APPENDIX

TO THE

FIFTY-FIFTH VOLUME

OF THE

JOURNALS OF THE HOUSE OF COMMONS

DOMINION OF CANADA

SESSION, FEBRUARY, 1919

PART II

PRINTED BY ORDER OF PARLIAMENT

OTTAWA
J. DE LABROQUERIE TACHÉ,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1920

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COST OF LIVING

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COMPRISING

The Evidence taken and Papers submitted in connection therewith.

SECOND SESSION OF THE THIRTEENTH PARLIAMENT OF CANADA

JUNE 4 TO JULY 5, 1919

PRINTED BY ORDER OF PARLIAMENT.

OTTAWA
J. DE LABROQUERIE TACHÉ
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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GEO. B. NICHOLSON, Esq., Chairman.

A. L. Davidson, Esq., M.P.
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J. M. Douglas, Esq., M.P.
W. D. Euler, Esq., M.P.
Hon. W. S. Fielding, P.C., M.P.
H. C. Hocken, Esq., M.P.
A. B. McCoig, Esq., M.P.
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J. F. Reid, Esq., M.P.
J. E. Sinclair, Esq., M.P.
H. H. Stevens, Esq., M.P.
Donald Sutherland, Esq., M.P.
Thomas Vien, Esq., M.P.

V. CLOUTIER, Secretary.

ORDER OF REFERENCE.

HOUSE OF COMMONS OF CANADA,
FRIDAY, May 30, 1919.

Resolved,—That a Special Committee of the House consisting of Messrs. Nicholson (Algoma), Stevens, Reid (Mackenzie), Douglas (Strathcona), Davis, Hocken, Sutherland, Fielding, Davidson, Nesbitt, McCoig, Sinclair (Queens, P.E.I.), Devlin, Vien and Euler, be appointed for the purpose of inquiring forthwith as to the prices charged throughout Canada for foodstuffs, clothing, fuel and other necessaries of life, and as to the rates of profit made thereon by dealers and others concerned in their production, distribution and sale; also as to rentals of dwelling houses in industrial centres of Canada and rates of return of capital invested therein, with power to send for persons, papers and records, examine witnesses under oath, engage accountants and other necessary assistants, and to report to the House from time to time the result of their inquiry with any recommendations they may make with a view to effecting a reduction in such prices and rentals.

Attest.

W. B. NORTHRUP,
Clerk of the House of Commons.

WEDNESDAY, June 4, 1919.

Ordered,—That the said Committee be granted leave to sit during the time the House is in session and that they be empowered to print the evidence taken from day to day, for the use of the Committee, and that Rule 74 be suspended in relation thereto.

Attest.

W. B. NORTHRUP,
Clerk of the House.

REPORTS OF THE COMMITTEE.

First Report.

Wednesday, 4th June, 1919.

The Special Committee appointed for the purpose of inquiring forthwith as to the prices charged throughout Canada for foodstuffs, clothing, fuel and other necessaries of life, and as to the rates of profit made thereon by dealers and others concerned in their production, beg leave to present the following as their First Report:—

Your Committee recommend that they be granted leave to sit during the time the House is in session and that they be empowered to print the evidence taken from day to day, for the use of the Committee, and that Rule 74 be suspended in relation thereto.

All which is respectfully submitted.

G. B. NICHOLSON,
Chairman.

SECOND REPORT.

Thursday, 26th June, 1919.

The Special Committee appointed for the purpose of inquiring forthwith as to the prices charged throughout Canada for foodstuffs, clothing, fuel and other necessaries of life, and as to the rates of profit made thereon by dealers and others concerned in their production, distribution and sale, also as to the rentals of dwelling houses in industrial centres of Canada aud rates of return of capital invested therein, etc., beg leave to present the following as their Second Report:

Your Committee since their appointment on the 30th day of May last have held thirty-six morning, afternoon and evening sessions, heard and considered the evidence given under oath of sixty-six persons representing various producers, manufacturers, wholesale, retail and consumers' organizations from various parts of Canada; also have received numerous petitions, resolutions and other communications, all of which have been considered.

Your Committee have been engaged continuously from the 5th day of June last to the present date in obtaining all information possible from witnesses and all available sources but have not yet reached a point in their investigation that would warrant them in submitting final conclusions. There has come to the attention of your committee evidence in regard to undue profits being made on certain commodities. Your Committee in order to provide a means by which a recurrence of such may be prevented and that the public may be protected against unfair practices in trade recommend to the consideration of the House and the Government that legislation be enacted at this session of Parliament creating a tribunal with power to investigate mergers, trusts, monopolies or organizations of any kind or nature, which tend to limit facilities for transporting, producing, manufacturing, supplying, storing or preventing, limiting or lessening manufacture or production, or fixing a common price, or a resale price, or a common rental, or a common cost of storage, or transportation or preventing or lessening competition in or substantially controlling within any particular district, or generally, production, manufacture, purchase, barter, sale, transportation, insurance, or supply, or otherwise restraining or injuring commerce, or unduly enhancing the price of the necessaries of life, also with regulative power in connection with discriminations in price between different purchasers of commodities, exclusive purchase and sale arrangements, inter-corporate shareholding and interlocking directorates and unfair methods in commerce.

All which is respectfully submitted.

G. B. NICHOLSON,
Chairman.

THIRD REPORT.

(Final.)

SATURDAY, 5th July, 1919.

The Special Committee appointed for the purpose of inquiring forthwith as to the prices charged throughout Canada for foodstuffs, clothing, fuel, and other necessaries of life, and as to rates of profit made thereon by dealers and others concerned in their production, distribution and sale, also as to rentals of dwelling houses in industrial centres of Canada and rates of return of capital invested therein, etc., beg leave to present the following as their Third and final Report:—

Your Committee, since the 26th day of June last, when their second report was presented to the House, have held twelve sessions and have heard and considered evidence given under oath by several persons representing milling, elevator and cold storage companies, grain producers and dealers, retail coal dealers, woollen manufacturers, wholesale jobbers in provisions, groceries and fruit, and others who are responsible in commercial transactions as to spread of profits, distribution and sale of staple commodities pertaining to foodstuffs, clothing, fuel, and other necessaries of life, and from whom further records were requested which your Committee have not yet received.

In respect to the question of rentals of dwelling houses in industrial centres of Canada and as to the rates of return of capital invested therein, which the House also ordered to be inquired into, your Committee have not been able to give these two questions any attention owing to the session drawing to a close.

Throughout the forty-eight sessions which your Committee have held witnesses were examined under oath upon a wide range of general commodities beginning with what in their judgment was most important, namely, such necessaries as meat and meat products, butter, eggs, flour, groceries, clothing, boots and shoes, and fuel; tracing these up through the process of production, manufacture and distribution, in order that they might establish the spread between the cost of production and the cost to the consumer, determining if possible whether this was too great or not.

The inbestigations of your Committee have not covered as wide a range as would have been possible had we had more thime at our disposal. Your Committee have, however, reached certain conclusions which they believe will assist in establishing a correct understanding of these matters, and that may be of material value in directing the attention of Parliament and country to the real cause for the present abnormal cost of living as well as pointing out a way by which any existing abuses may be corrected. These conclusions are:—

1. That so far as your Committee are able to discern no material reduction in the cost of such commodities as above indicated can be expected, except by increasing the volume at a lower cost of production or by lowering the cost of distribution.

2. Your Committee do not presume to say that there are no cases of undue inflation in prices, or of profiteering, but in the main it was their opinion that having in mind the service which the consuming public demand, the margin between the actual cost of production and what the consumer pays for such commodities is reasonably narrow.

3. In their investigations your Committee took the base cost paid to the farmer for such commodities as beef, cattle, hogs, lamb, dairy products, eggs, etc. Upon examining this phase of the subject your Committee had before them representatives of the Department of Labour, the Bureau of Statistics, the Superintendent of the Experimental Farm, the Assistant Live-Stock Commissioner, a professor from the Agricultural College at Guelph, representatives of the United Farmers of Ontario, dairymen, packers, cold-storage men, millers, grain dealers, co-operative organizations, officials of stock yards and commission merchants; and, on the strength of the evidence received your Committee desire to state that the production cost of these articles, namely, the price paid to the farmer, is from 100 per cent to 115 per cent greater than it was five years ago. The prices of hogs have increased by 125 per cent on an average; beef cattle, 110 to 125 per cent; dairy products on the butter fat basis and eggs from 100 to 110 per cent above normal. Your Committee have considered the possibility of effecting some relief at this point, either (a) by fixing a price or (b) by placing an embargo on the export of foodstuffs. After most careful consideration your Committee are of opinion that to do either of these things would result in most disastrous effects, because, any effort on the part of the Government or Parliament at price fixing or at attempting reductions in sale prices which the farmers are receiving, would only intensify the present difficult situation for the reason that it would tend to dry up the source of supply by directing the productive energy of those now engaged in this industry into other channels; on the other hand, were the Government to place an embargo upon exports of any class of foodstuffs it would not only have the same effect, but the policy would be unsound on economic lines. It would have the effect of discouraging productive industries by restricting and limiting markets,—and surely there is nothing more obvious than the necessity of encouraging to the greatest possible extent every class of production in order that through Canada's exports we may be enabled to meet our world obligations and pay for the commodities that we must import. Moreover, the inquiry of your Committee, supported by most reliable evidence, shows if one considers labour conditions and the cost of stock feed, that those engaged in the production of these lines of foodstuffs are not making an undue profit.

4. One notable factor—in fact the most important in the opinion of your Committee is the present price of wheat which has not been inquired into with sufficient thoroughness. For many years the Department of Agrculture has been pursuing inquiries as to the cost of grain production, and these will be found in certain annual reports from the Illustration and Demonstration Stations and Experimental Farms. One witness alone, a practical farmer, upon being sworn and examiner, stated that wheat production cost $2 per bushel. An examination of Government results leaves the amount very much in doubt indeed, but your Committee have felt obliged to accept the price fixed during the past two years as final, trusting that due inquiries were made when this price was fixed. If means existed for a precise finding on this point, your Committee feel that they should have exhausted this question, because all other food prices in a measure are determined by the price of wheat. Your Committee have to rest upon the authority above stated, and do not attempt to say whether that price is fair and just although they would add that the price as

fixed was intended to be high enough to encourage production. While this level continues not only will the prices of bread and all cereals continue as they are but the base cost of all the other food products must continue to remain high, the reason being that wheat prices regulate, in a degree, the prices of staple commodities.

5. Passing on to the spread between the base cost and what the consumer pays, your Committee find that while there may have been isolated cases of undue profits and other cases where poor business methods have resulted in high prices, on the whole the business has been carried on a margin of profit reasonably close to actual cost.

6. In the abattoir and packing house business, we find that while without question the large companies are making a lot of money in the aggregate, they are doing this because of the efficiency of their methods and their large turnover, and not because of excessive profits on the commodities themselves.

7. In the milling industries the same conditions prevail. The gross margin covering cost of milling and the profits made is about four-fifths of one cent a pound on flour while the net profit averages about one-tenth of one per cent. To illustrate what this means it has been shown that a reduction of ninety cents on a barrel of flour would make possible a reduction of one-half cent a loaf on a one and one-half pound loaf of bread, so that if all profits in this business were wiped out the possible reduction would be less than one-tenth of one cent on a one and one-half pound loaf of bread.

7a. The same applies to dairy products and eggs. In the case of butter your Committee find that the creameries are taking cream from the farmers and manufacturing it into butter at a gross cost of from $3\frac{3}{4}$ to 6 cents a pound, varying according to locality and the distance the cream has to be hauled. This cost covers transportation charges, manufacturing costs, boxes, marketing and any possible loss in collection. In this respect the evidence shows that one creamery only made any profit at all and that was a very narrow one.

7b. Your Committee also inquired into the question of cornering the market and in this connection it was found that no such thing prevails. There is direct and keeen competition and any man having the money and wishing to do so can purchase direct from the producers any commodity he wishes, one case of eggs or one box of butter, etc., as the case may be. The same applies to meat products. Markets are wide open. Any butcher or retailer or consumer can compete in the open market with those who are engaged similarly.

8. In the case of the retailer your Committee have found the spread to be greater, with varying results, showing undue high prices in isolated cases only. But here again, as in the case of foodstuffs, the operations are carried on on a margin close to the actual cost. In this connection the consuming public have it in their power to reduce the cost from 5 to 15 per cent by using some of the cheaper grades of meat products or by being satisfied with a less expensive service. It has been shown that in many parts of Canada it is becoming difficult for retail merchants to dispose of any but the prime cuts of meat, the result being that the less choice lines must be sacrificed. Special attention in this connection has been given to the matter of bacon, which is sold in the English market in what is known as two Wiltshire sides, the Canadian market demands highly specialized grades making necessary the curing of the same hog in eight or ten parts and in the most expensive way and then it is only the choicest part that finds ready markets. These things naturally tend to a marked increase of the cost of the commodities actually in use.

9. The expensive and frequent deliveries at present called for add very materially to the cost of the goods. Whether this can be eliminated or not is a matter that can only be settled by the consuming public.

10. With reference to the question of hoarding, your Committee had the records of the Cost of Living Branch of the Department of Labour, together with the evidence given before the Committee, and it was found that there were no instances of anything that could be legitimately termed as hoarding. During the past six months, it is true, there was in storage in Canada a large quantity of frozen beef. This, however, was a product prepared for the British Food Commission, having been ordered by that Commission before the signing of the Armistice and being held in storage subject to shipping instructions and not being a commodity marketable in Canada except to a limited degree.

11. In general groceries the inquiry of your Committee has not been sufficiently complete to enable us to deal in a comprehensive way with the subject either from the manufacturing or distributing standpoint. The same applies to fruits and fish. As far as your Committee were able to go, the evidence points to the same general condition, namely, high costs of distribution with narrow net profits. In the wider range of general commodities your Committee proceeded along the same lines as with food stuffs, beginning with the manufacturer and ending with the consumer. Here it was found that greater variations and a wider spread existed in certain places, but again production and distribution costs seem to be the dominant factor in determining prices. Your Committee desire in this respect to direct the attention of the House to two specific lines, namely, boots and shoes and staple goods. In boots and shoes your Committee found the increase of manufacturers' costs to be about 100 per cent with tendency still up, due to the increased price of leather and the advance in cost of labour. In this line manufacturers' profits range from almost zero to a maximum of 17 per cent. In staple goods the same conditions were found. Raw material and labour have brought manufacturers' costs to a full 100 per cent increase in many cases, and on the whole the specific profit on the goods is a small factor in the cost of the ultimate consumer. Two cases, however, came to the notice of your Committee in these two lines of commodities, where in their judgment excessive profits were taken.

12. Coming to the matter of distribution in these lines, your Committee found a greater spread and the cost of doing business under present conditions impose a heavy burden on the consuming public. In the case of boots and shoes the goods go largely direct from the factory to the retail stores where an average spread of from 30 to 50 per cent is made for staple lines and a much higher one in special lines. In this connection your Committee desire to point out, that in all the evidence before them relating to manufacturers and retailers it was made abundantly clear that the special or exclusive style of footwear demanded by the public tends to increase the cost in a very marked degree. It was pointed out for instance by one retailer whose gross margin was the lowest that came under our review that on thirty pairs of special ladies' boots in stock in 1918 only two pairs were sold in the regular way, and the remaining 28 pairs had to be sacrificed at a price less than cost. This instance might be multiplied many times in every retail store investigated.

13. In staple goods such as woollens, cottons, etc., the spread from the factory to the retailer is about 75 per cent, namely, 15 to 25 per cent to the wholesaler and an average of 50 per cent to the retailer. In the main the evidence shows that notwithstanding these high gross margins the net profit is small when computed either on capital or turnover. It does seem, however, that these costs of doing business are high. The elements entering into these high costs are rents, municipal taxes, and labour, and in investigating these your Committee found that in one place where rent counted for 5 per cent of the total turnover the gross rent value yielded on the property only produced 5 per cent on the assessed value.

14. *Fuel.*—In the case of fuel, your Committee were able to investigate actual conditions in two cities only, but have closely checked the records in the Department of Labour and the Bureau of Statistics collected for the Fuel Controller, wherein it

was found that a marked increase in the price of coal was due to (*a*) increased cost at the mines; (*b*) transportation; (*c*) distribution; and that the margin of profit in the cases investigated were very small.

15. In respect to leather, rubber goods, building materials, plumber's supplies, general hardware and house rents your Committee regret they had not time to enquire into these matters.

Conclusions.

16. While before the war there was a steady rise in the price of commodities, during the war a greater advance in prices occurred, and all indications point to goods remaining for a considerable time, if not permanently, on a higher price level. Scarcity of material, and destruction due to war have partly caused this rise in price, but even more, the expansion in currency and credit have caused a general money depreciation, and as values or prices are expressed in terms of money which is really a quantity of counters, the doubling of the number of counters and the lessening of the quantity of commodities give a resultant higher price. It must be remembered that the expansion of bank credits has been proportioned to the increase in the prices of production and that the banks were called upon to furnish immensely larger sums to facilitate trade than in the period prior to the war. Huge dealings have been made possible to companies with comparatively small capital by a generous policy of credits on the part of the banks. The accumulation of reserves by the trading corporations of the country is a means of making us less dependent upon foreign borrowings and putting our business on a sounder basis and no proper criticism may be directed to the policy of thus icreasing the capital employed in business.

17. While corporations were required in peace times to make reports of their annual statements and these were open to public inspection, private partnership firms have only been required during war time to make these returns to the Cost of Living Commission and the Food Board. Prior to making any such returns satisfactory examination of the internal trade of the country was impossible.

18. It cannot be said that the higher price level has become fixed. All the evidence is to the effect that under the present circumstances prices are unstable. Whether they will go higher, stand where they are, or fall, has not, and apparently cannot be determined.

19. The truth is that the adjustment of the changed conditions has not yet been achieved and any weighing of the factors affecting it in advance is impracticable. So many factors operating can only find their true adjustment in the actual operation of business.

20. While individual prices of the present as compared with 1914 appear extravagantly high, comparison of the price of any commodity to-day with prices of other commodities of to-day presents through all clases a uniformity of increase.

21. While the underlying conditions above referred to have increased prices the close attention and control by Government agencies over the country's trade has been a large factor in preventing exceptional rises in some commodities and in securing the uniformity referred to.

22. The Committee's investigation has shown that many of the companies engaged in trade have increased their capitalization during the past five or six years very largely. Before the war, there had been many mergers, and very considerable stock-watering and a steady increase in prices have enabled corporations to make large profits and bring inflated issues to the dividend-bearing stage. Some of the profiteering was inevitable through the increase in value of stocks held, and justifiable in view of subsequent expected depreciation of the value of stock when adjustment takes

place. Those companies which have built up reserves without capitalizing their earnings may justify upon the course they have followed. Yet with this allowance, the fact remains that in many businesses the profits have been very high, and required that the Government should take cognizance of the situation. Your Committee in their second report therefore recommended to the House the establishment of a Board of Commerce having powers of regulation and control of the present abnormal situation.

23. Individual cases of high profits have been discovered, but these are probably no more numerous or excessive than during ordinary times of peace. In some cases these are due to war orders, in other cases to speculation and efficiency, and again in other cases to a favored condition and greed.

24. The Committee desire to point out that some of the responsibility for higher living costs, in their opinion rests upon the consumer's wasteful buying, as for example, in the case of meats. The ordering of household supplies by telephone where the usual habit is to order the best may be mentioned as another case; and this has a distinct relationship to the third, namely, delivery, costs. These are no doubt run up by an indiscriminate use of the telephone in making several orders to the retailer in the course of a day. During the period of high wages which attended the increase in prices the public has been demanding a high class of goods of all descriptions, which is a matter entirely within the control of consumers. Lack of diligence in buying is also a factor in increasing living costs.

25. The Committee feel that the industrial expansion due to munition making in Canada is another cause of high prices. The big wages offered drew large numbers of people from the rural districts to the cities. This movement in Canada had been in progress for some time before the war, but was then accelerated. The result has been a scarcity of labour on the farms, and some very considerable reduction in the production of the farms. Many of these people are loth to return to farming and there is consequently labour congestion in the cities. There may be no way to correct this condition, but the stern alternatives presented by a business depression.

Remedies.

26. *The Board of Commerce.*—Your Committee in their interim report recommended the constitution of a Board of Commerce, which would continue and extend the work done not only by this Committee but by the various controls which the Government have put into operation during the war. The publicity given to the investigations of such a board will have a steadying effect. Its powers of regulation applied to trade practices and agreements will speed reform, and large questions of policy where trade tends to combinations and restrictions may be submitted to the board for advisory action.

27. *Co-operation.*—Your Committee also inquired into the question of co-operation and had before them representatives of several co-operative bodies and in each case the evidence given was to the effect that great difficulty was experienced in securing goods direct from the manufacturers and wholesalers. While your Committee had not sufficient time to warrant definite conclusions they are of the opinion that the question of co-operative buying and distribution should be carefully investigated for the reason that in all lines investigated the greatest spread was found to have occurred in the distribution from the manufacturer to the consumer.

28. The specific remedy for these conditions can only be expressed in general terms:—Get our men back into productive industry as rapidly as possible. Every war in the past has resulted in greatly increased prices of commodities and the only way in which nations have been able to rehabilitate themselves in the post-war periods has

been by intensive application to productive industry. Having said this, your Committee do not feel that they should leave the subject without strongly urging what they consider to be the paramount necessity at the present time, namely: the need of getting our people to see the situation as it is. Canada must get more men into productive activity if our people are going to cope with the conditions now confronting them. Your Committee desire to emphasize the need of united effort in order to restore the waste of the last five years so that Canada may be brought back to normal conditions. In the final analysis the solution of the whole problem rests in a willingness on the part of all the Canadian people to seize and make use of the splendid opportunities before them.

Your Committee, in accordance with the Resolution passed by this House on the 30th day of May last, have engaged the services of accountants and necessary assistants in order to expedite the inquiry for which they were then appointed. Their accounts have been presented to the Committee, were found reasonable and were approved. Your Committee recommend that they be paid.

Your Committee, in submitting this report for the consideration of the House and the Government also append hereto a copy of the evidence which has been printed from day to day for the use of the Committee, and do recommend that the remaining copies be bound under a paper cover for distribution to the members of the House, together with a table of contents to be prepared by the Clerk of the Committee, also to contain the second and third reports presented to the House and the statements or records which have been ordered printed as an appendix to the evidence given by the witnesses who submitted the said statements or records at the request of your Committee.

