.26

L = Loss.

TABLE 4—MEAT ENQUIRY—*Concluded*

SUMMARY OF OPERATIONS, 1947–48

—	November 1947	December 1947	January 1948	February 1948	Total 4 months
VOLUME (000 lbs.)—					
Canada Packers Packing Plants	53,448	44,099	36,524	38,982	173,053
Swift Canadian	36,960	27,770	23,909	30,517	119,156
Burns & Co	23,049	19,855	19,804	17,609	80,317
Total	113,457	91,724	80,237	87,108	372,526
	$	$	$	$	$
PROFIT FROM MEAT OPERATIONS—					
Canada Packers Packing Plants	1,207,582	480,273	500,963	16,727	
Branches	52,543	24,548	79,525	30,978	
	1,260,125	504,821	580,488	47,705	2,393,139
Swift Canadian	991,285	336,424	261,335	262,799 L	1,326,245
Burns & Co	342,062	64,154	167,069	3,833 L	569,452
Total	2,593,472	905,399	1,008,892	218,927 L	4,288,836
	¢	¢	¢	¢	¢
PROFIT per lb. of meat sales—					
Canada Packers	2.36	1.14	1.59	.12	1.38
Swift Canadian	2.68	1.21	1.09	.86 L	1.11
Burns & Co	1.48	0.32	.84	.02 L	.71
Total	2.29	0.99	1.26	.25 L	1.15

L=Loss.