Your Committee also recommend that their reports, the evidence taken and the statements or records submitted in connection therewith, be also printed as an Appendix to the Journals of 1919, and that Rule 74 in relation thereto be suspended.

All which is respectfully submitted.

J. McCrie Douglas,
Acting Chairman.

LIST OF WITNESSES EXAMINED FOR EVIDENCE.

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, June 5, 1919.

The Special Committee appointed to inquire into the prices charged for Foodstuffs, etc., met at 11 a.m., the Chairman, Mr. Nicholson, presiding.

Members present.—Messieurs Davidson, Davis, Douglas (Strathcona), Euler, Fielding, Hocken, McCoig, Nesbitt, Nicholson (Algoma), Reid (Mackenzie), Sinclair (Queens, P.E.I.), Stevens, Sutherland and Vien.

Mr. McCOIG: I move the following motion—

"That the Sales Manager of the Advance-Rumley Thresher Company, Winnipeg, Manitoba, be summoned to appear before this Committee to give evidence as to the price tractors No. 10902, 10903 and 10866 imported into Canada were sold to the producers of foodstuffs, and that he produce all documents showing values given for purposes of importation, prices at which they were sold in Canada and names of purchasers, in short all documents relating to the importation and sale of these tractors and all other 15-30 horse-power tractors imported in 1918 and 1919, and also that the Sales Manager of the International Harvester Company, Hamilton, Ont., be summoned to give evidence as to their 15-30 horse-power tractors, how many imported into Canada, what they were sold for, to whom sold, price listed, in importing these tractors into Canada and all other matters pertaining to the disposal of these machines."

Mr. DAVIDSON: I make the following motion in amendment—

"Resolved that the further consideration of this motion be deferred until such time as the Committee has had an opportunity to inquire into the more direct causes of the spread of prices between that paid by the consumer and that received by the producer."

The Committee divided on the amendment which was carried on the following division:

Yeas 8, nays 5.

The CHAIRMAN: I declare the amendment carried. We have Dr. McFall with us today.

Dr. R. J. McFALL: appeared before the Committee.

The CHAIRMAN: It is the desire of the Committee that you give us any information you can with regard to the cost of production of food stuffs, clothing, and other necessaries of life, and rates of profit made thereon. You are not limited in any degree. We wish to know as fully as it is possible for you to give us, the information that your Department has on this subject.

By Mr. Vien:

Q. What is your capacity?—A. I appear before you as the Cost of Living Commissioner, and I am also Chief of the Internal Trade Division of the Dominion Bureau of Statistics. Until the dissolution of the Food Board I was chief of their Division on statistics, and also the Fuel Controller's statistics, which include this license report system which was carried on under my supervision.

[Dr. R. J. McFall.]

Q. When were you appointed Food Controller?—A. The title is Cost of Living Commissioner or something like that, it is nominal, I was appointed as Commissioner under the order in council regarding the cost of living dated May 3rd, 1915.

Q. Previously to that what was your occupation?—A. Previous to that I was in charge of the Internal Board of the Dominion Bureau of Statistics and Chief of the Statistical Division of the Food Board.

Q. You have had offices in Ottawa.—A. I have had three during the last year.

Q. Do you have an office at the present time?—A. Yes, at the present time.

Q. In Ottawa?—A. Yes.

Q. Under what control?—A. In two Departments.

Q. Which two departments?—A. The Departments of Trade and Commerce and of Labour.

By Mr. Devlin:

Q. You are at present actively engaged in enquiring into the cost of living?—A. I am.

Q. And have been, I understand, for about two or three months.—A. Well now—Mr. Chairman, it would be as well if I could briefly sketch all my activities, would it not, so that the committee would better understand my position because there has been a great deal of misunderstanding about the work and I feel you gentlemen should be thoroughly advised as to what is going on. As I have already told you up to May 3rd I was holding two positions under the Government, one was as Chief Clerk of the Administrative Division of the Dominion Bureau of Statistics, a division of what was formerly the Census Board, a position which had never existed prior to my appointment on June 20th, 1917, and which we did not know at that time what it would lead to. But it was really useful, as you all know, and I felt on my appointment that the best way to do my work was to get into touch with the various other organizations, so I joined hands with them in the work, so that I am conversant with every branch of this work. Then as you doubtless all know in the spring of 1918 Mr. O'Connor resigned and some weeks after that I was advised that my name was being considered for the position. I was not a candidate for that position but on being asked by the Minister of Labour to undertake certain duties I said I was willing to assume it provided my chief, Mr. Coates, was willing that I should do so. Mr. Crothers, the Minister of Labour at that time, told me he wished me to carry on certain reports which had been previously issued regularly by the former Cost of Living Commissioner, Mr. O'Connor. I was advised that these reports and the work covered mainly the monthly cold storage report, the monthly report on the cost of producing bread, and certain data which were being similarly collected regarding the cost of distribution of coal. In looking that matter over I decided that I might very well carry on that work in addition to my other duties, and on those terms I undertook to do this work. On going further into the work I found that it was very decidedly advisable to go farther than we had previously gone. We must enter into this matter of the ramification of these matters and I might also say this that subsequently to the time of my appointment Mr. Crothers told me that there were some complaints coming to him regarding the price of gasoline, a matter of some kindred scope to the cost of living upon which you gentlemen have been sitting; it may not be of great importance, I would not say it is of a primary importance.

Mr. Reid: Is the Committee going to take this evidence under oath?

The Clerk read the order of reference.

Mr. Reid: I think this evidence ought to be taken under oath.

Mr. McFall: I am willing to give it under oath, I might make some suggestions that I could not swear.

Mr. Hocken: Might it not be well to go on as we have started and let Mr. McFall give his general statement before swearing him?

[Dr. R. J. McFall.]

Mr. McFall: As I say, Mr. Crothers said that he had received complaints regarding gasoline and wanted me to look into the situation. I did so and if you go over the reports I made of the situation you will find that as the result of that investigation and report while the cost of bringing gasoline into this country advanced five-sixths of a cent last summer the price to the consumer remained the same, the price to the consumer as far as the wholesalers are concerned is not advanced, although they would have advanced it roughly speaking to an amount aggregating somewhere over three-quarters of a million to one million dollars. During the summer also I found that in the course of my work in the Canada Food Board Service that the dealers were taking a decided advantage of the situation. I made some investigation in this city and I found that the local retailers were either guilty of perjury or false pretenses or that they were guilty of both, and I put the matter before the Attorney General of the province, he ruled that it was not within the order. Then also during the summer I made certain investigations of the Canadian Sugar Refineries.

By Mr. McCoig:

Q. About what time of the year was this that you made your investigation of the cost of gasoline?—A. During the summer.

Q. Were you in the employ of the Government last fall when an order came out regulating the profit on bacon and gasoline and putting a lot of dealers out of business by reason of that order?—A. I am doubtful that they were put out of business.

Q. They were put out of business because you were putting the trade all into the hands of the big interests?—A. I do not know that it would have that effect.

Q. Do you remember the circumstances?—A. I remember it quite well.

Q. Do you remember that in the city of Sarnia the Imperial Oil Company had their tanks supplying the people who were users of gasoline and those who had been supplying the customers were unable to do so?—A. I do not remember it.

Q. That is true and the same thing applies in other cities.—A. As far as that goes, the order was never enforced.

Q. But the people did not know that it was not being enforced and they naturally thought it was going to be enforced or else the Government would never have passed the order?—A. I would be very glad, if the Committee so desire, to discuss this matter fully later on but perhaps you will allow me to proceed with my statement. I may say that I found some retailers making 11 cents a gallon retail and I did make some regulations in regard to that matter. Now to proceed further, about the time my reports on the investigation into gasoline came out publicly it showed that the refiners and the big men were held down to 1c. a gallon, about that time the Labour Sub-Committee of the Cabinet was very much interested in this question, and were making recommendations that stringent regulations be put through. I cannot go into that matter in full detail, but there are certain regulations made at that time which might lead to price fixing. Also at that time the question of the revision of the law came up. The law, as I found it to my mind, was absolutely insufficient. I do not know who drafted the law, but presumably it was the best law that could be put through at that time, but it left conditions of enforcement very unsatisfactory and I rather think that my predecessor who is present will bear me out in saying that it was rather difficult. That it was not easy to get the Attorney General of the province to act in the matter. We had a later revision, I think that was on October the 8th, the first revision which gave the authority direct to the Minister of Labour to make direct investigation, which was impossible before and also gave him full authority to enforce the regulations without referring to the Attorney General of the Province. Under the Act he had full authority to enforce it by any methods of Justice, I might also note that under the Act the Commissioner now has full powers and I feel that so far as the Labour Department is concerned sections 4 and 5 defining our powers give us absolutely full powers to investigate providing the Government takes the matter up with full authority from the Justice Department.

[Dr. R. J. McFall.]

By Mr. Devlin:

Q. How long have you had that power?—A. I think that was assented to on October 8th, 1918, I have forgotten the serial number of that order. Then that was revised again on December the 10th or the 11th, 1918. In the first provision not only were the powers of the Labour Department revised and the definition of necessaries of life broadened so that it would practically include everything, but at the same time the powers of the municipalities were broadened. Mr. Crothers felt that the municipalities should be given as full power as they required to investigate and to publish what they considered fair prices and to bring prosecutions themselves without referring to the Attorney General of the Province. They were given power to bring the matter directly before the Court or to call on the Minister of Labour, or upon the Attorney General of the Province if they wished to do so. The only point left on that was that the members of the local Fair Price Committee must be members or officers of the Local Council. But hat was a point on which there was a slight difference of opinion.

By Mr. Nesbitt:

Q. What right have you to call upon the Attorney General of the Province?—A. I can merely lay the evidence before him.

Q. You have no right to put the enforcement upon him?—A. No, the law as it stands now gives the Minister of Labour the power to make an investigation. The Minister of Labour cannot compel the Attorney General to do anything, but he has the right to do it, he can call upon him if he sees fit. This second revision of the law had not any provision giving powers to the municipality to enquire into the question of fair price and under this Act it does make a preliminary investigation, or the Chairman of the Canadian Food Board was to make investigations, without stirring up public opinion. You know when you start investigating anything the public immediately comes to the conclusion that there has been profiteering, that is the idea which prevails, there is no arguing out of the matter. So we split up the Board first to enquire and second part to have full power of the Commission under the Enquiries Act and if there is any other question with regard to fair price or anything of that kind to refer it back to the Council which can prosecute if there has been any infringement or evidence of profiteering, or of combinations in restraint of the trade.

By Mr. Devlin:

Q. What practical results did you get from these prosecutions, or did you have many such prosecutions?—A. No, we did not.

By Mr. Nesbitt:

Q. What practical results did you get from the investigation?—A. The Municipal Investigation Committee according to law are supposed to report to the Minister of Labour what has been investigated and all the findings. As a matter of fact the law as it now stands does not require them to refer to the Minister of Labour, I think committees have been appointed without the knowledge of the Labour Department at all and many of these committees have been investigating and have not referred their findings to us.

By Mr. Devlin:

Q. By whom were those committees appointed?—A. By the local Municipal Councils, they can be appointed direct by the Local Municipal Council.

By Mr. Vien:

Q. Did you find that there was much of that done?—A. I think there were about a dozen Fair Price Committees appointed and since that time there have been some other committees appointed. There has also been some investigation work done, but I cannot say that it has produced any tremendous results. In fact one of the most

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important of these investigations that has been made was that undertaken by the city of Winnipeg some time ago into the price of bacon and there have been other investigations of a similar nature and, I think, it was the city of Windsor that decided to look into the local question between the farmers and the retailers.

By Mr. McCoig:

Q. There was quite an agitation in regard to the price of bacon because the people of Windsor found that on the other side of the river, in Detroit, they were selling bacon and hams at a lower price than those articles were being sold in Windsor. That naturally caused a great deal of dissatisfaction in the city of Windsor.

The CHAIRMAN: With regard to that question of municipal investigation and prosecution were there any prosecutions made by the Justice Department as a result of a report made by the Municipalities?—A. There were no references of investigations on the part of the municipalities, as far as I know, to the Dominion directly. There have been prosecutions conducted by local Fair Price Commissions before the local authorities. I believe there was one in Alberta city where the consumers thought they did not get results.

Q. What was the result of the Winnipeg investigation?—A. Roughly speaking the result of the Winnipeg investigation as far as I can see, was pretty much that it showed up the factories up there. I have almost forgotten where I left off in the general discussion. What I have said I think gives you a fairly brief conception of the law so that I will say at the present time that the law as it stands now is ample to meet the situation, it gives the Minister of Labour or his Deputy, or some one appointed by him, the authority to make investigations into all matters pertaining to the necessaries of life.

By Mr. Devlin:

Q. Have you the results of those investigations in printed form, because that is the question we are charged with?—A. Quite true, but I haven't it in printed form, I can give you the information on any special case on any separate subject that you may require.

Q. Let me ask you one question—do you enquire into the cold storage system throughout Canada or make inspection of them?— A. Enquiry was made by my predecessor, Mr. O'Connor, but we have revised the system and improved it and we now have a more elaborate system carried on. On coming to the facts and working out the question of cold storage reports, particularly in regard to its bearing with relation to the work of the Canadian Food Board and its reports in the produce section I found that it was necessary to make some revision in order to avoid unnecessary duplication. The work that Mr. O'Connor started, the gentleman is present himself, and I will say that how he succeeded in getting so many things done under the law as it then existed I could never quite understand and I am satisfied that he must have been a pretty good man to get as many things across as he did in regard to the cold storage of supplies, some things were very surprising and his work with reference to the available supplies in cold storage are under the circumstances very satisfactory. The grain dealers are ever ready to give that information weekly, now we are getting it monthly from all the cold storage places.

Q. You are getting it voluntarily?—A. There is a law but we do not have to prosecute in order to get the information in connection with the grain industry, but I think we will have to prosecute some cold storage concerns before we have done.

I had better explain the matter of the relation of that report to the Canadian Food Board report first. It is very difficult to follow any definite cleavage on this thing, to follow a definite programme of speaking. The report as called for by Mr.

O'Connor, passed upon what you call the cold storage men. It was really the chief products, wholesalers and packers—to report monthly what stocks a man had on hand in his warehouse, whether he owned them or not, and what stocks in Canada he owned, whether they were in his warehouse or wherever they were.

By the Chairman:

Q. Are the figures accurate?—A. I will come to that a little bit later. Up to that time, as far as I know, there was no verification of those figures. Mr. O'Connor is here and can speak as to that. As far as I know there was no verification of that report up to that time. I made a definite division in that, and made them report to me all of the chief cold storage plants, got a list from every source from which I could get it, and got a very much larger list than the Dairy and Cold Storage Commissioner had. I made them report to me what stocks they had in their warehouse, whether they owned them or some one else owned them. That is rather a technical matter which I would expect to get in the first statement, but since the cold storage men did not give it in the second or third statement, I must explain a little further. There are public cold storages, such as Gould in Montreal, who, I believe, own nothing of what they store, but simply store for others. There is another cold storage firm there, Lobell and Christmas, which stores everybody's goods and stores for themselves. They may store for P. Burns, and probably do. Now in the past the report included that double report—stocks owned by you, no matter where they are, and stocks in your possession, no matter by whom they are owned. I made a separation and asked Lobell and Christmas to report everything they had, and I asked Burns to report what he had in his own warehouse. It meant a great deal of correspondence and I did get what I wanted from them. One time Burns reported to me, and I said they had reported incorrectly, and they said no, and I said I had evidence that they had, and they said, "We reported every pound we owned." That was exactly what I did not ask for. They reported what Lobell and Christmas reported and we were getting a duplication, and they gave me my information although reports were from exactly opposite points of view. Every man who owned goods had to take out a license and report his sales in produce month by month. There were twenty columns and it was some job to fill them out, and was a pretty good catch on them—pretty nearly as good as an inspection. There was an inspection made in connection with the Board. We compiled the old style reports of the visible supplies, and the cost of labour, showing what goods were in cold storage. We compiled the reports from the Canada Food Board of its hundreds of licenses, showing what goods were owned by wholesalers in the country. Mr. Ballantyne, who was Chairman of the Produce Section of the Canada Food Board, and I talked the matter over, and we came to the conclusion in the early part of the summer that the report in the end of May was full of duplications. I took the matter up with the Board and we revised the thing and found that there was a difference of perhaps five per cent—not more. I had evidence, as you see, taking those visible supplies of what was in each warehouse, and what was owned by each wholesaler, and comparing those, I found that as a rule there was a close correspondence between the two. To my mind that was a very good evidence that we were getting close to the actual facts, perhaps as close as it is possible to get statistically, because the man who says his statistics are 100 per cent perfect—well, do not call him before you to give evidence, because his evidence will not be worth listening to.

Q. Have you made any inspection in order to check the reports made by the cold storage warehouses?—A. I have entered into negotiations for such inspections. So far I have made no such inspections.

Q. I do not mean personally, but have you any inspectors in your Department—A. I have not. I have entered into negotiations with the Dairy and the Cold Storage Commission that they will put two inspectors in the field to inspect. During the days of the Canada Food Board, being an officer there, I knew that the reports handed in

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to the Canadian Food Board, which were corroborative evidence of my reports, were in certain cases sample inspections but not in every instance—because that would be impossible—but they were in certain instances, and being sample inspections, and being subject to inspection at any time we had corroborative evidence.

Q. They were inspected by the Food Board?—A. Yes, and I have made arrangements some months ago with the Dairy and Cold Storage Commissioner to have inspections made. He has a man in the field now. The matter has not gone as far as I want it.

Mr. McCoig: We all enjoy the information we are getting from this gentleman, but would it not be advisable to shorten the experiences and give us some concrete cases where he thinks injustice is being done, so that we could take advantage of his evidence by subpœnaing the man we want to bring before the Committee, so as to get down a little closer to what we want to arrive at.

The Chairman: I think we will allow Dr. McFall to lay down the basis, as Mr. Gillivray is not here—

Dr. McFall: He has been requested and has promised to do work for me on this matter, and I happen to know that his report on this line is not ready. I just say that for your information.

By Mr. Devlin:

Q. Have you any suggestions to make to help on the work of the Committee?—A. Oh, I have a lot. If I may say one further word in regard to the report with reference to dairy products in cold storage, the idea seems to be in your mind, which is also in mine, there is an absolute necessity of further inspection of those reports unquestionably, and I have entered into arrangements to have that done as soon as possible. During the latter days, when the reports were going ahead from the Canada Food Board, an inspection was being made by the Canada Food Board, the matter was not as pressing although it is extremely pressing today.

By Mr. Vien: How long ago did you make these arrangements?—A. Some months ago, about the time the Canada Food Board was disappearing.

Q. How long ago?—A. About three months. Mr. Ruddick, I believe, is waiting on the legislation.

Q. Has any inspection taken place since?—A. One of the inspectors is out on the field all the time.

By Mr. Euler:

Q. Do his inspections bear out the report?—A. Well, he has not discovered any serious discrepancies so far.

By Mr. Nesbitt:

Q. He only reports as to quantities.—A. I could talk all morning and perhaps all afternoon on the subject of dairy products, but I think it is very inadvisable that we should do so. I merely want to say that up to several months ago, about February, when the Food Board staff was going out, we had corroborative evidence from all hands, including inspectors. When that staff was disappearing I entered into negotiations with the Dairy and Cold Storage Commissioner, who would be the permanent official, because I was only a temporary official to carry on that work so that you see exactly where we stand along that line. Now then to take up another matter, let me take up the matter of coal—

By Mr. Douglas:

Q. Do you make any data of the result of your investigations?—A. With regard to cold storage?

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Q. Yes.—A. They are given to the Canadian Press, Limited, every month in mimeograph form, it is sent out as quickly as possible and the producers, the produce dealers, the wholesalers, have come to consider this as very valuable to themselves, and with very few exceptions they would like to continue. They are depending upon these statistics for guidance in their operations and it shows what is the opinion of those who know best the value of that line of work. At the time of my appointment the statistical work was put over under my charge and I received information from all sources regarding coal under the license and report system; the whole control of coal was put under one organization which was run directly by Mr. McAllister and was under my supervision. We handle 13,000 reports every month and if we make some mistake in handling so many reports it would presumably be forgiven. Through our position we keep in touch with the mining situation; we get reports from the Mines in Canada and through our office at Pittsburg we keep in touch with the price at the mines in the United States, following the coal right up to our border, we have regular reports from the importers and wholesalers, we get a monthly report from every retail dealer in the Dominion. To bear out as to whether or not these reports were accurate the Local Fuel Commissioners reported their prices to us, we also get reports from the correspondents of the Labour Gazette, so that we have absolutely official information as to the price of coal on both sides of the line. In that way we not only have the monthly report, we have also the annual reports of the various concerns as well, and if there happen to be any miners or wholesalers that were not living up to the regulations we were able to furnish the evidence. The accounts of the coal importers and the large sellers in Montreal, were all audited under the direct supervision of the man who did that work for the Federal Administration in the United States. Mr. McGrath gave him what information he had and I gave him all that we had so that a thorough investigation of the books of the coal importers in Montreal was made to ascertain whether or not they had observed the regulations. Mr. McGrath can give you the evidence regarding that, but it showed that they had played the game.

By Mr. Davidson:

Q. Are you following that system at the present time?—A. Unfortunately, Mr. Davidson, we are not continuing it with the same force that we were formerly employing. I will come to that in a very few minutes. That shows that, as it worked out that information was used with good effect through the Provincial and the local representatives.

Now during the last summer and early fall we found that as far as retailers were concerned that they were proceeding to take a very much larger margin than they had been taking previously.

By Mr. McCoig:

Q. Was not that about the time the department sent out a warning that there was going to be a shortage in coal and every person proceeded to stock up with it?—A. Possibly there was, I do not know that that actually happened, but I think everybody was of the opinion that coal was going to be short and we know from reports in the office that in some instances the retailers were proceeding to take decidedly more than they had taken before.

Mr. Euler: I have here an article written by Mr. Payne of Ottawa which appeared in the Toronto Globe and in that article he states that in 1918 there were 1,409,000 more tons of anthracite coal brought into the Dominion of Canada than were brought in in 1917 and the price of coal at the mine was only 70c. per ton greater and yet the average cost of coal to the importer during the fiscal year ended March 31st 1919 was $5.51 per ton or only 70c. greater than it was in 1913 before the war.. Mr. Payne says that the retail price advanced during the same time in Ottawa from $8.00 to $12.00, and he summed it up in this way; that the increase in the cost of coal at the mines

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will not explain the advance in the retail price in Canada.—A. I think that Mr. Payne has probably done something like what he did with regard to the cold storage when he published in the Toronto Globe a statement that there were so many millions of pounds of bacon in cold storage and in order to make up that total he added up what was in cold storage and also that which was in the process of curing. I presume he has taken these figures from the census.

Q. Have you any information as to whether the retail dealers in Canada advanced the charge, the price, to the consumer more than he was justified in doing by the condition of the market?—A. That is just what we were coming to, that we found in the early fall, last fall, that they were proceeding to take decidedly more. I went into pretty nearly 100 cases in the province of Ontario and I saw when I investigated into the price, mind you we have only power to investigate and get evidence, the people who had the power to use that evidence was the organization and I put it up to the Fuel Controller, Mr. McGrath, who was absolutely in a position to do anything he desired in connection with that matter. I am not now under oath but I would say the same if I were under oath.

By Mr. Hocken:

Q. Were the reports made to Mr. McGrath of the very wide spread in prices at Dundas, Toronto, and other places, and he took no action whatever? A. If you are referring to a particular place I would have to refer to my records before answering, because I cannot speak of particular cities from memory. I am speaking generally now, but my records are available at any time if you wish to see them.

By the Chairman:

Q. From your general information would you say that there were a large number of cases come under your observation where the spread was greater in your judgment than it should have been?—A. Absolutely.

By Mr. Stevens:

Q. Do you know of any action having been taken to remedy that?—A. Yes, I am coming to that as fast as I can. As I say, I found that evidence and wrote a strong letter to the Fuel Controller, and I told him in that letter that the matter was getting very serious, that I had been appointed by the Government, and that I was responsible and that if action was not taken immediately on my letter I would lay the matter before the Minister of Labour with a recommendation that it be published. Action was taken and the work was put more fully in my office under Mr. McAllister than it had ever been before and the evidence was put up directly to the Provincial and Local authorities. Now all that evidence has been placed before the local authorities and I regret to say that in many instances the local authority sent word back that he thought I was unduly hard on the retailer and that he was justified in his charges; instead of that it was quite apparent that the local retailer had made in many cases much higher than he had been making before.

By Mr. Euler:

Q. Have you any information which would show what it cost the retailer in the city of Ottawa to lay down coal in this city and what he sold it for?—A. Absolutely, every car of coal, either anthracite or bituminous; if you want to take that up I can give you that evidence to-morrow. The evidence is all there and all the information and it will show you just exactly what is being done in that respect.

By the Chairman:

Q. You have not that information here now?—A. You know, gentlemen, there are great differences in regard to the cost of fuel by reason of the local conditions.

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Q. I mean in the city of Ottawa?—A. That can be worked out, I have not it with me, but it can be brought down before this Committee.

By Mr. Hocken:

Q. Has it ever been worked out separately to show the difference between the cost to the dealer and what the consumer pays?—A. Yes.

Q. Have you got that information?—A. I have not it with me but it is available.

By the Chairman:

Q. Would it not be well that the Committee should ask Dr. McFall to specify some vital centres and to give information with regard to the prices at those places.

Mr. STEPHENS: I was going to suggest on this point, I think perhaps it might be done this way, that we ask Dr. McFall, to present us with a statement showing the difference between the cost to the importer, where we import coal I suppose in dealing with Ontario and Quebec that would cover it, anthracite and bituminous; the cost laid down for instance at Toronto, Montreal and Ottawa, and also the city of Quebec. Those will be typical cities and in each case he might show also the cost to the consumer in those cities and I was going also to interject this suggestion that Dr. McFall should at the same time give us a statement showing the average for a number of years, the average prices of wholesalers and retailers, I think very strongly on this point. But the main thing is to get the cost of the coal laid down in Canada and the cost to the consumer showing the spread and that statement should also cover the prices for the year say of 1913, a typical year before the war?—A. We could not do that.

Q. You could not do that?—A. Of course we do not have the records reaching that far back.

Mr. O'CONNOR: I think there are records there showing that.

WITNESS: Does it go that far back Mr. O'Connor?

Mr. O'CONNOR: The figures for 1913 are there.—A. Probably they are, as far as I am concerned I will say that the wholesale and retail prices reaching back for a long period of time are available.

Q. That would not be sufficient to give the price of the wholesaler, what we want is the price which the consumers paid and we want an explanation of the spread in that price; we want to know why that spread occurred.—A. Mr. Chairman, might I make this suggestion, I would like very much if you would appoint a sub-committee of three or four who would visit my office and ask for any information you want and I will be glad to give it to you.

By Mr. Nesbitt:

Q. We want you to bring it here.—A. I am willing to do what you request but I was opening up everything to you, that is all.

Hon. Mr. FIELDING: Might I suggest that while these events of the past are deeply interesting what we are concerned in is the situation now; now is the accepted time.

The CHAIRMAN: Concentrate on the year ending March 31st, 1919.

By Mr. Devlin:

Q. Now that you have dealt with the matter of coal, the Chairman has asked you what action the Government or your Department are taking apart from the one you mentioned, which was well known, Mr. O'Connor going into the price of bacon, what other action have you taken in connection with the price of the necessities of life?

A. I mentioned one a few minutes ago, in regard to the price of gasoline which meant the saving of three-quarters of a million of dollars.

Q. What have you done with regard to coal?—A. At the beginning of last year we found things were running away and we took immediate action. I feel satisfied

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with the result of our work, there were no prosecutions, but we achieved good results in fixing a margin for coal, a close margin.

By Mr. Vien:

Q. What would you think was a reasonably close margin?—A. It was fixed by law at 50c. net, of course a close margin would have to be worked out on the basis, we would have to ascertain what the local charges were in order to determine what the close price would be at any one place.

Q. Take Montreal and Toronto what was the close margin in those two places?—A. I cannot tell you that information from memory.

Q. But do you know what was their average gross margin?—A. I do not want to give any prices for particular places from memory.

Q. But generally?—A. I cannot give it to you because I have not the information with me.

Q. What percentage of profit do you allow the retailer?—A. It was not a question of percentage, Mr. McGrath fixed that 90 cents a ton net profit, so that we had to ascertain what was the cost of doing business in order to arrive at the selling price.

Q. At what periods would you get that information?—A. The reports were continued from month to month.

Q. But you had no prosecutions?—A. No prosecutions were made, no.

Q. Everybody bowed to your decision?—A. I had found that the fear of publicity in these matters, if you actually had the facts, was more potent than the courts.

Q. Must I take it for granted that no coal dealer in Canada made more than the profit that was allowed?—A. No, you must not, because in some instances they have been required to restore what they have taken unlawfully.

Q. By whom?—A. By the Fuel Controller's organization.

Q. Without litigation?—A. Yes.

By Mr. Euler:

Q. Are the coal dealers now restricted to fifty cents profit?—A. No.

By Mr. Sinclair:

Q. Did they restore that to the man who bought the coal?—A. There were some instances of it.

By Mr. Euler:

Q. There is no restriction now?—A. They are practically in abeyance, if they are not dead.

By Mr. Vien:

Q. In how many instances were they compelled by your office to pay the profits back?—A. I cannot answer that statement.

Q. Were there many instances of it?—A. Not many instances. The rule was this: That if we found they were transgressing we would give them warning. If they failed to come down to a reasonable margin, we would take steps to establish a gross margin, and the establishment of a gross margin in almost every case brought them to time.

Q. In how many cities did you establish a gross margin?—A. We kept them down as closely as possible.

Q. In how many cities?—A. Not many, I presume not more than a dozen and a half. Mr. Magrath and I talked it over very carefully and we did not establish a gross margin any more frequently than we had to, owing to this fact; that the fellow in the town who was charging less than the gross margin had actually come to the gross margin.

By Mr. Euler:

Q. Why did you discontinue?—A. Because the Food Controller's office went out of existence.

Q. All these offices have died?—A. On the 1st of April I was informed by the Government that my office was dead, and my staff disappeared. I am trying to cover the ground as well as I can. I may say that on the 1st of May I was told to go to work again, having been told the work was practically done. On the 1st of May I was ordered to select men from any branch of the Civil Service I possibly could to act as expert advisers, and since the 1st of May I have been working just as fast and as hard as I could, and have blazed the way ahead for you gentlemen or the Government, as rapidly as I can, and we have some interim reports already completed and we have others in progress. Shall I sketch out in general what I have done there?

By Mr. Davidson:

Q. Would it not be well to follow the fuel control as well as you can? Have you done anything in reference to that?—A. Mr. O'Connor, who was with the Fuel Controller, can come before you and give you that information.

By Mr. Devlin:

Q. Your work has been chiefly statistical work?—A. Quite largely, yes, but not solely statistical, because here perhaps I had better give you another instance—

By Mr. Vien:

Q. What else besides statistics?—A. Let me give you an example. I found that in the city of Halifax the price of bread retail was 13 cents, whereas in Ottawa it was 11 cents. I found that that was due to two facts; one was that the retail dealers got together and put their names on a paper saying that on and after a certain date they would not handle bread unless they got so much for handling it, an act which was absolutely contrary to the law. I also found that the bakers of Halifax got together—they admit the facts—last August and agreed that they would raise the price of bread to 11 cents a loaf. Formerly they had been selling it for 10 cents a loaf, and one of the principal bakers down there told me he could have sold bread very nicely at 10 cents a loaf but he went in with his competitors and they fixed the price at 11 cents, and since the bakers fixed the price at 11 cents, making an illegal combine under the law, the retailers made their combine saying they would not handle bread unless they got so much. That brought the price up to 13 cents in Halifax, whereas it should have been 11 cents, just as it was before. That matter is in the hands of the Justice Department.

By Mr. Devlin:

Q. That is where it should have been; that is under the Combines Act?—A. That is under the Minister of Labour too.

By Mr. Douglas:

Q. Is the Justice Department investigating?—A. No, they are not investigating. They have the facts before them.

Q. But they have not acted?—A. It is not the fault of the Justice Department, for this reason: that the matter was only handed by the Minister of Labour to the Minister of Justice within a very short time.

By Mr. Nesbitt:

Q. And they still continued to sell at that price?—A. Yes.

[Dr. R. J. McFall.]

By Mr. Douglas:

Q. How long has that situation continued?—A. That situation has continued for, I think it was last August or September the bakers had their combine.

By Mr. Sinclair:

Q. At what date was the information given?—A. The information was handed over to the Minister of Justice by the Minister of Labour since the 1st of May.

By Mr. Vien:

Q. How do you explain the long delay?—A. You will have to ask the Minister of Labour. I made our report to the Minister of Labour immediately after my visit to Halifax in February of this year.

By Mr. Nesbitt:

Q. On your investigation did you find the cost of flour was greater in Halifax than in Ottawa?—A. Normally the price of flour in Halifax would have been 25 cents greater than in Ottawa on account of the freight rates. It happens in Halifax to-day that they are buying what was destined for export at 60 cents lower than the wholesale rates, strictly cash, in carload lots. That is indicative of the milling situation. It is the fact that flour is sold for export at 60 cents a barrel less than for home consumption.

Q. How do you explain that?—A. I would have great difficulty in explaining that, except that the price domestically is too high. Perhaps there is not so much difficulty in explaining it. I think it does not require any explanation because the price of flour, in my opinion, is too high.

By Mr. Vien:

Q. How do you explain the fact that it is sold for export purposes at a lower rate than for home consumption?—A. Well, the price of flour in Canada for domestic consumption is fixed by the Government on the advice—

Q. When?—A. It has been varied several times.

Q. Who recommended the price?—A. E. R. MacDonald, Milling Expert for the Canada Food Board.

Mr. Stevens: We are not here for the purpose of talking about these things, we want to get a series of facts, and if the witness does not want to answer the questions he need not do so.—A. I will be very glad to answer any questions you ask.

Q. Is it not true that the Government fixed the spread, and not the price?—A. That is what I thought, it will take a little time to explain that and I think perhaps it is worth your while that I should do so.

The Chairman: Excuse me just a moment, I do not wish to interfere in what is being said, or anything else the Committee does, but it does occur to me that we had better endeavour to concentrate on some one thing. I think we have gone very wide afield this morning, we have been going over a great many things but we have not landed anywhere it seems to me. The point is that it is now only five minutes to one and the committee will only be sitting a few minutes longer and there are matters which we must determine with regard to our next meeting and what we are going to do.

By Hon. Mr. Fielding:

Q. When was that combine formed by the Halifax stations?—A. That combine was formed they tell me in August or September, but we did not get evidence from it immediately of course.

Q. August or September, 1918?—A. Yes, but the evidence of it first came in in November or December.

Q. Well, hold on, you say that the evidence about these things did not come in until November or December, it is now running three or four months since you enquired into it?—A. I can tell you this, that the country is absolutely full of such things, some of it you discover and some of it you do not.

Q. The prices of bread which you say should have been 11 cents was 13 cents in August last; does it continue at that price to-day?—A. It does.

Q. So that condition has existed and has been known to the authorities since August last and the Halifax people are still paying two cents per loaf extra?—A. They are.

By Mr. Davidson:

Q. When was it known to you?—A. I did not know of that evidence, Mr. Davidson, until February last at which time I was able to get away from my other duties and go down there and make a personal investigation. Immediately on my return I wrote the matter up and presented it to my superior.

Q. And you found the same thing in other cities?—A. I found in the city of Saint John that the wholesale price there was 12 cents while the wholesale price in Halifax was 11 cents.

By the Chairman:

Q. Did you not state a moment ago that bread was being sold at Halifax at 13 cents?—A. That was the retail price.

By Mr. Hocken:

Q. What is the price of bread in Ottawa?—A. 10 cents wholesale and 11 cents retail.

Q. So that it is selling at two cents more in Halifax?—A. And in the city of St. John it is selling retail at 14 cents.

Q. What is the price in Toronto?—A. 13 cents.

Q. The same as Ottawa?—A. Yes.

Q. And that is in spite of the fact that flour is in Halifax and is here?—A. That is only an isolated case.

Q. But as a matter of fact it is cheaper?—A. I am not defending Halifax in any way.

By Mr. Douglas:

Q. Are the size of the loaves the same?—A. They happen to be in this case.

By the Chairman:

Q. Before we excuse Dr. McFall, I presume that the Committee want to proceed with his examination and he will be referred to the committee to-morrow.—A. Might I say one or two general words for your general guidance and it is to this end that over a long period of years we have seen a good many annual balances and statements of profit and loss accounts from different firms and which have been examined but I have not as many as I want for the reason that it was not uniform until the present time and, for example, in the wholesale groceries it was only the big fellows and not the small fellows that were covered, but we have now made arrangements with one of the largest accountant firms in the Dominion to analyse these reports for a period of seven years. That is one thing we are getting ready for your committee. The packers will be ready very soon for you, we want to proceed by degrees. We are also getting the millers' statement ready and the retailers, also, particularly in regard to food stuffs, the manufacturers, the wholesalers and the retailers prices all these will be available for your use.

Mr. Nesbitt: No matter what your figures are I want to see some of these men, the wholesalers, and the millers myself.

Witness retired and the Committee adjourned.

Friday, June 6, 1919.

The Special Committee appointed for the purpose of inquiring into prices charged throughout Canada for foodstuffs and other necessaries of living met at 11 a.m. in the House of Commons Chamber, the Chairman, Mr. G. B. Nicholson (Algoma) presiding.

Members present: Messieurs Davidson, Davis, Devlin, Douglas (Strathcona), Euler, Fielding, Hocken, McCoig, Nesbitt, Nicholson (Chairman), Reid (Mackenzie), Sinclair (Queens, P.E.I.), Stevens, Sutherland, and Vien.

Dr. McFall called, sworn and examined.

By the Chairman:

Q. Now, Dr. McFall, if you will proceed with your statement, the Committee is ready. When the Committee arose, you were dealing with the question of bread.—A. I believe we were discussing the Halifax bread situation and particularly I was mentioning that we had put up to the Justice Department the fact that there was a combination in the city of Halifax among retail merchants, which was promoted by Mr. J. Cuthbertson Doyle, Secretary of the Retail Merchants' Association. The combination agreement stated that the retailers, who affixed their names to the paper, would not handle bread unless they could get twenty per cent for handling it. That meant two cents a loaf virtually. This matter was put up to the Master Bakers' Association, if my memory serves me correctly, first—this first came to have an active effect on the price of bread immediately after the explosion at which time the retailers interested thought that the bakers should allow them at least two cents a loaf for carrying bread in stock. At that time the bakers brought their prices down so that the prices became ten cents wholesale and twelve cents would be charged retail. This immediately followed the explosion. Then the bakers except Lynch were very much dissatisfied with that and at last succeeded in forming an association of their own either in August or September. There was no written record kept of it. The year was 1918.

By Mr. Davidson:

Q. Who told you this?—A. I got this directly from them. Lynch admitted it in the presence of witnesses. As far as the Retail Merchants' Association is concerned I had the matter committed to writing. I have to speak from memory. In August or September the master bakers got together and decided that they were not getting enough for bread. They wanted eleven cents wholesale, but they could not induce Lynch at first to come in with them. At last Lynch came in, stating that he would charge eleven cents along with the rest of them. They could not do without him. That is the general Halifax situation. In St. John the situation is—

By Mr. Douglas:

Q. Before you leave Halifax, when the Retail Grocers' Association insisted on twenty per cent for handling bread, did that mean that the bakers in their local deliveries raised the prices to the consumer to correspond with those charged in the retail stores?—A. Yes.

[Dr. R. J. McFall.]

By Mr. McCoig:

Q. They wanted two cents a loaf for handling it?—A. Yes, for handling it. That was the retailers' margin.

Q. They didn't carry it to the customers?—A. They delivered a certain amount of it.

Q. Most of the bread men delivered to the customers. What would they get for bread sold directly to the customers?—A. If they delivered it they would get thirteen cents; the retailers had to demand this of the bakers because otherwise the bakers could make it only one cent spread on the retail end. They asked for two cents spread for retailing.

By Mr. Nesbitt:

Q. That all applies to Halifax. Do you know yourself the cost of manufacture to the baker of the bread? The prices of flour at that particular time?—A. So far as Halifax is concerned I have no facts here. The prices varied. Lynch informed me he could make good money selling bread at ten cents wholesale. His competitors said they could not. He was very well satisfied that if he had continued to sell bread at that price he would have made a lot of money. He and his manager said that the reason other men did not make money was because they did not attend to business.

By Mr. Stevens:

Q. What hindered them?

By Mr. Davidson:

The difference between Halifax and Ottawa leads me to ask what elements make it more expensive in Halifax than here?—A. Flour and other ingredients, baking charges, overhead, certain amounts on delivery are all taken into consideration in our computations of cost.

By Mr. Stevens:

Q. Magnitude of business is a factor also, I suppose?—A. Yes, that has an effect on the overhead. The system of cost reporting was inaugurated by the Cost of Living Branch some time ago. Unfortunately that has not been inspected. Even with the Cold storage staff there has not been as much inspection as I would like. We should send men into the fields to see that the reports are right. I did not want to send any one until I got a man suited to the work. I now have such a man in the field.

By Mr. Davidson:

Q. You made no inquiries except from Mr. Lynch?—A. We have all the certified reports fom the bakers. They show the cost of making bread in Halifax. I have sent Mr. Lynn, a competent man, to go into the books of the companies. According to their own statements it would cost them somewhere around eleven cents to produce the bread, including interest on the investment. Lynch said he could make good money on ten cents.

By Mr. Vien:

Q. How much profit were they making at eleven cents?—A. Mr. Lynch said he is making a very good profit on his investment at ten cents.

Q. But he did not say how much per loaf?—A. Per loaf it would not amount to much. If a man made a cent a loaf he would be making good money over all expenses.

Q. What percentage were they making in selling bread at eleven cents?—A. It would vary from factory to factory. Some state they suffered loss at ten cents. Our schedules show a profit for bread which they made at eleven cents. Mr. Lynn found that the reports furnished us were not correct, that they were inflating the elements of cost. I sent him through the West to go after the matter more carefully.

[Dr. R. J. McFall.]

Q. We want to get at the cost to the producer of bread. Have you information in your possession to tell us how much that bread was costing the baker at that time?—A. Yes, I have the certified records in my office from representative bakers throughout the Dominion, saying what it cost them to produce the bread.

Q. We are now talking of the specific cost in Halifax, can you tell the Committee how much you have found out that that bread was costing the baker?—A. Not offhand, but I can get these records.

By Mr. Nesbitt:

Q. He has just said they showed a cost of ten cents. Mr. Lynch was making a profit at ten cents. Others said they needed eleven cents.

By Mr. Reid (Mackenzie):

Q. Did Mr. Lynch say what profit he was making?—A. Yes, we have reports for each month.

Mr. DOUGLAS (Strathcona): These things are no use unless you put them on paper.

By the Chairman:

Q. A summary of this would be that your investigations in Halifax show that by a combination of producers of bread the price of bread was increased from ten to eleven cents.—A. Yes, to cover the inefficiencies of some of the bakers.

Q. And that by a further combination of retailers a further spread of one cent was placed on the retail price. The bakers placed a cent and the retailers a cent. And formerly the retail price had been eleven cents. The retail price at one time was twelve cents, and what I really said is that in Ottawa and Montreal they were selling bread at eleven cents and making good money at it.

By Mr. Stevens:

Q. The wholesale price was ten cents, and Dr. McFall said that the retail price had been eleven cents.—A. I said ten cents and twelve cents immediately following the fire, it changed, and changed and changed.

Mr. STEVENS: This increase of one cent by the retailers was made in order that they could get more than a spread of one cent. They formed a combination about the time of the fire, and got a spread of two cents. Then the wholesaler added one cent, and the retailers one cent, making the spread still two cents, and making the price thirteen cents.

The CHAIRMAN: And an increase of two cents to the ultimate consumer.

By Mr. Sutherland:

Q. Did not the manufacturers deliver bread to the retailers as well as to the customers?—A. Yes. Some delivered only to the retailers, for example, Lynch.

Q. The manufacturers charged the customer two cents more when delivered than he charged the retailer. But, as a matter of fact, he delivered to all?—A. Yes.

By the Chairman:

Q. Lynch delivered only to the retailer and the other bakers delivered to the retailer and some to the customer. A. Yes.

By Mr. Nesbitt:

They got a spread of two cents, that is all.

Mr. DOUGLAS (Strathcona): Mr.   , a local grocer, said that it had been suggested that the retailers of Ottawa should ask for a two-cent spread. The matter came up at their meeting and they decided against it.

[Dr. R. J. McFall.]

By Mr. Hocken:

Q. There was one efficient baker who could sell bread at ten cents and make a profit. He was forced into a combination to make his price one cent higher, and all the bread consumed by the public in Halifax was increased one cent by the bakers, and thus the retailer added another cent.—A. The retailer added his other cent before that.

Q. One cent increase on the loaf by reason of the combination?—A. One cent by one combination and one cent by another combination.

Mr. NESBITT: We have to bear in mind that the man Lynch was only selling to the retailer which was less expensive than delivering to the consumer.

Mr. VIEN: It comes to the same thing.

By Mr. Stevens:

Q. What do you suggest as a remedy for this condition? In other words, what action would you suggest that this Committee could take or what recommendation should it make to Parliament to prevent an unfair or unjust increase in the price of bread?—A. I would make the same suggestion as I did last fall, when it looked as though this state of affairs obtained all over the Dominion, and bread was going up everywhere. I suggested that Canada should follow the plan suggested in the United States by the Food Administration but which I understand was not enforced, that bread should not be increased in price providing the retailer would still be getting one cent a loaf for handling the bread.

Q. The opinion of the Cost of Living Branch, then, is that a cent a loaf spread is sufficient for retailers.—A. That was the opinion of the United States authorities.

Q. Have you any evidence to give before us to show that that is a sufficient spread in Canada?—A. The fact that they are doing it in so many cities already is fairly good evidence. I don't see how I could bring actual proof one way or the other beyond that.

By Mr. Vien:

Q. But in ordinary circumstances fixing the retail profit at one cent a loaf would meet the situation?—A. The United States Administration issued that as information which they said should be kept in mind in enforcing prices, but they did not do it.

Q. You should have brought all these documents, especially with regard to Halifax.—A. You must remember that some of these have already been transmitted to Halifax.

Q. You have copies?—A. The original file has gone to the Justice Department. I did not keep copies of all of it.

By Mr. Stevens:

Q. Would you recommend to the Committee that these parties should be prosecuted for forming a combination?—A. I have already recommended that these parties should be prosecuted, and the Justice Department is proceeding against them.

Q. If the price of wheat is fixed as in the last few years, that should influence the price of flour?—A. No, not in itself.

Q. The price is fixed, is it not?—

The CHAIRMAN: I think you will find the price of flour was fixed.

By Mr. Stevens:

Q. If the price of flour is fixed, is it not possible to arrive at some idea of the cost to the wholesale baker?—Absolutely.

Q. Well, what price do you suggest that, according to your information, would be fair to Halifax?—A. I really think that so far as the city of Halifax is concerned the wholesale price should be placed at ten and a half cents and the retail price at twelve cents. I asked the bakers to put that in effect last fall, and they did not do it.

By Mr. J. E. Sinclair (P.E.I.):

Q. In regard to the bakers in Halifax, you said that Mr. Lynch only delivered to retailers, while others delivered to the trade direct?—A. Yes, and of course they got two cents a loaf more from the consumers.

By Mr. Devlin:

Q. You said you made a report on your findings. How long ago?—A. With regard to Halifax, it was made about the end of February. I was down there in February and it was immediately following that that I made the report. I sent it to the Minister of Labour.

By Mr. Vien:

Q. And the said Minister sent it to the Justice Department early in May?—A. Yes.

By Mr. Devlin:

Q. You said this morning that the Justice Department had the matter in hand to make a prosecution. How long have they had the matter in hand?—A. Not more than a matter of a few weeks ago.

Q. What steps have been taken?—A. They have put the matter in the hands of their representatives in Halifax.

Q. Has any action been taken?—A. I do not know whether they have proceeded to Court yet or not. I presume they will immediately.

The Chairman then read a telegram which had been received from the Council at Fort William. This telegram stated that the Council had appointed a Fair Trades Inquiry Committee and were compiling data. They had not, however, advanced sufficiently to submit evidence of overcharging. The telegram asked if it was desired that the Committee as constituted should proceed and whether it could assist the Parliamentary Committee in any way. The telegram was signed by Mr. H. Murphy, Mayor of Fort William. It was decided to ask the Fort William Committee to send reports.

By Mr. Devlin:

Q. You have now given us some information as to the relative price of bread existing in one place in Canada, namely, Halifax. Have you inquired into the general situation throughout Canada?—A. Regarding bread? Yes.

Q. Have you reported to the Justice Department any other cases of combinations than that existing in Halifax?—A. No, I have not reported any other combinations. It is very difficult to get evidence of the existence of combinations. Mr. Lynn found there was one in the city of St. John.

By Mr. Vien:

Q. Did you find any other?—A. He is looking just now. He is making a direct inquiry on the spot. That is the only way to get evidence of the existence of a combination and some times it cannot be proved then even when it exists.

Q. Have any investigations been made as to the price of flour? Its price was fixed. Did you recommend fixing the price of bread in the various localities?—A. I did. It was practically to the effect that the retailers' margin should be fixed at one cent.

Q. Did you fix the price at which it should be sold in various cities in Canada during your term of office?—A. I did not make that recommendation. I said the price should not be advanced beyond the spread of one cent.

Q. But what is the practical result of your work?—A. The practical result is that the price of flour in Canada was higher than in the United States, and according to

[Dr. R. J. McFall.]

the best evidence the price of bread in Canada now is lower than in the United States, owing to the fact that we have been gathering information with regard to the cost of production of bread in Canada and have published these facts regularly.

Q. Have you made any recommendation that the price of bread be fixed at a certain figure in any city in Canada?—A. I have made recommendations which would amount to that, for the whole of Canada. I did that last fall. I have no copy here.

Q. Will you bring it next time you come before the Committee?—A. Yes.

Q. It was done last fall?—A. I believe so.

By Mr. Stevens:

Q. What was the general nature of the recommendation?—A. Generally speaking, it was that the price of bread should not be advanced in any part of Canada until the increasing costs of the baker showed that there would be less margin left to the retailer than one cent a loaf. I mean the actual increase in cost to the baker.

By Mr. Vien:

Q. You made that recommendation to the Minister of Labour?—A. Substantially that.

Q. What action was taken on that recommendation?—A. So far as I know, none was taken.

Mr. Devlin: In view of the remarks made by Dr. McFall, and in order that the impression should not be given abroad that the Justice Department is negligent in its duty, I think that the Deputy Minister of Justice should be asked to come here and give his version.

Mr. Stevens: And the Deputy Minister of Labour.

By Hon. Mr. Fielding:

Q. Were any steps taken to communicate that to the trade? I mean, the fact that you had made this recommendation that they should not advance prices unless certain exceptional conditions arose. How would they know you had made such a recommendation?—A. They would not have any means of knowing that I had made such a recommendation.

Q. How would you prevent them making that advance? Did they advance, as a matter of fact, the prices, in your judgment?—A. They did.

Q. Was any step taken to let the trade know you had formed that conclusion? Were they aware that there was that outstanding recommendation?—A. I gave no such broadcast recommendation. I had no means to do so.

Q. They might have gone on increasing their prices without knowledge of that recommendation?—A. Yes.

By Mr. Vien:

Q. You had no control?—You were there to collect information for the benefit of the Government through the Minister of Labour?—A. You have correctly stated the situation.

The Chairman: We have gone very exhaustively into the question of bread. If we go further into that question, we should get men here who have been doing the things referred to.

By Mr. Vien:

Q. Have any suggestions been printed by the Labour Department giving the cost of various foodstuffs, the cost of producing foodstuffs, and the price at which they should be sold?—A. It has been done regularly regarding bread, the cost and the prices. It was published every month.

[Dr. R. J. McFall.]

By the Chairman:

Q. In what shape were they published?—A. We issued them from the office in typewritten form and they were published by the press. Each such report only occupied two or three typewritten pages. They were greatly condensed.

By Mr. Vien:

Q. And these recommendations were not issued to the press?—A. Certainly not; they were confidential. I had absolutely no right to do so.

Mr. Nesbitt: All we can do is to expose any prices which are too high, and make recommendations. There is no law except under the War Measures Act and it will go out of existence very soon, which would enable Dr. McFall to order retailers throughout the length and breadth of this land, to do this, that, or the other thing. All that he could do was to expose any over charges, and that is all we can do.

Mr. McCoig: We have here officials of the Government who have been paid for making these investigations. We should not have to sit here and pull out evidence. We should ask them if they have any recommendations to give to this Committee which they consider are in the interests of the public.

The Chairman: And which would be an assistance to this Committee.

Mr. McCoig: Let him give us the advantage of his experience. What we should have from the officials of the Government is what information they have received pertinent to this inquiry and what they would recommend as to conclusions the Committee should endorse.

By Mr. Hocken:

Q. Mr. Chairman, has Dr. McFall found conditions in any other city like those he speaks of as existing in Halifax?—A. I have not gone so deeply into matters. I suspect they are worse in some of them.

By Mr. Davis:

Q. We have gone fully into the bread situation. Have you taken up the question of the profits of retail grocers, butchers, and so forth, taking it generally, first of all?—A. Not in general. To show the profits of retail groceries would be an almost impossible task. We could not get anywhere with it because of the book-keeping of the retail merchants. The trouble is, Mr. Chairman, that his books do not show the real profit for the year. I can give the difference between the wholesale and the retail price on any article. I have information as regards prices.

Mr. Devlin: I think we want actual knowledge, not so much statistics.

By Mr. Davis:

Q. Have you gone into the wholesale profits in foodstuffs?—A. Yes, to a certain extent. We endeavoured to get information with regard to that so far as prices of staple articles were concerned, but you would not get anywhere on it unless you got the annual financial statements covering periods of years. I have some, and there will be more on hand to be analyzed presently.

Q. Has it been possible to take any particular items on which there has been complaint and check what profit there is? Take the question of canned goods. What are they paying canners and selling the goods at?—A. I trust that within a few days Mr. McGillivray will have the information for me. He has been requested to get it. I have been wanting him to go into that for some time, but I was unable to get his time devoted to that alone.

By Mr. Douglas (Strathcona):

Q. Have you any facts with regard to that?—A. Not on canned goods, but on other things. I have plenty of facts on meats and dairy produce.

[Dr. R. J. McFall.]

Mr. McCoig: Would it not be well to instruct Dr. McFall to lay all pertinent information before the Committee? Surely it will be easy for him to give us all the information we want without us cross-examining him on evidence.

The Chairman: We might sit all summer asking questions.

Mr. Davis: Especially about particular instances, which prove nothing.

The Chairman: If he has facts with regard to the cost of purchasing and distributing meat products, butter, eggs, poultry, staple groceries, or any article whose price has an important influence on the cost of living, we would be glad to get them. Following up individual cases will not take us very far.

Mr. Stevens: I would suggest that Dr. McFall bring us all reports that he has which would be of value in considering the proper prices for foodstuffs and that these should be laid on the table. Either summaries or reports.

Mr. Sinclair (P.E.I.): Any information to show the spread between prices allowed in the province of Ontario to fishermen for fish and what it costs the consumer, I would like to have as well.

Dr. McFall: I have some information ready as to that, but it is not yet typed. When I get them ready to present to the Minister of Labour I will let you have them as well.

By the Chairman:

Q. The price paid by the Ontario Government to fishermen or rather set by them to be paid was such a price that the Ontario Government could not get any fish. The fishermen were able to export at ten and twelve cents a pound higher than the Ontario Government was allowing. I have some information to show that the retailer was getting twenty.—A. Mr. Chairman, I must make a few remarks to the effect that I was working mostly in connection with the Fuel Controller and the Food Controller in getting these data.

Q. We do not want anything you have not got, but we do want what you have got, and give us what you have even if it is not as full as we might wish?—A. I am confident that I will be able to get exactly what I think you want in time.

Q. We cannot wait, we have to have the information quickly.

By Mr. Devlin:

Q. Have you anything with regard to cases of profiteering?

The Chairman: If so, bring it here.

Mr. Nesbitt: They can give their evidence; we can judge ourselves as to whether there is profiteering.

By the Chairman:

Q. Now with regard to coal?—A. Here is a report covering the month of December for four cities: Winnipeg, Toronto, Ottawa, Montreal. I want to say this to you, gentlemen: if I hand you prices for any one city you will be able to disprove it inside of half a minute, on account of the fact that there is not any one price, but many. In Montreal last summer, sirloin beef-steak was sold from twenty-seven and a half cents to forty-three cents a pound. That is an extreme instance. In Ottawa here, I have known sirloin steak to be selling from 25 cents to 40 cents a pound. You will find very likely that there has been some higher price charged than what you see there, and lower prices as well. These are supposed to be normal or typical cases.

By Mr. Sutherland:

Q. Have you endeavoured to get the prices on uniform qualities of goods as far as possible?—A. Yes.

The Chairman: Returning to coal, the cost of coal f.o.b. mines for furnace coal in Winnipeg is $6.90 for stove $7.12, for nut $7.21.

[Dr. R. J. McFall.]

Mr. NESBITT: You said f.o.b. mines, and then Winnipeg. Which is it?

The CHAIRMAN: This is coal that went to Winnipeg. This statement shows it as cost of coal f.o.b. mines. At Winnipeg the coal is shown $6.90 for furnace coal, $7.12 for stove coal, and $7.21 for nut coal.

Mr. DAVIS: The coal for the various cities is of different origin. One city gets its supply from one coal field and another from another.

The CHAIRMAN: We will take one city at a time. To the prices I have just given we must add freight charges of $4.18 to each kind of coal, and 84 cents for Dock-Overhead. That would make the price paid by the wholesaler $11.92 for furnace coal, $12.14 for stove coal, and $12.23 for nut coal. The price paid by the retailer to the wholesaler was $12.52 for furnace coal, $12.74 for stove coal, $12.83 for nut coal, making a profit of 60 cents for the wholesaler. The price paid by the consumer to the retailer was $15 for furnace coal, $15.25 for stove coal, and the same for nut coal. That would make a profit of $2.48 for the retailer on furnace coal, $2.51 per ton on stove coal, and $2.42 on nut coal. We may state it roughly as that the retailer's profit would be $2.50. To that we have to add the 60 cents spread between the wholesaler and retailer.

Hon Mr. FIELDING: Yes, 60 cents wholesale and $2.50 for the retailer.

The CHAIRMAN: Yes, $3.10 a ton all told.

By Mr. Stevens:

Q. In all probability the wholesaler had nothing but bookwork and he delivered from cars direct to the retailer.—A. There are brokers that do nothing at all but book it.

By the Chairman:

Q. The retailer does all the handling. The profit we have shown here covers the cost of delivery cleaning and everything else of the anthracite.—A. I don't think this coal is all from Pittsburg. It was from Pennsylvania, however.

The CHAIRMAN: Here are the costs for Toronto. The cost of coal going to Toronto f.o.b. mines was $5.62 for furnace coal, $6.42 for stove coal, and $6.50 for nut coal. If we add to that $3.32 for the total freight per ton we will have the price paid by the wholesaler as $8.94 a ton for furnace coal, $9.74 for stove coal, and $9.82 for nut coal. There was no Dock-Overhead charge.

By Mr. Davidson:

Q. Why should there be such a difference between the costs of coal f.o.b. mine for that going to Winnipeg and that going to Toronto?—A. The old line companies had different prices to those of some of the other companies. The prices varied somewhat.

Mr. NESBITT: The price was fixed by the President of the United States, and the price varied in the United States even though fixed.

By Mr. Douglas (P.E.I.):

Q. Why should the Winnipeg merchant pay more than the Toronto merchant? It would not be a question of the mine being situated closer to Winnipeg, would it?—A. Not that I know of. They had to pay more, and various explanations would have to be given. Mr. McAllister should be able to tell you more about that.

Mr. MCALLISTER: So far as the cost in Winnipeg is concerned, the coal is stored at the head of the lakes and a great deal of storage enters into the problem of the Winnipeg coal. Practically all the Winnipeg coal is stored at the head of the lakes and dealers have a large amount there, collecting it during the summer. It goes forward to Winnipeg as needed.

Mr. DOUGLAS: That would not affect the cost at the mine.

[Dr. R. J. McFall.]

By Mr. Davis:

Q. You get that statement from Mr. McGrath, do you not?—A. Yes.

By Mr. Stevens:

Q. I was told the other day by a prominent citizen of Port Arthur that there was a certain gentleman whose name I have forgotten who got the exclusive handling of anthracite coal from the Pennsylvania fields into the head of the lakes. It was for the Winnipeg supply he received his commission from the mines. His commission might possibly account for that addditional cost at the mine.—A. It might have occurred on the other side of the line. There are profits there that are put on the cost f.o.b. mine.

The CHAIRMAN: I can tell you something about that. The coal at the head of the lakes was handled by one man, and not only the coal from Winnipeg, but as far west as anthracite coal went and as far east of Fort William as it was profitable to send it. It came all to this one man by order of the Fuel Board. I myself had a tremendous job to arrange for forty or fifty cars for consumers in Northern Ontario. It all had to go to one dealer at a price fixed by the Ontario Fuel Commissioner, Mr. Cousins. That was the situation at Fort William. There was an allotment from Toronto of coal at Fort William. Mr. James Murphy who handled it, has one of the most modern plants in the world for handling coal.

Mr. NESBITT: The price of coal f.o.b. mines was no doubt fixed by the American Fuel Board.

The CHAIRMAN: There is no question as to that.

Mr. DEVLIN: Would it not be quicker if Mr. McGrath came here?

Hon. Mr. FIELDING: This coal cost the wholesaler $11.92 for one grade, $12.14 for another grade, and $12.23 for another grade at Winnipeg. On that he gets a profit of 60 cents. That was not unreasonable. It would amount to 5 per cent on an article costing $12. On the face of it the wholesaler's charge would not be excessive. That carries us on to the retailer whose profit seems to be extravagant.

The CHAIRMAN: To tell that we would have to get the cost of distribution. Take Toronto. The wholesalers gave $8.94 for coal,—furnace coal—and the price paid by the retailer was $9.24 or 30 cents a ton more. The wholesalers in Toronto seem to be satisfied with 30 cents a ton profit. On stove coal the statement shows that they got 26 cents a ton profit, and on nut coal they only received 23 cents a ton above the cost to them. 23, 26,, and 30 cents, those are the wholesalers' profits. The coal was sold by the retailer to the consumer at $11.75 for furnace coal and $12 a ton for stove and nut coal. Therefore the retailer received a profit of $2.51 a ton on furnace coal, $2 a ton on stove coal and $1.95 a ton on nut coal in Toronto. Now let us look at Ottawa. Here there does not seem to be any wholesaler entering into it at all. They import directly. The price paid by the retailer for furnace coal was $10.45 a ton and I suppose that is what it cost. He sold the furnace coal at $11.35 which would give him 90 cents for distributing it, for handling it, and for his profit. He would get 68 cents a ton for all his trouble and profit in selling stove coal at $11.35 a ton, and $1.86 for his spread on nut coal.

Now let us look at Montreal. It cost $10.13 to the retailer for furnace coal, $10.31 for stove coal and $10.18 for nut coal. The retailer paid $10.49 a ton for these grades of coal which makes a spread of 30 cents in the case of furnace coal 18 cents for stove coal, and 31 cents for nut coal. This coal was then sold to the consumer at $13 a ton for the three grades. That makes a spread of $2.51 between the price paid by the retailer and the price paid by the consumer for furnace coal. It would be the same for stove and nut coal.

[Dr. R. J. McFall.]

By Mr. Douglas:

Q. Have you any explanation to make to the committee as to why Ottawa adopted its scale as against those used in other cities. Ottawa is the only city that took the coal by direct contract between the mines and the dealers, I understand. Montreal, Winnipeg, and Toronto wholesale merchants received the supplies of coal for these cities. Why should it be managed in a different way in Ottawa?—A. I cannot say. I should say that this would be a good thing to take up as to whether the coal should be handled direct in the whole field of merchandising, or not.

By Mr. Nesbitt:

Q. The Fuel Control Boards in the United States and Canada absolutely controlled everything to do with coal?—A. They had nominal control. I would not say that they absolutely controlled everything.

Q. They absolutely controlled everything at the mine, did they not?—A. All the anthracite?

Q. Yes.

The CHAIRMAN: They controlled it to this extent that no man not dealing in coal in 1917 could buy coal in 1918 from the mine. Whether we liked it or not the coal had to come through the original channels.

By Mr. Hocken:

Q. Can Mr. McFall tell us how the wholesalers in Montreal can afford to sell at a spread of about 18 to 25 cents when he needs 60 cents for the Winnipeg coal?—A. That statement with regard to Montreal cannot be as typical as we thought because I know that during the time that these reports were formed the spread ran up in Montreal to as high as 30 cents. We have tried to make typical instances as far as possible.

Q. Well why 30 cents in Montreal and 60 cents in Winnipeg? Conditions are the same. They bring to both places in cars.

The CHAIRMAN: In fairness to the Winnipeg and Fort William situation, I may say that Mr. Murphy brings coal in in boats. He unloads tremendous quantities at his own coal dock in Fort William and reloads it on box cars and ships to Winnipeg. There is nothing to show anything for him for doing that work except the 60 cents a ton.

Mr. STEVENS: That should not be included. Invariably all handling charges at transfer points are included in the freight charges.

Mr. NESBITT: There is dockage there. That is not included.

The CHAIRMAN: The dock charges are 84 cents a ton and the total for freight is $4.18, the total cost to the wholesaler for furnace coal is $11.92. The price paid by the retailer at Winnipeg is $12.53, making a spread of 60 cents.

Mr. DOUGLAS: The deduction of Mr. Hocken is not absolutely right that 60 cents is obtained in one place as the spread between the wholesaler and the retailer and 30 cents in another, not in the sense that it shows the profit obtained from the retailer.

Hon. Mr. FIELDING: In either case the profit is not excessive. There may be storage intervening in the Winnipeg case.

The CHAIRMAN: The Winnipeg situation involves handling of the coal.

By Mr. Nesbitt:

Q. The freight to Toronto for coal is shown as $3.32. It could not include much for loading.—A. There would naturally be some that would be up and some down.

By Mr. Hocken:

Q. Are not these figures reliable?—A. As far as we can determine they are typical instances.

Q. Are they good enough to proceed upon?—A. I think they are.

[Dr. R. J. McFall.]

Mr. W. F. O'Connor called, sworn and examined.

By the Chairman:

Q. We will now take Mr. O'Connor's testimony. Mr. O'Connor, you were for a period of time Food Control Commissioner?—A. No, I was Commissioner of the Minister of Labour, informally appointed by him by verbal direction, exercising the powers given to him under the Order in Council which constituted him Administrator of the Cost of Living Regulations.

Q. Give the committee in your own language your experience with regard to investigations with reference to meat and meat products, the cost of production, the cost of distribution, and the spread between these costs and what the ultimate consumer paid.—A. All I can say is that I know nothing of it except what I got by way of investigations under the cost of living regulation up to the date of the publication by me of this report of mine to the Minister of Labour dated July 9, 1917. Subsequent to that date monthly reports of the same kind have appeared. For instance on pages 40 to 47 of this report we received, digested, and published in the daily press, or at least handed to the press for publication, these reports, and in every case put them on the files of the Labour Department, and they are there. These monthly figures, while valuable in themselves, would have their chief value from an annual generalizing of them. That has never been done since I published my report in July, 1917. I regard that as regrettable as these reports would make a good trade barometer, but they have not great value as a means of watching the trend of prices unless they are generalized. That calls for the services of an accountant. I was an accountant and did the work. Since the change, however, it has not been done, I understand.

By Mr. Nesbitt:

Q. Do you know anything about it now?—A. I know nothing about it and am industriously endeavouring to forget all I ever knew.

By Mr. Devlin:

Q. While under the Minister, did you make recommendations to the Department as well as your reports, and if so, what were those recommendations and have they been acted upon?—A. This report is replete with recommendations. One particular recommendation I think would solve the whole problem that you are considering now.

By Mr. Stevens:

Q. For Heaven's sake let us have it.—A. It is that you should establish a court, which I would call a Court of Commerce which would handle in peace and war all questions along the lines which you are now investigating, for instance the cost of living, and as well as for every trade problem such as fair and unfair methods of doing business. Take the Halifax case of bread which Dr. McFall was speaking about. Such a court could take that matter up and it would be seized with jurisdiction respecting it. Such a matter could be brought to its attention through the complaint of some one or it could start an investigation because of its own knowledge. There would be a preliminary investigation. Somebody would go to it and report that there should be a formal investigation. If so, all parties would be cited before the court, and the court would have power to order that the practice complained of should cease. If that practice did not cease, disobedience of the order would constitute a criminal offence and be amenable to the ordinary criminal court of the country. That would be a most efficient and speedy method, and it would not be necessary to resort to it very often. The trade interests of the country have demanded this for years.

[Mr. W. F. O'Connor.]

By Mr. Nesbitt:

Q. Why could not the Labour Department be given power to do that?—A. Do not put it under that Department. Such a court should be an absolutely free and independent body such as the Board of Railway Commissioners, or as any court in Canada. What is said then would be obeyed. There should be a lawyer or judge as chairman to rule on legal questions, and his decisions on legal matters should be final and bind the tribunal. If possible, there should be a wholesaler or other manufacturer or retailer on it as well.

By Mr. Stevens:

Q. What about the consumers?—A. They would all be consumers. Of course if the court were composed of five or more members it would add to the expense.

By Mr. Nesbitt:

Q. We have so many commissions in this country, and so much expense in connection with them. A commission would not get us anywhere.—A. This would get somewhere. The Parliament has full jurisdiction over criminal law.

The CHAIRMAN: And over trade and commerce.

By Mr. Nesbitt:

Q. Property and civil rights are within the jurisdiction of the Province.— I have no doubt whatever but that we would have the jurisdiction.

Mr. STEVENS: This bread matter of Halifax is a local matter.

By Mr. Devlin:

Q. The law officers of the Crown could give an opinion as to whether this Parliament could constitute such a court. Have they given such an opinion?—A. They have not been asked.

Q. Have you heard anything about these recommendations since you made them? —A. No, I have not heard anything about them.

Q. Did you get instructions about any of the reports which you made, authorizing you to do anything?—A. No.

By Mr. Nesbitt:

Q. Have you been recently active in any of these investigations?—A. Nothing since April, 1917.

By Mr. Douglas:

Q. With regard to the reports made prior to April, May, 1917, did you take any steps to enforce your findings in that report outside of publicity?—A. Publicity entirely was my weapon. I had no power to enforce it outside of that. My report was, as you will see when you look at it, so far as cold storage is concerned, that there should be Government operation of cold storage, not Government trading in cold storage, but Government operation of cold storage plants. You will find in this report something about conditions in the last investigation held in Massachusetts in 1910. The conditions I discovered in Canada were exactly the reverse of those which had obtained in Massachusetts in 1910. It was the most expensive investigation which the country has ever made. The conditions in Massachusetts were that 10 per cent of the cold storage plants were engaged in trading, and 90 per cent in storage. In Canada I found it exactly the reverse. 90 per cent of the people in the storage business in Canada were trading, and 10 per cent were cold storage.

By Mr. Stevens:

Q. Your idea would be that cold storage should be essentially a cold storage business and not a trading business?—A. Cold storage is a magnificent thing. I do not

[Mr. W. F. O'Connor.]

want to cast any aspersions on the cold storage business. It is a good thing for the country, but cold storage trading does operate disadvantageously in Canada.

By Mr. Nesbitt:

Q. But would you recommend that a man dealing in produce or meat should not have a cold storage plant?—A. No. He should have one for his private business.

By Mr. Hocken:

Q. About your suggestion that the Government should take over the control of storage plants, why should not an inspector be sent around as in the Customs to all bonded warehouses to see how long commodities were kept, the quantities handled, and to find out the spread of cost between the time the commodities entered the warehouse and when they were sold out?—A. I don't think that would advance us very far. There is a partial inspection now, and I understand from Dr. McFall's evidence that there was inspection under the Board in the past to a certain extent. My idea is that if you had large cold storage plants taking in small quantities for various persons desiring to store, that some amount would necessarily be stored. As the cold storage business would have to live it would charge a fair price, and that price would accumulate from month to month, and people could not afford to keep it stored. With a person who trades as well as keeping a cold storage plant, he can regard his storage business as a side line, and consider it as a general expense of the trading business, and keep the stuff there as long as he likes.

By Mr. Douglas:

Q. Therefore he can keep it in order to monopolize the trade of the country?—A. Yes.

By Mr. Hocken:

Q. Is not that something to be corrected?—A. I think so.

By Mr. Devlin:

Q. Your suggestions to the Department, were they ever embodied in the form of a Bill?—A. No, sir.

By the Chairman:

Q. Did you make formal recommendations to that effect?—A. No, no formal recommendations.

Mr. Nesbitt: You made it public.

By the Chairman:

Q. Mr. Devlin referred to your suggestion about the Court of Commerce.—A. It would be a work of supererogation to put that before them. They have had recommendations for years for that from business interests. I referred to it with approval. I was looking for some agency to do the work that I was put upon. I suggested that I should not have been put upon it at all, that a Court of Commerce was the best way.

By Mr. Stevens:

Q. I had a complaint by a certain retailer that goods had been refused him by a certain wholesaler.—A. That should come before such a court. Such a court would decide if that was a fair business practice. If unfair, the court would order the wholesaler involved to discontinue that practice. If, after that, he refused to do as ordered he would commit a criminal offence.

By Mr. Nesbitt:

Q. If your were in the wholesale business, and I wanted to buy goods from you do you mean that you would have to sell to me?—A. Yes, for cash.

By Mr. Hocken:

Q. Would you suggest that we should recommend the Government to take over all cold storage and operate it?—A. If I were a Cabinet minister I would move it tomorrow. It would be an excellent source of revenue.

By Mr. Stevens:

Q. Have you given consideration to the magnitude of it?—A. It would be a mere bagatelle to some of the things the Government is already doing.

Mr. Nesbitt: That is our trouble. As far as I am personally concerned I do not want the Government operating anything more than at present.

By Hon. Mr. Fielding:

Q. You say that if you had an opportunity as Cabinet minister you would take over the whole cold storage in the country. Do you include in that the trading business? —A. I would distinctly separate the trading.

Q. Many of the plants originally designed for cold storage purposes have been used in connection with trading afterwards because the owner found that to live and do business he had to go into trading. You think that that should not be allowed?—A. I think not, except for his own business. In the public interest it would be better.

Q. I think if one man that began on the cold storage plan, and then it became a trading plant, was able to use it in connection with his own business but it is open to the whole public as well, and it is jointly a cold storage and trading plant.—A. There is no room for your stuff when you go there and want to have it stored.

Hon Mr. Fielding: Yes, there is that feature.

By the Chairman:

Q. You say the Government should take over all the cold storage warehouses and not do trading. Would not that involve all the producers of foodstuffs? Would they have to store all their goods in Government cold storage plants and would these be sufficient, creameries, cheese factories, meats and meat products, abattoirs, etc.?—A. I would let that grow like other things. Things would be either sufficient or insufficient, and if insufficient they would be improved. If sufficient, you are only dealing with present conditions.

Q. In your investigation in connection with the cost of food and food products, particularly with regard to meat products, haven't you found that cold storage and the produce and packing business is now in a practical sense going hand in hand?—A. There is a close relation.

Q. Are cold storage warehouses linked up with trade concerns of the same description?—A. Oh, yes.

By Mr. Stevens:

Q. Is there much custom storage?—A. I can only speak from what is in that report, I cannot remember. You will find what you want right in that report with names and addresses.

Q. In suggesting that the Government should take over the cold storage, would you limit it to the actual cold storage plants or to plants connected with abattoirs? —A. Cold storage. You must understand that there are differing degrees of temperature needed in different places. I forget the different degrees for different commodities. But for pure cold storage, take meats for instance. They have to have a very cold warehouse. They are practically frozen. You could not take all in that I mentioned in the report. In some the commodities are merely chilled. In some fish places they do not freeze.

By Hon. Mr. Fielding:

Q. You would not object to the individual dealer having cold storage for his own purposes?—A. No. He could have.

[Mr. W. F. O'Connor.]

Q. If the larger operators had their own cold storage for their own trading, will there be enough business offering for a general cold storage system not engaged in trading?—A. Nearly all of them, when they start, say that they believe that they will do a cold storage business in order to get a bonus. They are bonused for a number of years on the assumption that they are going to provide a benefit for you and me, but after they pass the stage where the annual bonus ceases they rapidly develop into traders.

By Mr. Stevens:

Q. Do you know of any bonuses given to cold storage plants doing a trading business?—A. I found one, which, although still receiving a bonus, had for four years before my investigation received so little from the public that it was not able to report any it had received. It had to report that any received was negligible.

By Mr. Nesbitt:

Q. When you suggest that cold storage be operated by the Government, do you suggest also that the plants should be built by the Government? The reason I ask is that I personally know two cold storages honestly built for cold storage purposes, in absolutely good faith, and they could not continue business because the storage that came to them was not sufficient at their price or any price they could afford to charge to maintain them and pay interest on the investment.—A. Were the plants built in the wrong place?

Q. They were built in a central location so far as that is concerned.—A. Some trader must have bought all the stock and put it in their warehouses, stuff that would otherwise have gone into the plants you refer to. When looking into this cold storage proposition I found that conditions varied and I had to zonify the Dominion. In Ontario I had to deal with Toronto as a separate zone and I was able to make eastern and western Ontario into two zones. The conditions in the territories outside of Toronto were practically similar. The very great bulk of all the cold storage commodities in the Province of Ontario come into Toronto first, and are sent out again because there has been a practical monopoly of storage and trading in cold storage products established in Toronto.

Q. Outside of London there is no other cold storage in Ontario.—A. There never will be so long as that lasts.

Q. There never will be as long as it does not pay to build them.—A. My point is that it would be if monopolies by which articles are taken to one spot and controlled there, were stopped.

By Mr. Hocken:

Q. Doesn't the cold storage system facilitate the cornering of produce?—A. In the way I have been speaking of, yes.

Q. The men operating these cold storage plants in Toronto are able to corner the produce of the Province?—A. There is nobody else can store, and so they go out and meet the farmers. Call in any farmer member, any member from a farming constituency—Mr. Sexsmith for example—or any skilled farmer, and ask him what happens. They go along the road and buy the stuffs in whole districts. One firm takes the whole product of a certain neighbourhood as a rule. The farmer gets a little more that way, but I doubt if he gets as much as he should, and I am quite sure the consumer does not get the advantage.

Q. The net result is that the produce of the Province goes to a centre where there are large cold storage warehouses, and there it can be held indefinitely?—A. That is the evil. Mind you, I do not say there is any great overholding.

[Mr. W. F. O'Connor.]

Q. Have not there been large quantities of poultry, eggs, etc., thrown away?—A. There is a necessary loss even in running a Greek fruit store. Miscalculations are sure to be made. They think they can safely carry a certain quantity but they are wrong. They do not want to make a loss. They lose more than you and I do by throwing stuff away.

Q The loss originates in their cupidity. Instead of being willing to take a reasonable price when it can be sold they keep on holding the produce for a few months or six months in the hope of getting higher prices?—A. Yes, it is a business miscalculation.

Q. But a business miscalculation which affects the consumer?—A. Yes.

By the Chairman:

Q Did you find in your investigation that there was very much of that, that any considerable portion of the produce of Canada was wasted as the result of being in cold storage too long?—A. Decidedly to the contrary. I consider that the quantity would be hardly worth considering with reference to the amount consumed.

By Mr. Douglas:

Q. Any trading companies with cold storage facilities, did they deter the farmers from storing their goods?—A. No, but it would not pay farmers to do it.

Q. He was forced to sell to the big man?—A. Well he did sell. You know what building avenues of trade will do. Take the situation in Nova Scotia with apples. It is easier to know, very much easier, that you can sell to the same man and the same people, year after year than to go out and fight in order to get better conditions.

Mr. Nesbitt: Than it is to take a chance of holding it?

Mr. Douglas:

Q. Under present conditions is there any scheme can be devised that would bring sufficient pressure to bear on the proprietor of cold storage facilities to.day to give the consumer the benefit of what the Dominion Government has done in bonusing these cold storage warehouses so that they would give a lower price?—A. No, I cannot think of anything.

By Mr. Stevens:

Q.. Do you consider that the cold storage plants of trading companies have utilized these facilities for the inflation of the prices of goods?—A. I would not answer that question under oath by giving a mere impression.

Mr. Stevens: We would like to get your impression. You have had considerable experience as an investigator, and it is generally alleged that cold storage companies are using their facilities for their own interests in this way and against the public interests.

By the Chairman:

Q. Do they use these facilities to unduly inflate prices or increase the spread between the producer and the ultimate consumer?—A. If you take my answer free from the oath, and as a mere impression, I have not any doubt that every cold storage trader in Canada is using his cold storage proposition to make as much money as he can out of the people of Canada, but I have to add that, that according to business ethics, does not seem wrong, and I think practically every other trader is doing the same thing.

By Mr. Stephens:

Q. I am much obliged for the answer. I would like to suggest, Mr. Chairman, that Mr. O'Connor, being a lawyer of wide experience and having special experience

[Mr. W. F. O'Connor.]

in this line, having studied these matters very fully, should prepare us a number of questions, questions which would extract from witnesses on oath the information we are seeking?—A. I have to refuse that. You have to consider my position. I am a Government servant who, on account of a difference of opinion with the Minister of Labour respecting the conduct of this very Department you have been investigating, has resigned from that Department. The less I am asked, and the less I can say about it, the better pleased I will be. To put me in the position of a council examining witnesses would not be right under the circumstances. There are officers in the Justice Department who could do this for you.

Mr. STEVENS: They do not know anything about it.

After some discussion on this point it was moved by Mr. Stevens that the committee should ask the Government to appoint Mr. O'Connor to assist the committee in examining witnesses in connection with the general object of the inquiry which the committee was making. This was seconded by Mr. Douglas and, being put to the committee, was carried.

It being suggested that a vice chairman should be appointed, Mr. H. H. Stevens was elected to that position.

By Mr. Nesbitt:

Q. You said just now to Mr. Stevens that cold storage people looked for any profits they could get. If there were no cold storage would there be any more waste of products than at the present time?—A. Most certainly.

By Mr. Devlin:

Q. Mr. O'Connor, has any recommendation which you made to the Government when you were occupying the position you held under the Department of Labour, been adopted by the Government?—A. Yes.

Q. Which one?—A. Two. The taxation of cold storage companies. The excess profits' tax especially applied to it. My theory is that there should be no such thing as price fixing but free open trading. Let the people and the traders carry on their old-time fight as they always have and as probably they always will. The Government should watch the result and have an efficient system to take it away from them by taxing when they get it, by direct taxation so that profiteering would become unprofitable. Then you see the difference is the country would find in its pockets money which otherwise it would have to reach out and take from its own people. I am laying on the table the anthracite report and the sugar report.

By Mr. Hocken:

Q. What would you say about the state requiring manufacturers to put a label or tag on their goods to show the manufacturer's price, and then let the consumer who purchases boots or clothing see the spread between the manufacturer's price and what he pays?—A. It would be a misleading thing to the consumer, and would lead to a ruction generally. While this interrogation was going on with Dr. McFall, it struck me that if somebody had tagged coal which was selling in Halifax at $19 or $20 a ton, had tagged it $12 and $15 as the cost in another place, the consumer would wonder what it meant, and would judge that there was a great deal of profiteering. They would find the cost appearing on the invoice somewhere around $10 and maybe less but selling at $19. The consumer would think that some body was making $9 profit, but he would not realize that as high as $6.75 or $7.50 would be paid per ton for freight alone, and that wastage and depreciation has to be taken into account as well as the bookkeeping costs, the selling costs, the distribution, the bad debts, and so on. On the files of the Labour Department you will find three thousand anthracite coal dealers with tables month by month with every item of depreciation. It

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shows where every kind of coal purchased was obtained, what they paid for it. Up to the time I left every bit of data was obtained. It is a crying shame that that system has not been continued. The monthly reports have been coming in but they are so much waste paper until they are worked up.

Dr. McFall: Do you know what has been done on this? You are making some rash statements.

Mr. O'Connor: You need to have these things analyzed yearly, and handed out to the public so that the public may be informed. This should apply not only to coal but to the market prices of other things. It would apply to canned beans, and to sugar. Most people sell sugar at a loss.

Mr. Stevens: That is true. The average retailer sells sugar at a loss. It is a staple article. He must do it.

Hon. Mr. Fielding: And he explains he could not do it if he did not sell so much of it.

By Mr. Reid:

Q. Have you any information as to the cold storage business in New Zealand? It is very successful, I am informed. It belongs to the Government.—A. No, but information on that could be obtained in the Parliamentary Library.

The Committee adjourned until 3 p.m.

The Committee resumed at 3 o'clock.

In the absence of Mr. Nicholson Mr. Stevens took the Chair.

Mr. O'Connor recalled. Mr. Devlin asked me as to Government action on my report. I said I could remember two cases. I had dealt with one. The other was with respect to what has been known as the Henderson Commission, which arose out of the Bacon Report. I call it the Packers Report, and I want to say that in that report I recommended a further investigation, and I understood that the Henderson investigation was that further investigation. I was asked to draw the Order in Council which appointed that Commission. I did draw the Order in Council which appointed the Commission, and it investigated what I consider—and the Government followed my recommendation—required to be further investigation, and another thing I want to add is an observation with respect to one of Mr. Nesbitt's questions with respect to this court or board which I propose. Mr. Nesbitt said something with respect to their being so many commissions and I took it from what he said that this would be somewhat like the handing over of Parliament's powers. The thing I have in mind is not that kind of thing at all. It is a court which would be an auxiliary to Parliament. Parliament wants an investigation made such as this, for instance. I want to say right now, and here, without any disrespect at all, that I do not believe this Commission, or Committee of Parliament is going to get anywhere at all, because you have not the time or the machinery to do anything.

By the Vice Chairman:

Q. You mean that this committee will not have the time to carry this investigation along to any logical conclusion?—A. Yes. What I mean to say is that you cannot get the information which you need for the purpose of getting at the causes of prices or modes of remedying high prices by question and answer examination. However, I might amplify that, but precise relation to Mr. Nesbitt's observation, if you had this court or board which I propose, it would be one to which Parliament would hand over investigations like this. It would have no power to act. Parliament would not be giving away one atom of its powers, but it would be inquiring for Parliament, Parliament acting afterwards. It would not be an acting board or court at all.

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It would be merely a declaring court. It would do nothing except investigate and declare. So that the objections taken to the doing of things by commission, no matter how sound the basis may be, would not apply.

Q. There was just one question I would like to ask you in connection with that. Was there any bill or anything of that kind prepared with regard to the proposed court?—A. Well, in 1917 a Bill was drawn, and afterwards an Order in Council, practically in the same terms was drawn. That was submitted to the various trades, wholesale and retail, not at the instance of the Government, but at the instance of the Retail Association, at the request of Mr. Trowern, secretary of the Retailers' Association of Canada, a body of about thirty thousand members.

Q. Have you a copy of that?—A. Yes. He communicated with the Canadian Credit Men's Association, which is a wholesale association. They went over this Bill and reported to me that they were in entire favour with this proposition, and it was something they had been agitating for for years.

Q. Now the Committee will proceed with the main object we had in view, the packers?—A. With respect to the packers, first of all I want to give you an outline of the questionnaires which were sent out in that investigation. You will see that the return came in under oath. It was stated by the previous witness that these returns were not under oath. The investigation was held under oath, and then a basis was established and monthly thereafter the persons investigated had to hand in, upon that basis, what they received, what they had sold, and it was quite a simple matter. The oath adds nothing whatever to it, after you have your basis. It did not require oath. It required a simple credit system in less detail than in the other investigation, and it was only a matter of accountancy to carry it on from that point. I would value the continuity of the return much more highly than the oath of the most reputable man in the country, because if he lies in the returns you can catch him, but if he lies under oath perhaps you could catch him and perhaps you couldn't.

By Mr. Devlin:

Q. Apart from the question of cold storage do you find in your investigations anything else that might tend towards the inflation of prices?—A. You mean by manipulation and combination?

Q. By manipulation, not necessarily combination—or the controlling of the trade? —A. I found no evidence of that.

Q. As to undue profit, did you find anything after that?—A. Yes, my reports contained some reference to undue profits. You have them on the table.

Q. Did you make investigation with regard to the work of the Dominion Canners' Association with the wholesale trade of the canners?—A. Just before I left the service of the Minister of Labour, I had about completed, through my officers, of course, a very thorough investigation into the Dominion Canners. Nothing has appeared since.

By the Vice Chairman:

Q. I understood from you this morning that all this information, continued as well after your retirement as before, is now in the hands of the Statistical Department?—A. I will speak up to the time I retired.

Q. You understood it was continued to some extent after that?—A. To some extent at any rate, and probably additions made to it of which I know nothing.

By Mr. Douglas:

Q. We may be able to get the result of your inquiry in connection with the Dominion Canners?—A. It may be on file, but it would have to be extrated by one competent to do it. Miss McKenna, who was my chief assistant, a wonderfully able assistant, married since and retired. She would be the one whom I would recommend. She was carrying it on under my direction, and if she could possibly be

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induced to finish it, it would be very valuable to-day. She would have to be guided as to accountancy probably when doing it, but as to technical information, she is full of it.

Q. Regarding the report, without going into it, as it is published, you did find an arrangement as between the refining companies as to what scope they should have in the Dominion of Canada for trading purposes?—A. No, I did not find such an arrangement with respect to the refineries. You are speaking now of sugar?

Q. Yes.—A. No, I did not find an arrangement of that kind. I cannot say there was an arrangement of that kind. I gave a clean sheet to the sugar problem. I gave them not only a clean sheet but a pat on the back. I thought they had done wonderfully well.

By Mr. Nicholson:

Q. Do you mean from that, that in the process of manufacturing sugar, and bringing in the raw sugar into the country and refining and distributing it that the works were economical, and profits were limited to what you considered an equitable profit on the transaction?—A. I will leave it to anybody here: I happen to remember what the greatest profit might be with any of them, and it was one fifth of one cent a pound, and two of the eight—I think there were eight, speaking from my recollection—had operated at a loss, one in Nova Scotia and one in New Brunswick.

By the Vice Chairman:

Q. Do you consider this information, which you say was available up to the time you left—and we understand from Dr. McFall that a great deal of it is available yet—would be just as good or better than any information we would get by personal examination?—A. You cannot get accurate information in this way and in the time at your disposal. You call in one of your men, you ask him his name, where he lives, and the capital of his company, but when you get down to the question of costs, for instance, his overhead expenses, he may give you a rough guess at it, and he may be able to relate that to his business, and say that it is about five per cent, or something like that, but you have to take his opinion, and he may be wrong, and he will probably tell you he is not able to give you accurate information. The shortest period that any one of the packers was able to answer the questions contained on the sheets which I got was six months, and some of them I had to allow—and they needed it—as long as ten months to get up to date. I allowed the Ogilvie Milling Company four and a half months to answer the questions I put on the paper. These questions involved a long accounting and sometimes a change of the accounting system. The Ogilvies, although they had been in business for a great many years, changed their accounting system. Mr. Black, the manager, came to my office in regard to the matter—

By Mr. Nicholson:

Q. While that may be true in getting at highly technical matters, would you say that a firm doing business, such as the Ogilvies, or one of the large packers, are doing their business in such a way that it would be impossible for the general manager to give a committee such as this reasonable information as to the cost of the raw materials they use, the cost of manufacture, and the prices at which they sell these goods?—A. He could give you, without giving you the details, he could give you the spread, but that would be as unreliable as the spread which appears there in my cold storage report—unreliable and misleading.

Mr. Douglas (Strathcona): If it misled the press, it had a fairly good effect on the country.

Witness: The figures, so far as they went, were accurate. I stated that they were the margin. I had my own idea as to the profit, but that particular company had not

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given me the real data. I had my own idea as to how much real profit they had made, and it turned out when investigated to be very close. I had 109 other persons reporting on the subject-matter and I co-related the 109 with the missing one. It was not under oath, however, and they were very much larger than the others in the scope of their operations. But I seriously think you cannot in this way get other than misleading data. If you had Mr. Black here he could tell you what it cost to sell a particular shipment of flour that I have in mind. It costs him 30 cents. Three hundred thousand barrels of flour costs him 30 cents to sell, but if he had sold that in Canada instead of the other shipment overseas, it would have cost about ten cent a barrel to sell. Also with that particular 300,000 barrels, his production was not up to capacity at the time, and by running his production to capacity he would take that order and make a large profit at a great deal less than he would by selling the same thing next door. You have to itemize everything and then generalize your items in the end.

By Mr. Nicholson:

Q. Do you think that a general manager, such as Ogilvies' or Gunns', Limited, could give this Committee that kind of information?—A. They will give you the information that will come to their minds, but they cannot generalize their whole business for you.

By Mr. Devlin:

Q. We are a Committee empowered to inquire into everything that tends to the increased cost of living in this country. We have a short time to do it in, and we want to get at the work specifically. From your work as High Cost Commissioner in Canada, and from the attention you gave to the matter, can you suggest to this committee how they can go about their work to come to a more practical conclusion?—A. No, sir, with all seriousness I cannot. If I may I might ask you this: You may happen to know that I have been a practising lawyer for a great number of years. When this job was committed to me, it was practically the same job. I did not undertake to examine a single witness because I knew it was futile. In a court, when a matter involving prolonged examination of accounts comes up, the judge does not undertake to try it, because he knows it is impossible; he sends it to a referee.

Q. You sent on your work to a number of referees?—A. That is it. I had a staff of referees. I framed the question, and would perhaps send out to 3,000 people at the one time the same series of questions.

Q. All these references have to be found in these reports?—A. Yes. It took them months and months to columnize these reports. They would hand them to me and I would check their averages. I would deal with it as a lawyer first, and instruct myself as an accountant as I am a practical accountant. When it came back it came back to me not as a lawyer but as an accountant.

By Mr. Nicholson:

Q. Admitting for a moment that that is true, and that it is going to require the time you have outlined to reach any conclusion with regard to any specific commodity, or to the manner in which any particular firm is doing business, would that not bring us back to this, that you look upon it as a practical impossibility to do anything that will have the effect of controlling prices. To explain why I put the question that way, we are always hearing about the price of raw products that go into the goods we consume. If it is going to take months and months to trace up any item from the cost to the manufacturer to the consumer, conditions will have completely changed before we reach a conclusion?—A. My system was a continuous system. You always have the information under that system.

Q. But you would always be months behind?—A. No, sir, you would be right up to the minute. I will give you an example. When the war tax was put on the packers

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the Hon. Mr. Rowell asked me how long it would take me to give him the names and addresses of the packers in Canada who had done business of a certain amount in the previous year. I asked him when the Cabinet met. He said, next day, and I said I would meet him at the door and give him the information. I told that if he wanted it for three or four years I could give him the information within twenty-four hours. How long would it take this committee to do that?

By the Vice Chairman:

Q. Had you the same information regarding other lines of business?—A. Food, coal, sugar. I had been engaged for a while on boots, but finding it no longer necessary, dropped it. I had bread established, of course, and the bread system worked fairly well. I had a milling investigation going for nearly a year under my direction. I saw that it was stated in the Press that I had nothing to do with it. As a matter of fact, I started it, cared for it and instructed it right along. That is as far as I have gone. I appointed one of the staff as chief of the clothing section, and it was intended to take in boots, leather goods, and that sort of thing. I was going to start the clothing investigation back in the hide factories. I was asked to postpone; I postponed.

By Mr. Nesbitt:

Q. Do I understand you to say that you believed that cold storage enhanced the price of food on the average during the year?—A. I have not the slightest doubt it does as it is operated. Cold storage itself I am a great friend and admirer of. It is an unmixed blessing. Cold storage as it is operated in Canada is, I say, not an unmixed blessing.

Q. I asked you if you think it enhanced the price on an average throughout the year?—A. I do.

Q. You have to take into consideration that before we had cold storage we had a rush of food in the spring of the year and summer?—A. My answer would be that cold storage does not enhance. Cold storage combined with trading in Canada does enhance.

By Mr. Hocken:

Q. Your eggs are going into cold storage now?—A. At the beginning of the season your April eggs are going into storage at a nominal cost; I am speaking as a consumer, if I am wrong I may be pardoned, but my impression is that they are going in somewhere around 40 cents a dozen.

By Mr. Nesbitt:

Q. They are around 50 cents now?—A. I say that at the period of greatest production, April, they would have gone into storage at 40 cents; they did not buy the very first eggs, because they cost a little more. They would possibly not buy until early May because when the eggs begin to come out on the first of March or early in April they are bringing larger prices than the cold storage men want to pay. When the cold storage men begin buying the price goes up again, but they follow it up because they do not care; the large operators do not care what they pay because they know they are going to get their money back again. The more sellers you have the lower the price will go, but you have a whole section which is practically in the hand of one big buyer, he goes in, he is able to hold that whole section no matter what economic theory is may hold, it is a matter of cold hard cash. He goes in and finds this market in that section, which he practically controls because of the high prices that he pays. So that these farmers and other producers instead of selling to a number of small buyers in small lots sell them to one man.

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By Mr. Nesbitt:

Q. Before the cold storage was established I was in the retail business and we used to get lots of eggs in the market in April and May and the prices went down to ten cents, but in the winter time there were none to be had and fresh eggs went to 70 or 80 cents a dozen and we always had packed cold storage eggs at between 40 and 50 cents. Now at the time I was in business you could not buy fresh eggs or eggs at all in the winter except those that were salt packed by the farmers' wives, since cold storage came in eggs can be bought at reasonable prices.

By Mr. Nicholson:

Q. Should it not be put this way that the average high-level price that is paid for eggs throughout the year is due to the fact that for a portion of that period they are using what is looked upon as unseasonable products. Formely eggs were used generally only for a portion of the year and now they are used all the year round? Is not the fact that we are using these products at unseasonable periods of the year, due to the operation of the cold storage itself?—A. I am not finding any fault at all with the operation of the cold storage itself, even if by that operation a higher average price is maintained, but what I am saying is that if the farmer himself could handle a sufficient quantity of eggs that he could deliver them in cold storage for himself, or if the small buyer could buy eggs and store them I believe the farmer on the whole would get a much larger price for his eggs but it would cost less for operation, and the consumer would get the eggs for less in the end, and the cold storage would be operating just the same but the large profits that are being taken now, from holding the eggs that ought to have been sold in July over until November and December, in order that higher prices may be obtained would be eliminated. There is always a shortage of eggs. That is the statement I am making that nowadays under the present conditions there is always a shortage of eggs.

By the Vice Chairman:

Q. In other words you say that the high prices that there are all over the country for a limited number of years are due to the fact that arrangements are made by the buyers to divide up the territory between them?—A. I do not say that because I do not know it, but I say naturally the conditions are such that it leaves these men in control of the territory because another buyer seeing that they are operating in this district or in a certain section will go and take another. It is the same as with the newsboys if the newsboy sees another newsboy on the corner he does not go on that corner but takes another. That is what cold storage operators do.

By Mr. Nicholson:

Q. In your investigation was there any territory in which you found there was only one or two cold storages that operated?—A. I have not any details in my mind, but if you will take that section of the cold storage report on the operation of big business you will find no matter how it comes about, that there are certain lines such as eggs, bacon, beef and that sort of thing in which certain large firms, 10 or 11 of them, out of over 100 cold storage plants, there are 10 or 11 of them who practically control.

By the Vice Chairman:

Q. Did you ever hear of a firm like the Swift, Matthews-Blackwell, or any other of these large concerns putting into the county only a very limited number of buyers? —A. I know nothing about that.

By Mr. Devlin:

Q. In this cost of living report where you say to the Minister "I have carefully traced out cost and prices. I have many times insisted upon the right of proper buyers to buy at a fair price. I have searched for evidence of trade combines, located

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many, and caused them to dissolve. I shall not attempt to report to you as respects all these matters. They have constituted part of the day's work and you are as familiar as I with most of it not all of them."—A. That refers particularly to coal.

Q. To coal?—A. To coal particularly, yes. I found that what was technically known as gentlemen's agreements were in existence, and in the coal section you will see that they are dealt with. That is in the first report I have sent out. Then comes sugar. Next in order is coal. You will find that amplified in different reports, and the third, the last is cold storage.

By Mr. Douglas:

Q. In connection with that report of yours on the sugar question, I find in your report on sugar that the British Columbia Refining Company control the sugar trade from east of Brandon and Yorkton to the British Columbia coast. You also quote the prices. The price of granulated sugar at Brandon at this date was eight and a half a hundred. At Edmonton, which is five or six hundred miles closer to Vancouver, the originating point, the price was $8.95. At Camrose, which is further away still from British Columbia the price was $8.82, and at Regina, the price was $8.47. Brandon only paid three cents a hundred more for sugar than Regina. Edmonton paid forty-five cents a hundred more, five or six hundred miles closer to the point of shipment?—A. You have here the equalized rate system under which sugar is delivered. You will find the equalized rate system set forth there in very great detail, page after page, and an explanation of it. It is such a tremendously involved thing that I do not think I can put it in a few words to the Committee.

Q. But to the ordinary mind the reason for that Brandon rate is that the Montreal Refining Company meets the competition of the British Columbia Refining Company at that point, and that is the reason why Brandon is a common ground, because it is generally conceded by the trade that they cannot get west of Brandon, and that the British Columbia people cannot get east of Brandon, and they make it a common ground for price, and they mulct the fellow closer. I venture to say that in Vancouver city they pay more for sugar than in Brandon. Then there is another question you bring out here, that in the days in which you were conducting this investigation the wholesaler was practically compelled to sign an agreement that he did not handle any other sugar than the British Columbia Refinery sugar. I know that any wholesaler or jobber handling cane sugar was not permitted to handle beetroot sugar, and the result was that the refineries had a monopoly of the trade, just the same as the canners in other articles have control of the jobber in their lines of goods?—A. No allegation whatever came before me with respect to being compelled to handle only one line of sugar. Nothing like that was disclosed in any of my investigations. If that be the fact, I have missed it, never heard of it till this instant. If I had heard of it I could and would have stopped it. When I said I gave a clean sheet to the sugar, it slipped my mind that I had trouble with the British Columbia Sugar Company, and they had been operating under an agreement highly pernicious, and I applied to the attorney general for leave to indict them. My real object was to secure an amendment of the conditions, and they changed their whole system of sales, and struck out these obnoxious provisions, and they had free sales instead of restricted sales after that. I want to answer what has been said about the variation in prices. You will find it all over Canada. The reason is partly historical. As a matter of fact the sugar refineries absorb part of the freight rate. A sugar refinery is located in Montreal. The man who buys sugar in Montreal, when he buys it on the list price, pays part of the freight that the man in Barrie, Ontario pays on his sugar. Otherwise sugar, instead of having a staple price, or something near the same price all over Canada, would be subjected to great variations on account of the freight. The freight is partly absorbed, and I said it was an historical reason. At the time when the equalized rate system was established, there were certain wholesale sugar distributing

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firms in existence in the different provinces. These places where these wholesale firms were located were fixed upon as centres of zones, and sugar was delivered in these zones at a fixed price, regardless of where they were, the difference being absorbed by the refiner and the price equalized. Then the local freight rates out of the zone centre to these various towns is added to the list price, and that is what makes the variation in the prices in the different districts.

Q. I have no doubt to the general mass of people in Canada the equalized rate system is a good thing?—A. Yes.

Q. But the fact remains that there is a sort of gentleman's agreement or arrangement, signed or otherwise, between the large refining companies that they will not invade the field of the others?—A. The evidence is against that, as you will find upon looking into it. As far as sugar to the ordinary man is concerned, it seems to be carried by the eastern refineries, and the refiners there are in competition with one another. I find the wholesale buyer in the West buying from three or four different refineries, and if you ask the Halifax refinery to ship out into territory of the British Columbia refinery, you may ask him for a long time, not by reason of a combination, but by reason of the non-productive feature of the enterprise, and that is the condition you discover there I think. The British Columbia company has a monoply of the whole far west.

By the Vice Chairman:

Q. Did you find any unreasonable profits being made by the sugar refineries?—A. No, most decidedly not.

Q. That practically disposes of that point.—A. You put a sugar refinery in Winnipeg and the imagined combination of the sugar refineries will very quickly disappear. The nearest one is in Walkerville, Ontario.

By Mr. Douglas:

Q. Wallaceburg?—A. Yes, Wallaceburg.

Q. But on the other hand the basic price of the eastern sugar is Montreal. The basic price of sugar in Vancouver where the British Columbia Refining Company operate, is very much higher than it is in Montreal. Does that not strike you as being rather curious?—A. The British Columbia company, while they disown the equalized rate system altogether, and are not a party to it, have made their own equalized rate system, which they do not call an equalized rate system, and charge a set price. In these places you name I have worked out the freight rates and find they base these prices upon the equalized rate system which is prevailing in eastern Canada. They disown having the equalized rate system, but in fact they have it; but they are not joined with those who have the equalized rate system of delivery. I say in that report that the equalized rate system is an invasion of the law. I say nevertheless it should be legalized, because on the whole I believe it operates to the advantage of all of us, because otherwise people in Montreal and vicinity, and Halifax and St. John and Wallaceburg and vicinity will be getting sugar at a very low price. Sugar is a commodity which must be distributed over very large spaces. I think flour should be brought under the same system, and sugar being that class of commodity, it must be eminently fair that the cost of production of an article which is to be spread so broadcast should be in part absorbed by the refiner, so that the rest of us all over the Dominion, by accident situated here or there, may get the advantage of it.

By Mr. McCoig:

Q. Did you form any estimate as to the quantity of sugar made out of cane and the quantity made out of beet root?—A. It is all there.

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Q. You have the quantities made out of the beet?—A. Yes. I was not as well pleased with the beet root sugar industry as with the cane. The beet root is making decidedly higher profits.

Q. If they had not the beet, the cane people would have it all in their own hands, and it would have still been higher for the consumer?—A. I know nothing about that.

By Mr. Douglas:

Q. Beet root sugar sold at 15 cents a hundred less than the cane?—A. Yes, and earned more profit.

Q. Sugar was brought from Glasgow direct into Alberta and sold at less money than British Columbia sugar?—A. That could very well be. We get our rates from Cuba and thoses places in the east, Cuba principally. You in the west get your rates from the British Columbia sugar islands that they have in the Pacific.

By the Vice Chairman:

Q. Fiji?—A. Yes. The sugar situation in Cuba absolutely dominates eastern Canada, and we cannot bring in sugar. You cannot get it always from the other side. We buy it on this continent and it may very well be that there would have to be a temporary variation between English prices and Canadian rates. You can pick up your newspaper any day and find out whether you are being fleeced on sugar or not. That report will show you how to work it out from the daily newspapers. You add $1.40 for manufacturing expenses.

By Mr. Douglas:

Q. I do not say we are paying too much for sugar. The only point would be if there was any question of a working arrangement between one company and another? —A. I honestly believe there is not. The evidence seems to be against it.

The Vice Chairman: The freight rate on sugar is the lowest rate on any class of goods that we have in the West. It is the one article, perhaps, besides flour where there is a decided advantage to the consumer. That is an arbitrary rate fixed by the railway company, so that I do not know that you will get anything by pursuing that point. If we criticise this equalization system, we are liable to increase the rate.

By Mr. Davis:

Q. Did you ever study the system of doing business, to which some reference has been made. I know that with us in Manitoba practically all the butchering is done in Winnipeg. Freights are paid on the cattle in, and on the meat out That system of centralization is affecting cold storage. Did you ever have to make an investigation of that situation?—A. You mean truck gardens and that sort of thing in the outskirts of the cities, and abattoirs in small towns, whether they would not be better?

Q. Yes?—A. I had some sort of discussion about that sort of thing. I have never gone deeply enough into it to form an opinion as to which would be the cheaper. There is certainly a great loss under the present freight charges. I went into it in connection with the milk situation in Ottawa in a small way. One great big milk company practically dominates the milk situation here. To do them credit, they seem able to sell pretty cheaply as compared with the price of some others, but they have a very expensive premises here, and the milk comes in through four or five different avenues, being collected on the roads by automobiles and some by trains. It did seem to me that if there were three or four small receiving stations, and the milk was brought into the centre and distributed, it would be less expensive. I had that view, and expressed that view. Whether I was correct or not I do not know.

The Vice Chairman: Is there not a danger of us going into very interesting but wholly ineffective detail when pursuing some point to a finish? I think we have got a good deal of light, but I think we should try to keep to the object of our order of reference, namely, the spread. If we start trying to account for costs, we are going to have a very long and possibly an impracticable inquiry.

[Mr. W. F. O'Connor.]

Mr. Davis: If you bring your manufacturers here you will almost be certain to get back to that line. Cannot we get it in this way, get the wholesalers to come here and produce their invoices and show the cost of their doing business and their rates of profits, and then take up the retailers in the same way and make them produce their invoices.

The Vice Chairman: We have heard from Dr. McFall and Mr. O'Connor that there is a mass of information carefully compiled and infinitely better compiled than we can do it with the time we have. Should we not get that information before us as it relates to the articles in which we are particularly interested, the main articles of life, and from that information try to make certain deductions upon which we can base a recommendation to Parliament?

Mr. McCoig: There is one thing we should give a little thought to, and it was stated by the Minister of Finance yesterday; that is greater production. Should we not gather some information from the witnesses before us and get their opinions as to how we can produce more stuff in the country, or as to why we are falling down in the way of production. I have listened to Mr. O'Connor, and it seems to me that what he says goes back to what Sir Thomas White said yesterday, that the one big thing necessary, if we are going to reduce the cost of living, is greater production, the devising of ways and means of producing more foodstuffs. That is the essential thing, I believe. Take the question of eggs; does it not simply come back to the point that we have not eggs enough in this country to supply the demand? If we could devise some ways or means or inducements whereby we could have a greater production of eggs, it would be of great advantage. We hear a lot of people talking about it but perhaps we could get some of the men who have studied this matter to suggest means of encouraging production of food stuffs.

The Vice Chairman: We have Mr. Archibald here, and perhaps he could tell us something along that line.

By Mr. Davis:

Q. Before we leave Mr. O'Connor, he has given us some idea of the cost of food stuffs and coal. I would ask him: Have you had any occasion at all to look into the question of clothing or rents?—A. I started on a clothing section, I have already stated that. I was asked to postpone it; the Minister asked me to postpone it; I did postpone it and retired before anything was done. You can readily realize that in the space of time we had and considering the amount of ground to be covered, and what we did, we were working very hard, and it was physically impossible to get much further. In the last year or more that has elapsed, if I had been there, I would have reached a number of other averages. That does not seem to have been done.

The Vice Chairman: At any rate, they did not reach an effective point.

Mr. Hocken: Should we not concentrate on food?

The Vice Chairman: I think it would be a good idea. That is practically what we decided this morning to do, to clean up the food question first.

By Mr. Hocken:

Q. I gather from Mr. O'Connor that the packer has not got too large a profit?—A. He has not got too large a profit now, because the more he makes the more he loses.

By the Vice Chairman:

Q. You think that the Order in Council limiting his profit is effective?—A. Yes, but I do not see why it should not be applied to the millers as well.

Q. But it is effective?—A. It is exactly along the lines of what it ought to be.

[Mr. W. F. O'Connor.]

By Mr. Hocken:

Q. Have we not got this, that the price at which the packer is selling may be accepted as a pretty fair price?—A. He has no inducement now to charge an unfair price because he does not get the advantage of it; we get it.

Q. What we have to do is to find out why there is the enormous spread between what he is selling and what the consumer is paying.

The VICE CHAIRMAN: I think that is the thing we want to get first.

WITNESS: That is to start from him. I think it would be a fair thing to do, but it has been investigated very deeply.

Mr. HOCKEN: They are selling ham at 75 cents a pound.

By Mr. Sutherland:

Q. Take the question of boots and shoes. That is one that appeals to most people. There is a tremendous spread between the manufacturer and the retailer. Could we not bring the manufacturers and the retailers?—A. You would have to start at the hides.

Q. That would be going back further than we have time for?—A. In that case, you will never get it; he will simply throw it right over to you. He will show you his invoices, and you will learn nothing at all. You will ask him what his overheads are and he will tell you that. You know that it costs six per cent for money, and you will find that he is making a reasonable profit.

Q. You will find out why he is charging the retailer?—A. Yes, but if you find that out you will find nothing wrong. The cause is farther back, it is in the hide, and that brings you right back to the sideline of the packing industry again.

By Mr. McCoig:

Q. I would like to ask Mr. O'Connor in reference to the sugar fineries in this country that are now engaged exclusively in the producing of sugar from sugar cane that they import into the country, whether had not the beet sugar industry been in existence would not the cost of sugar to the consumer be probably double the present price?—A. Of course that is a question I can only guess at, but I think you are right that would be in consonance with all human experience. I admit that.

Q. The reason why I am asking that question is this that the sugar beet refineries say to the producer we will give you $10 per ton for the sugar beet, you can go into the sugar beet producing business, and produce as much as you like and we will give you that much a ton for it, if you deliver them at our station, so that the producers know they can sell their sugar beet on that basis and the manufacturers know that they can sell their sugar when it is produced on the same basis, in competition with the cane sugar.—A. They sell on a closed rate, although they do not admit it, they sell in the same way as the other producers.

Q. We have then evidence that as far as the sugar beet production is concerned the market is assured for the producer by the manufacturers paying on a $10 basis; we have the sugar put on the market for the benefit of the consumer in competition with the sugar from the cane which is imported into this country. It is necessary to assume that the Canadian manufacturers under those circumstances would have been able to get a little profit and the consumer would have the benefit of having competition between the cane sugar and the beet sugar. If the manufacturers of beet sugar can say to the producers of the sugar beet we will buy your beets at a certain price, we will market our sugar, you can depend upon that for your profit, why then cannot the pork packers of the country say to the farmers and producers of pork that we will pay you $10, $12 or $15 for your hogs all the year around, or for certain months, and we will sell our products accordingly and in that way do away with the gambling which is now causing a lot of hog raisers to go out of business.—A. You are now speaking in

[Mr. W. F. O'Connor.]

favour of supervised combines. I am in favour of supervised combines and of supervised prices, not fixed by the Government, but by such a Board as will distinguish between a bad combine and a good one I believe that such a system will be of advantage.

By the Vice Chairman:

Q. I think you ought to make this plain, before leaving it. The combine you are speaking of with approval is one under strict Government supervision and regulation.—A. That is not a very bad thing.

By Mr. McCoig:

Q. We are paying from 75 to 80 cents for ham, which is based upon the raw product that is being marketed at the present time. Then if the farmers and producers who go into hog raising, they have not any to sell now, but that is what they tell you, that there is a lot of money in it and they want you to go into the farming business, they want you to produce more stuff. There are lots of people who are willing to do that, but what you have to do if you want to induce them to actually take up the business is to show them that you are going to deal squarely with them. That is the reason the hog raisers of the country many of them have gone out of business. You take last November and December the report came that the European market was flooded with hog products, and that hog markets in Canada would not be of any good any more. The result was that down went the price of hogs just at the breeding season and instead of breeding their hogs the farmers marketed them because they said the whole hogmarket has gone out and the pork packers got the benefit of buying a lot of cheap hogs at that time for the product from which we are now paying 75 and 80 cents a pound. If we could regulate prices so that the dealers would be able to say to the hog raisers "If we give you a fixed price for your hogs when they are ready the same as the beet sugar manufacturers say to the sugar beet raisers, there would be a certainty about it and there would not be the gambling that is now going on. Then the fellow who goes into the hog raising business would be in the same position as I am when I go into raising so many acres of sugar beets, that would encourage production of pork if the pork packers were to say to the hog raisers and to the people of the country there is what we pay for the raw material for our hams and bacon and you will have a greater production. The Minister of Finance said yesterday that we had to bring about a greater production that is true and if such an arrangement as I have suggested were put into force then the people would have confidence and they would be able to sell their hogs after raising them?—A. There is one thing I want to say before being excused; it may seem to be somewhat remote from the subject before the committee, but I found in my investigations that it was a very serious matter, and that is that the Departmental Stores of the country are causing quite an evil influence upon the farming community by reason of the fact that they are preventing the establishment of small towns through the insufficiently populated portion of the province. The farmer does not want to locate except in proximity to the town and the towns are perishing because the people in the immediate vicinity are not supporting the local merchants. I know it is a very serious grievance especially in the west that the towns throughout that portion of the country are said to be dying out because of lack of local business.

By Mr. Davis:

Q. I think that applies also to the east?—A. To the west especially. But that is closely in line with the suggestion for more production. We hear it said on every hand that we must have more production and naturally the people who go on the land do not want to go except they can locate near centres; every farming community wants to be located near some business community and I think it would be of great advantage if we could infuse local patriotism into the people which would cause them to buy at home.

[Mr. W. F. O'Connor.]

By the Vice Chairman:

Q. You said you were going to submit some information to us regarding proposed action?—A. If I submit it to you in order in council shape it will be sufficient, because you may imagine it to be in bill shape.

Q. This, provides for the establishment of a court and I really think a sub-committee might be appointed to consider the subject under consideration and save the committee as a whole the trouble of giving their consideration to it.—A. I am going to ask the committee to allow me to read. I found by chance among my papers, just one page of one report of which I have not the other pages, but I want to read it just to give you some idea of what is suggested.

> "In a proper case a prosecution would be inevitable. If the proposed legislation is acceptable, I would further recommend an amendment to the Criminal Code restraining a prosecution under the combines section unless with the authority of the Board. I can hardly be accused by anybody of being personally inclined towards 'big business' or that sort of thing. I reach my present conclusions only by reversing some previously held. I know that the facts and principles which I have just set forth will need some explaining in some quarters, but I believe them to be right and that the normal man, even though a consumer, as I am, is likely, upon reflection, to agree.
>
> The proposed Combines Act provides a very comprehensive definition of a combine and then restricts the application of the word 'combine' as used in the Act, to what I have herein colloqually termed 'bad' combines. The Board investigates and judges of each case on its merits. It can proceed of its own motion or hear a complaint raised by any person. It can order cessation of particular obnoxious practices, and, as well, make general pronouncements as to business methods affecting the technically defined matter of a 'Combine.' Its orders will be serious matters. Disobedience will constitute indictable crime. Its declarations will amount to no more than pronouncements as to the Board's views regarding particular circumstances, coming incidentally under its notice, the Board's ideas as to what fair dealing under such circumstances would seem to have demanded or to demand. They will constitute material out of which, in time, may be made by those upon whom the responsibility, if any, therefor, will rest,—the commercial classes—a written or unwritten code of commercial ethics. They would serve, too, as measures of the necessity for further legislative action. When the Board decides that a case is one meet for prosecution it sends it to the proper attorney general with a recommendation for prosecution. The provinces must assume their share of responsibility. No prosecution can be instituted for a breach of any order of the Board without the sanction of the Board. If the Board considers that a particular practice is that of a combine it can in a proper case allow time for amendment. Recalcitrancy entails a new penalty day by day. The 'customs' and 'Trade Mark' sections of the old Combines Investigations Act are preserved.
>
> The second part of the Act consists of Order in Council No. 2777 of November 10, 1916, less the combine section. All combines provisions appear in Part I. The Board takes the place of the Minister."

Then I hand over the cost of living regulations and investigation machinery to this court. The other pages are missing, but it gives you the trend of the legislation.

The VICE CHAIRMAN: Shall this proposal of Mr. O'Connor's be given any further consideration by a sub-committee?

WITNESS: I have a number of copies but it has not been proof-read.

The VICE CHAIRMAN: We will get copies.

WITNESS: With regard to my acting as counsel, one reason why I think it is not well to act as counsel is that I confess that I do not know how to get at what you want by question and answer.

Witness discharged.

Mr. E. S. ARCHIBALD called, sworn and examined.

By the Chairman:

Q. Give your name and position to the Committee?—A. E. S. Archibald, Director of Experimental Farm.

Q. I think the Committee would prefer to proceed largely by the process of questions and so on, but you might perhaps outline to the Committee briefly just what the experimntal farms under your supervision do in the way of keeping records of costs of production of such articles as milk, butter, cheese and eggs. I think perhaps that is as far as we wish to go this afternoon, and if there is in your estimation any statement in your possession, or in the possession of the Government whereby this can be ascertained in different localities, let us have it?—A. During the past seven years I have acted as the Dominion Animal Husbandman, in which capacity I have nothing whatever to do with poultry, that being left to Mr. Elford, the Dominion Poultry Husbandman, but only recently I have been raised to the directorship, and I have not had an opportunity of going over his cost figures to such an extent that I feel like giving any evidence thereon. You could get from Mr. Elford the record of costs as regards produce, of beef, including veal, mutton and pork. We have been collecting a very large amount of information for the last twenty years. The duty of the experimental farms in all their branches had been to increase or assist in increasing production, and also lowering the cost of production. That has been the ultimate aim of all phases of the experimental farm work, whether devoted to plant, animal breeding of even a very indirect nature, and of feeding and general management; in fact all phases of our work point towards greater production and greater equality of production and increased production. As an example of what we are trying to do on the experimental farm in the animal husbandry, five years ago, dating January 1st, we had on the experimental farm system a thousand animals, not including poultry. At the present time or rather January 1st, 1919, we had about 5,000 animals. Our percentage of breeding animals is very much greater now than it was then. We used to buy a large number of feeders, just to be used for special feeding experiments. Now we are breeding more pure feeders, buying a fewer number each year. Our lines of work are breeding, feeding, general care and management and housing. In breeding we have been trying to improve the ordinary common animals as we find them on too many farms in Canada. In feeding we have been trying to ascertain the best methods of feeding with any well known feeds as found on our markets or commonly grown on our farms; also trying to utilize to a large extent by-products which have been wasted either in Canada or other countries, but which can be produced at a reasonable figure and used to supplement higher priced popular by-products, or feeds commonly used by our farms. In housing we have attempted to show Canadian farmers what sanitary buildings are, without all the extravagances so commonly found in the barns of our more wealthy farmers or our agriculturists. We have certainly demonstrated, as I can give you figures later on, if you desire, that the cheaper the building, providing you get the few necessary elements in the building, namely sanitation, light and ventilation, the more sanitary they are, the more profitable, and the more satisfactory in every way. We have, even during the past six years, advocated the elimination of any expensive building, excepting for

[Mr. E. S. Archibald.]

dairy cattle, and using nothing but cheap sheds either for keeping meat animals, or for maintaining breeding stock. We have done so very successfully, and our practices are being quite largely adopted by provincial governments and in turn by farmers. But as to care and management, all phases of this work are attempted in an experimental and, to a certain extent, in a demonstrational way. That includes machinery such as milking machines, with which we have been working for the last seven or eight years, and probably through the influence of our experiments, which have been rather exhaustive, the milking machine has been commonly advocated, supported by us, and commonly introduced in all parts of the dairy sections in Canada, and I feel sure these milking machines are a real influence in increasing production during the last few years, when hand labour has been so scarce.

By Mr. McCoig:

Q. You find that this milking machine is working perfectly satisfactorily?—A. No machine working under an animal particularly on a delicate organism like a cow's udder is perfect in itself. Everything depends on the operator, but we have machines which, with reasonable care, are quite satisfactory, almost as good as the best hand milkers, and hand milkers are exceedingly scarce.

Q. What is the average price of these milking machines?—A. They vary considerably, but for a complete outfit, they range from four hundred dollars to six hundred dollars.

By Mr. Hocken:

Q. How many cows would that take up?—A. That would be for the average farmer with a herd of cows in constant milk, ranging from fourteen to twenty cows. The cost of the various makes differs considerably, but generally speaking, the cost of a machine would be less than the annual wages of a man.

By Mr. McCoig:

Q. The cost is almost above what the average farmer can afford?—A. It would be unwise for a farmer with only half a dozen cows to put in one, because the saving in labour would be eaten up in the extra care and washing.

Q. The difficulty is in getting a man or woman to milk?—A. I do not see that point. If a farmer has only ten cows or less, he or his wife, or both can do the milking without any great trouble. If they have over twelve cows, the chances are they would have a hired man on the farm, and in that case the hired man can be purchased in the form of a mechanical milker.

By the Chairman:

Q. In British Columbia these milking machines are used extensively, and I think are very successful?—A. Yes, we were one of the first to put in a machine in British Columbia. I just mention the milking machine as an illustration of the type of work we are attempting.

Mr. McCoig: It is a very important matter. If you could get them down in price they might be more extensively used than they are. That is what you hear from every farmer. When you ask them why they are not producing more or milking more, they reply that it is because they cannot get the help. It all comes back to the question of what encouragement there should be for greater production.

By the Chairman:

Q. Your experience over a period of seven years, is that they are a satisfactory method?—A. Yes.

Q. But at present they are not usually profitable unless the farmer keeps a number of cows?—A. At least twelve cows. During last year, it paid the farmer who had twelve cows milking practically the year round to instal the milking machine. At present it would pay with fifteen cows, and in normal times, with twenty cows.

[Mr. E. S. Archibald.]

Q. Do you think anything would be gained by having your experience devoted to trying to get the milking machine so that it could be used by the farmer with a smaller herd, and more cheaply?—A. There are two points in that connection. One is the cost of the machine. There is no question that a mechanical milker should not cost as much as it does, although the compaines, to my knowledge are not making enormous profits. It is a new thing, and consequently the service charges are large. The service is the most costly feature in the handling of the milking machine.

Mr. McCoig: A point worth bearing in mind is whether it would be advisable for the Government to give some encouragement to farmers who would keep ten, twelve or fifteen cows in the way of supplying such machines at first cost. That is a suggestion that might be used later on, whether they could be supplied at a price which would induce the farmer to use them.

Mr. Nesbitt: As a matter of fact, they do not bring down the cost of living.

Mr. McCoig: They would; a man would raise more cows.

Mr. Nesbitt: He believes in them, but I know a great many people who do not believe in them.

By Mr. Devlin:

Q. Is there not a theory that the machine affects the cow after a certain time?—A. As a theory, that exists.

Q. As a matter of practice, according to your experience, is there any foundation whatever for that theory?—A. Yes, providing the man does not take care of the machine and the cow. I might quote Peter McArthur. He says that some farmers cannot run a wheel-barrow without getting it out of order. That remark certainly applies to the milking machine. The personal element enters into it.

By Mr. Reid (Mackenzie):

Q. With the milking machine, you have to finish by hand?—A. We do it as a matter of precaution. If by chance one quarter, or all quarters, are slightly congested, which is apt to happen, or there is a bruise, something which is not evidenced in the external appearance of the udder, one would discover it by hand stripping when it would not be discovered by the machine.

Q. In the meantime the milk has been dumped into the barn?—A. You may lose part of the milk possibly; the milk is bloody. It always pays, of course, to take one stream of each milk from each quarter of the udder just to see that the udder is reasonably normal. If the machine is put on, you have a reasonable guarantee that the udder is reasonably sound, but the latter part of the milk might be affected. You would not discover that by the machine; by hand stripping you would. It is true you would have some milk spoiled. Without hand stripping you would have a garget.

Q. While the machine is milking the cows, the men are watching the machines? I would just as soon have the men.—A. One man supervises three machines. Our work is experimental. On our branch farms our machine's work is more demonstrative. Here, we are watching the machines to see that they are in order. We keep in close touch with the actual quality of milk produced, and it is so, one man is watching three machines. If they are single machines he is doing three men's work; if they are double machines, he is doing six men's work.

Q. And another man is following him, doing the stripping?—A. Yes.

By Mr. Hocken:

Q. What is the proportionate amount of labour involved in milking 8 cows by hand and 15 cows by machine?—A. It is quite possible for a person to milk 15 cows by the machine, one person, while an equally good hand milker, would be milking 8 cows by hand.

[Mr. E. S. Archibald.]

Q. Then supposing a person has 15 cows, a farmer is on the land, himself and his wife, that man could milk 15 cows with a machine?—A. That is just the point, the difference would be more than that because many a dairy farmer has to keep one extra hand for hand milking, that is not required anywhere else on the farm, he is almost a supernumerary.

By Mr. Sutherland:

Q. Then you think it is an advantage to have a machine for milking cows?—A. The greater the number of cows the greater the need for a mechanical milker.

By Mr. Hocken:

Q. If a larger proportion of the farmers would keep 15 cows and use a milking machine the amount of labour would not be any greater than keeping half the number and milking them by hand and the production would be twice as great?—A. Other things being equal it would. We have been trying for 20 years to encourage the farmers to develop upon that line.

Q. Upon the point of enlarging the herd?—A. Providing that they have the right class of cows. There are many dairy farmers who would be much better off with two-thirds of their cows in the shambles.

Q. They are boarders?—A. Yes, boarders. We have attempted to encourage the production in every way, by demonstrating the advantage of better bedding, by demonstrating the advantages of better feeding, with the development of greater production of butter fat and also that there should be more sanitary buildings.

Q. By means of bulletins?—A. By means of bulletins, personal talks, where possible. You will realize of course that our stock is comparatively limited, and there are 800,000 farmers in Canada. But through our publications and by every possible means at our disposal we have attempted to encourage farmers to keep better stock, to keep more animals, provided they are profitable, and to utilize labour-saving machinery so that their margin of profits may be greater. Until the last 2 or 3 years there was absolutely no encouragement to farmers and the best profit a good farmer now can make is only a small margin.

By Mr. Devlin:

Q. Assuming that the machine is perfect and is properly taken care of, and that it is operated by an expert do you say that in your opinion the cow will be as sound after a short time as it would be had the ordinary system of milking by hand been followed?—A. We have at Central Experimental Farm cows that have been milked for 7 years by the mechanical milked, which has produced last year under commercial conditions, that is two feedings a day, no special record work, and two milkings a day, in some cases under less than commercial conditions, for they were often used in experiments in feeding and sudden changes in feeding are, you know, not beneficial to production. Under those conditions with perfectly sound udders, at the present time they are completing records of from 8,000 to 10,000 pounds per year with $4\frac{1}{2}$ per cent of butter fat and up to 15,000 pounds testing in the vicinity of $3\frac{1}{2}$ pounds of butter fat. That is their last year's record, that being the seventh year of the milking machine work.

By Mr. Douglas:

Q. Are these machines made in Canada?—A. There are possibly two milking machines made in Canada, but all are assembled in Canada. We have tried nine different mechines and are perhaps adding one or two more as we see the need.

Q. I understand they cost from $400 to $600 for a machine; is that for electric current?—A. Gasolene.

[Mr. E. S. Archibald.]

By Mr. Nesbitt:

Q. Have you ever figured out the cost of the machine per hundred pounds?—A. Yes, the labour in connection with the milking of course may in some cases be the determining factor whether or not that farmer can increase production or stay in the business. As a rule the first essential thing is the cow. There are really 6 determining factors as to the profits. Now one of the great factors in animal husbandry is the man. You may have two men on adjoining farms, each with land practically the same, with cattle of practically the same breeding and one man will make a fair margin of profit and the other will go bankrupt. You find a certain variation of that everywhere. We go into farming communities and find the man and we find the determining factor as to profits. One man raises an average of five pigs per litter and the other raises an average of practically none; the one is an expert in handling and the other is careless and ignorant. The next determining factor is the breeding of the animals themselves. We have in our farms cows; for example we have cows that produced as high as 24,000 pounds of milk a year and others have only produced 4,000 pounds. Breeding is the great essential as far as the animals themselves are concerned, then comes the rearing and the proper care and the management of them. Disease is the next important point in the margin of profits. Hog cholera comes into a certain district where swine are popular and prevails there, killing off the herds on half the farms and the other farmers engaged in that industry take cold feet and quit. Abortion of an infectious nature comes into a certain range or area, as it has done, and driven some ranchers out of business, and more particularly in our eastern divisions infectious abortions have caused thousands of herds to die and be cleaned out in Canada and the United States during the last ten or twelve years.

The risk of disease is governed by the intelligence and the care of the man. The personal element, the man's ability to forestall any such trouble is a very important item as to loss or profit. Conditions with regard to the questions of feed and labour have been so variable in the last few years that I do not blame the farmers in hesitating whether they will breed their cows or turn them over to the butcher. May I say that no price fixing of pork to the farmers as a single item would be justified or would be allowed by the farmers. It is impossible. Feeds that could be purchased four years ago at an average price of eighteen dollars have gone up.

By Mr. McCoig.

Q. The proposition of fixing prices would not be figured on a four or five year basis, but would be figured on a basis from year to year?—A. In the meantime the farmer has to take the risks on feeds which vary from week to week.

Q. By the time the product is ready to be put on the market, the price may be changed and the farmer gets it both ways?—A. I think I can give you figures to show that there is so small a margin between the cost of feeds and the finished products that the farmer sells, that unless he knew exactly what feeds were going to be, he could not consider any price-fixing.

By Mr. Reid:

Q. The farmer sometimes has his feed from the previous crop?—A. But it has its market value. The farmer must take the market prices.

By the Chairman:

Q. Last year the United States Government fixed the price of hogs. What is the result of that?—A. They have already fixed the price of feed.

Q. They had fixed the price of feed before?

By Mr. McCoig:

Q. If a man is contracting for his hogs in the beginning of the year, he is not selling that year's crop of grain. He has already got the feed he is going to feed those hogs in his possession?—A. He is growing it. He is growing his grain.

[Mr. E. S. Archibald.]

Mr. NESBITT: Supposing he had that grain on hand, and the corn or barley, or whatever it was, went up in price, he has to charge the price he could get for his grain against his pigs.

Mr. McCOIG: That is not the point.

(discussion)

By Mr. Sutherland:

Q. Would you not have to fix the price of everything that had a bearing on it in order to get at it?—A. Yes, labour, feed and implements.

By Mr. Reid:

Q. I understand that in 1917 you bought two carloads of steers in Winnipeg on the market, and stall-fed them there. Could you give us any information in regard to the cost?—A. We made about 364 dollars and some cents on the whole transaction, allowing interest on the investment, and allowing $1.10 for the manure and charging what little labour we used in feed and grain for them.

By Mr. Nesbitt:

Q. What was the initial expense?—A. In the vicinity of $5,000.

Q. And you made $364?—A. Yes. I have allowed six per cent interest. This year we did the same thing. We put in three carloads.

By Mr. Douglas:

Q. You mean you made that money over and above the interest charge of six per cent?—A. Yes.

By Mr. Stevens:

Q. How long did it take you to fatten them?—A. About 118 days.

By Mr. McCoig:

Q. What figure did you buy at?—A. Ruling prices, I forget.

Q. Did you make an advance on the price laid down on your farm? If you bought at ten cents and sold at fourteen cents, you would be making an advance on the original purchase. Did you make an advance on the original purchase?—A. A very slight one. We had to sell, unfortunately, on the early spring market, owing to the fact that we had very cheap sheds and houses, and had no solid bottom. We had no hard floor and the animals got so that we had to sell or we were losing weight. The same thing occurred this year, although we made about eight hundred dollars profit on the three small cars this year.

By Mr. Stevens:

Q. What was the original investment this year?—A. Between seven and eight thousand dollars.

Q. And you made eight hundred dollars profit after allowing six per cent interest?—A. Yes.

By Mr. McCoig:

Q. What month did you buy in?—A. October.

By Mr. Stevens:

Q. How many cattle in a car?—A. Twenty, ranged in number from eighteen to twenty.

By Mr. Reid:

Q. Did you allow a dollar a ton for manure?—A. Yes. It was worth more than that.

[Mr. E. S. Archibald.]

Q. How much manure did you have, roughly speaking?—A. 246 or 247 tons.
Q. That you bought?—A. That we made.

By Mr. Nesbitt:

Q. And you credited them with the manure?—A. Yes. As a commercial fertilizer that manure we had was worth between six and seven dollars a ton.

By Mr. Devlin:

Q. In your initial cost do you charge up anything for the buildings?—A. The buildings cost us $416 to house the two cars and a half. We had one half car in a tight barn for an experiment.

By Mr. Nesbitt:

Q. You charge the interest on the steer investment, but not on the plant?—A. No.

By Mr. McCoig:

Q. What month did you sell them in?—A. We had to sell early again this year. We sold the first day of April. If we had held another month we would have made another cent.

By Mr. Sutherland:

Q. You bought on a rising market?—A. Bought on the highest fall market. There was a slump last year about the first of November. We lost nearly a cent by buying early, which was rather unusual. We sold on a rising market.

Q. You made on an average about 14 cents per head?—A. In that vicinity.

Q. And if it had turned out that you had to sell for a less amount per pound you would have possibly had quite a loss?—A. We could easily have lost two thousand dollars.

Q. You have conducted experiments along that line from year to year, how does it compare? One year would hardly illustrate the difference? (No answer.)

By Mr. Reid (McKenzie):

Q. Figure on paying eight per cent for your money, as the farmer would have to pay in the west, how does it figure?—A. We still would have had good profit this year.

Q. Do you allow anything for insurance?—A. No, we do not allow anything for risk. We just took interest on our investment.

By Mr. Sutherland:

Q. I notice that you conducted very careful experiments for a number of years on a certain number of things, and made a statement of feeding? What has been your experience with regard to feeding at a profit?—A. With a very exceptional year, there is a good labour income, and usually a good profit over labour. I have not received the reports from all the farms yet, but on some farms we made a profit over and above feed as high as forty dollars a cow.

Q. This is hardly a year to take an average. It would not be a fair year to make comparisons?—A. You need nearly a three-cent margin to make a profit. In normal times a cent and a half will leave a profit. The farmer must take his own risk. I cannot give you the average of twenty years work on the Central Farm, but I could get the information.

Q. The experiments you have conducted there would demonstrate the point that we have asked you about as to the profits on the feeding cattle during the winter months and as to dairying. You must produce so much before they can be kept at a profit, and you know what the average production throughout Canada is. You can fairly accurately judge of the profits of the every-day farmer in Canada on dairy stock?—A. Yes.

Q. Could you submit your experience along that line to the Committee?—A. I think I could give you the figures.

Mr. STEVENS: He has tables here covering those figures.

By Mr. Sutherland.

Q. Of feeding cattle for a number of years?—A. Not covering a number of years, no.

Q. And hogs the same way?—A. I think the figures I have here of hogs and dairy cattle are quite representative of a range of years.

By the Chairman:

Q. It might be well to get this question on the record. In connection with the dairying, we will confine it to milk for the present, have you any records to show that the average dairy herd of the farmer in Canada produces a sufficient quantity of milk to make it a paying proposition?—A. No. We have no figures covering a sufficient number of farms to show what is a fair average.

Q. Have you made any investigation that would give us any information?—A. Only in so far as our work is concerned. For example, on the nine different farms during the past five or eight years we have carried on grading experiments to demonstrate the value of a good pure bred bull in building up the herd of the average farmer. We selected what we considered fairly representative cows. In some cases they were pretty poor; in other cases they were pretty good. We have these figures, and we have some figures on the production of the herds from which we sorted these cows. But nothing we can show is authentic. The nearest approach to figures covering townships or counties would be the figures from Guelph. The provincial Governments have long thought of making an agricultural survey. It is really a provincial matter. Mr. Leach, the Assistant Professor of Animal Husbandry at Guelph has completed two or three township surveys in Ontario, and has figures which are quite representative for these townships. It is peculiar how closely they check with our more thorough figures got from our own farms.

Q. What is the general result?—A. Generally speaking, the farmer whose herd of cows produces less than five thousand pounds of milk per cow in the year, even though he is in a cheese factory district, is making no profit, merely a bare living. If he were in a factory district it would leave him a small margin, but very few cheese factories are paying on the desk, and there are very few herds.

The CHAIRMAN: The advantage of a discussion along this line is to ascertain whether it can be shown, generally speaking, that the farmer is producing milk at a loss and as to how we are going to overcome that, whether by improving the herd on basic princples, demonstrated over a great many years at our experimental farms. It appears to me that something along that line is necessary at the earliest moment.

By Mr. Hocken:

Q. I have a question; perhaps Mr. Archibald may not be able to answer it. It is this: What should it cost on a well regulated farm to produce one hundred pounds of milk?—A. Here are figures that will perhaps answer that question. On the Central Experimental Farm during the year ending March, 31, 1919 we had in the vicinity of 69 or 70 cows completing their lactation period. We calculated on these, not on the cows that did not complete their lactation. On that basis, allowing eleven per cent for interest and depreciation on the cow, which is fair; allowing eight per cent on the value of the buildings per cow at present building prices; if we were to meet the city requirements in the shape of buildings it would cost at least $210 or $215 per cow to put up the barn. If we take it for just factory requirements, you can do it, even at present building prices for in the vicinity of $65 to $70. In order to meet city requirements, city standards, it would cost in the vicinity of at least $200 per cow. Allowing eight per cent on that, and taking the feed—that is for a herd of cows—and taking meal at

[Mr. E. S. Archibald.]

$55 a ton, it comes to just about $119.98 per cow. Labour per cow is $58. It is true that we pay a little more than the average farmer, but we use as much labour saving machinery as possible, and try to save as much as possible. Our total labour in the barn was $8,533, a part of which was for special experimental work, and for keeping the barns clean for such visitors as your honourable gentlemen. I am figuring on commercial labour as nearly as possible. Labour per cow, $58; interest and depreciation on the cow herds, $22; annual interest and depreciation on buildings, $8; losses per cow, $4; making a total of $214.88. On the credit side there are $8,065 pounds of milk at $3 per hundred weight. We did not receive quite $3. We sold our milk largely as butter or cream cheese. We would have made more money by selling to the city at ruling prices. That gives a total of $241.95. Twelve tons of manure at $2 per ton, $24, making a total credit of $265.95, leaving a credit balance of $54 per cow. This milk costs about $2.75 per hundred weight. I valued it at $3.

By Mr. Nesbitt:

Q. That is a high valuation for the ordinary section of the country?—A. There are two items, the first your buildings. I have charged on buildings to suit the city requirements, and I have valued the milk between the city value and the milk value at the cheese factory, so you cannot consider that.

Mr. Hocken:

Q. Supposing that you turned it into butter.

By Mr. Nesbitt:

Q. Turn it into butter at 60 cents a pound, just figure it out for fun and see how it comes out.—A. If you figure out 100 pounds of milk testing 3.8, practically four and a half pounds of butter at 60 cents a pound, makes $2.70 you are realising on your milk.

Q. What did the milk cost you?—A. $2.70. I am just quoting it at cost on that statement.

By Mr. Hocken:

Q. If you sold butter at 60 cents a pound the year around?—A. Your are just breaking even.

By Mr. Davidson:

Q. But you would not go to the city for milk to use just for producing butter?—A. Yes, I should have eliminated $5 interest on the buildings.

By Mr. Hocken:

Q. But if he sells at 60 cents a pound?—A. He just breaks even.

Q. You say it costs 60 cents a pound to produce butter without profit?—A. Yes.

By Mr. Douglas:

Q. But take the ordinary farmer in the Province of Ontario what does it cost him? —A. Some farmers it would cost nearly $1 a pound.

By Mr. Nesbitt:

Q. Mr. Archibald is figuring on the cow giving 8,000 pounds of milk?—A. And there are many cows which produce a little less than 4,000.

Q. Yes, but just take off 2,000 and with feed and everything else just the same where do you come out.

By Mr. Sutherland:

Q. Is not $2.70 per hundred far above the average throughout the country? I have here the report of the Salford Cheese factory, one of the first cheese factories in Canada, which has been operating for 27 years, and the secretary of that company says that during this year the highest price per hundred pounds was 97 cents per hundred.—A. That is not saying that the farmer is not producing it at a loss.

Q. I am not taking these figures, but this is a representative cheese factory throughout the country.—A. I said a few moments ago that the price I quoted was taken as the average between the cheese factory price and the price of milk sold in the city. The farmers realized $3.50 during the winter in Ottawa and they are now taking $2.80 I think it is.

By Mr. McCoig:

Q. Supposing one of this farmer's cows were allowed to raise her calves would he not make more money by selling the calf than by selling the milk?—A. Not with an 8,000-pound cow.

Q. Well, you can put two calves on her?—A. If you are raising them for the special baby beef trade, yes.

Q. Just for the information of the Committee, that is what they do in many sections, that is the reason there are a less number of milking cows because some cows are carrying two cows and some one, and the farmers are selling the calves.—A. They have to feed the cow the year around and they may put another calf on that one cow.

By Mr. Douglas:

Q. Does it not seem from your investigations that butter cannot be produced in Canada at less than 60 cents a pound?—A. No, there are many elements which go to regulate the price of butter, the breeding of the cows, of feed, and the cost of labour, and several similar items.

Q. But you are taking the high grade cow?—A. That was the average production of 70 cows.

By Mr. Davidson:

Q. You have cows producing as high as 24,000 pounds of milk during the year?—A. We have cows producing as high as 17,000 and 18,000 pounds. We had a herd of Holstein cows that produced 10,400 pounds of milk, there were 18 in the herd and we had a herd of ten Ayrshires that produced 6,500 pounds. We have several other herds in the barns, but these figures will show you the range. We have some cows which we are using in this breeding experiment, to demonstrate the value of a pure-bred bull. The profits are limited to the production. We had a cow on this farm for some 7 years, her best production in the year was 8,100 pounds of milk, her two-year old daughter some three years ago produced 10,400 pounds of milk as a two-year old, and you can figure that the two-year-old will produce not more than 75 per cent of her production at maturity. Her third daughter will produce 14,000 pounds; I mention that to show the advantage of free good breeding, but it takes a long time to produce results.

By Mr. McCoig:

Q. What is a cow like that worth?—A. A good grade cow at the present time is worth $200.

By Mr. Davidson:

Q. When you raise a cow with a reasonable degree of certainty can you tell by the breeding of the cow the cost of your production?—A. Among grades no, among pure-breds with reasonable certainty.

By Mr. Douglas:

Q. I would like to get your opinion as to whether or not any farmer in the Dominion of Canada with an ordinary herd could raise butter at 40 cents a pound?—A. Not at the present prices for feed and labour.

[Mr. E. S. Archibald.]

Q. Could he do it anywhere?—A. No. You can perhaps at a certain period of the year, if you are figuring on summer dairying, when foods are exceptionally cheap.

By Mr. Nesbitt:

Q. And only charge for summer feed?—A. Yes.

By Mr. Davidson:

Q. What would be the price for milk which would produce a profit in Canada, provided the milk was sold by the milkmen?—A. That varies enormously. Mr. O'Connor started to state regarding prices and he was stopped. The Ottawa City Dairy is one of the largest dairies in Canada, certainly the largest in the city. There are one or two other very good concerns as well. That company handles its milk on a lower margin than any other dairy company in Canada so far as I know. I have not authentic figures on that.

Q. How do they handle it?—A. About a three and a quarter cent margin, and that is pasteurized milk.

By Mr. Devlin:

Q. They have a monopoly?—A. No, they have no monopoly.

Q. Do they not buy the milk from all the farmers?—A. No, there is a farmers' concern in town running very closely to them.

By Mr. Stevens:

Q. What is their margin?—A. Three and a quarter or three and three quarters, and, the other concern considerably less than that. I think they are selling at a loss.

By Mr. Nesbitt:

Q. In that statement of the 70 cows, did you take the progeny into consideration? —A. Yes.

Q. What price?—A. A good dairy heifer twenty dollars, a pure-bred varying from fifty to one hundred and fifty dollars.

By Hon. Mr. Fielding:

Q. You are dealing in general figures. The prevailing impression is that the farmers are making more than their fair share of money. The popular idea is that the farmer is making too much. Would you make a statement as to whether or not the farmer, in the broad sense of the word, is getting more than a fair price for his product? Perhaps it is too general a question. That is the popular notion, and we ought to be able to do something to disabuse peoples' mind.—A. So far as our best figures are concerned, covering twenty farms on which we have had the cattle, and also as far as Professor Leitch's figures are concerned, you can say safely that it takes a good farmer to make a thousand to twelve hundred dollars labour income a year, and only valuing his investment at five per cent.

Q. Having regard to the present prices, what he gives and what he has to pay? —A. Yes.

Q. He is making a bare living and nothing more.—A. A small wage.

By Mr. Sutherland:

Q. Hardly a labourer's wage?—A. Not a labourer's wage. He must take a heavy risk of disease and loss, and a dairy farmer must work two eight-hour days in one, and his family must help him work as well.

By Mr. Stevens:

Q. That family labour would be added to his labour?—A. That is the labour income of the farm.

[Mr. E. S. Archibald.]

By Mr. Sutherland:

Q. Has that been helped out any by putting the clock ahead an hour?—A. Ask him.

By Mr. Stevens:

Q. But there is a very good answer to your question. I think we should take particular note of that. I do not think you quite caught the significance of it. He says that is the labour income of the farm and the family. That is his wife and children will help him a good deal.—A. That is paying, for any labour he hires, but that is the labour of himself—and children.

Q. The labour income of the man, wife and children?—A. Yes.

By Mr. Sutherland:

Q. On a sixteen-hour day?—A. I quite realize, gentlemen, that there are lots of exceptions.

Q. You are striking an average?—A. Yes, as far as our figures and those of Professor Leitch are concerned.

By Mr. McCoig:

Q. And it would have quite an effect, what market he would have—if he was lucky enough to strike a good market?—A. Quite so. If he had a good dairy market, it would make a difference. If he is working on pure-bred cattle he can increase that income two or three or four thousand dollars on his own initiative or intelligence. One young man in Ontario has probably jumped into a small fortune, because of his perseverance he has made some world's records. Those are the flying chances in agriculture.

Q. You are speaking of the man of ordinary means, who has to pay interest on his mortgage and buy his machinery, and has not the capital to carry his stock over when he could carry it over to a better market?—A. And in addition to that, has not the initiative to step into a better breeding stock, because that is the secret of the low average of the farmers' income—poor stock.

By Mr. Douglas:

Q. You are speaking of the ordinary farmer?—A. Yes.

Q. Not the stock or dairy farmer?—A. I am speaking of the average farmer who produces milk. The bulk of milk produced in Canada is produced by mixed farmers, and only in the vicinity of cities, and where special conditions exist as to housing and milking and the ultimate use of the milk can you speak of a man as being a dairyman. That man devotes all his energies to produce as pure milk as possible. He is a specialist who is in the vast minority.

By Mr. Nesbitt:

Q. You are not considering him?—A. No. If a farmer deals in high-class cows his income would be increased.

By Mr. McCoig:

Q. If he has the capital to do it?—A. Yes.

Q. Have you any figures as to what he can earn?—A. No. You can divert those figures I have given you, take the ruling prices, as compared with the cheese factory prices, and take his investment with the average investment of a farmer, and you can see the man situated near a city has a much better chance to make profits.

By Mr. Douglas:

Q. The ruling price of cheese is around 31 cents. Is the man selilng his milk to a cheese factory making more money than selling to a dairy concern?

[Mr. E. S. Archibald.]

Mr. NESBITT: At what price?

Mr. DOUGLAS: I do not know what the cheese factory pays.

Mr. NESBITT: Cheese at 31 cents pays better than selling milk at three dollars a hundred.

By Mr. Douglas:

Q. Does the farmer at the high price of cheese to-day get a corresponding price for his milk?—A. I cannot say relatively that he is getting as much, but I think so. You will not get 11 pounds of cheese for a hundred pounds of milk. It takes a good cheeseman to make 9 pounds of cheese from a hundred pounds of milk. That would be $2.79. You must take all the cost of handling out of that, the same as with butter, and you must value the by-products.

Q. What rate was the man buying at when cheese was twelve cents a pound?

Mr. NESBITT: The price of bran was very much less then and cows were sold for less.

By Mr. Douglas:

Q. Do you see any solution to the problem of getting milk products down cheaper?—A. Yes.

Q. Improvement of stock?—A. Yes, improvement of the stock, more stock per farm, providing they are good.

By Mr. Nesbitt:

Q. And more production on the farm?—A. Consequently more movement on the farm, which would be necessary in order to maintain the farms. About 50 per cent of our farms in Eastern Canada, as far as I can judge, are understocked. About 50 per cent are carrying about half of the stock they should carry. The only way in which they could carry more stock would be to have more labour.

Mr. NESBITT: There again you go into the labour question, and to carry more stock and make more production, you have got to have more labour.

By Mr. Reid:

Q. Is the class of bulls in the Province of Ontario a pure-bred class?—A. As a rule, no. The majority of bulls used in Ontario, as far as I know, and so far as anyone knows to my knowledge, are not pure-bred.

Q. Do you not think something should be done to encourage the breeding of pure-bred steers?—A. Yes. I think possibly some of you are acquainted with the campaign that is on in several of the United States, one in Wisconsin for example, where there is a united effort on the part of the pure-bred cattle breeders, the local Department of Agriculture, and the State Department of Agriculture, holding meetings and doing everything they can. They are not bonusing but they are encouraging in every way, and they are getting the support of the farmer, appealing to his pride as well as to his pocket-book, putting up a campaign to eliminate the scrub sires. That is the non-pure-bred and the undesirable breeds of cattle; in several counties they have practically eliminated the scrub sires, and in others they have a promise that the scrub sire will be eliminated after this season.

By Hon. Mr. Fielding:

Q. Any other method than wholesale advice?—A. And a hearty co-operation between the farmers and the breeding association themselves, not so much advice as an appeal to them on a straight business basis. You know the difficulty that has been met and also the success which has attended the ProvincialStallion Enrolment Act. That has not compulsorily eliminated all the grades as yet, and in fact you know in Alberta there had to be a special repeal of the Act this year by the Honourable Dun-

[Mr. E. S. Archibald.]

can Marshall in order to allow a sufficient number of pure-bred mares to be bred. There were not sufficient to go round. But it seems to me that should be the very last step, and that if a real campaign by the federal and provincial departments, and the breeding associations, agricultural societies and institutes were started all over Canada I think the scrub steer would disappear, but if it did not, there would be plenty of time to legislate the bull or ram or stallion out of existence.

By Mr. Sutherland:

Q. As a result of the campaign, has that not taken place very rapidly?—A. Very gradually.

By Hon. Mr. Fielding:

Q. I am told there is legislation on that subject in Nova Scotia?—A. Is there? I did not know that it had come into effect?

By Mr. Devlin:

Q. In the Province of Quebec, is that co-operation being carried out now to quite an extent?—A. Very small compared with the needs of the country. We do co-operate as much as we can. A real campaign on the sire question has not been really undertaken.

By Mr. Davidson:

Q. You have spoken of the advantage of a pure-bred sire with regard to dairy products; what would you say about beef?—A. So far as beef is concerned, it is very important. Our actual products of the bull are exported in beef, and our trade is in proportion to the quality of that stock. Our stock is wretched, as you know, considerably lower than that of other meat-raising countries. That is, our beef as it goes on the British market or the United States market.

Q. Is that because of poor breeding?—A. Yes, poor quality of the sires used. Whereas our dairy products rank the highest, or nearly the highest, due to better methods of grading—

By Mr. Davis:

Q. What would you say about dual purpose sires?—A. I would say very little. There is a place in the back country districts for them, but generally it pays the farmer to concentrate on the one or the other.

By Mr. McCoig:

Q. So far as beef cattle are concerned, the beef man knows the advantage of having a first class sire, but the dairyman wants to get the milk, and sometimes will have the scrubs, and that is where the trouble comes in?—A. You cannot get any figures to substantiate that. It does apply to the vicinity of cities.

By the Chairman:

Q. Listening to your various answers, it would seem that the farmers throughout Canada generally are making a very small labour earning?—A. The dairy farmer.

Q. The farmer generally?—A. The average farmer, yes.

Q. We are speaking of the average farmer, and the cost of production of dairy products is very close to the market price, and in some cases they are being produced at a loss. But there is no undue profit to the farmer, I understand?—A. No.

Q. And the remedy you see, and practically the only remedy, is the improvement of stock through better breeding, both as regards dairy products and beef?—A. Yes.

By Mr. McCoig:

Q. And more of them?—A. Decidedly more of them.

By the Chairman:

Q. You would recommend an energetic campaign for the improvement of stock and the increase of production?—A. Yes.

Q. One point I overlooked, there is not a sufficient number of animals per farmer?—A. Taking Eastern Canada as a whole, that applies.

By Hon. Mr. Fielding:

Q. Do you include in that statement wheat farming in the West, or are you leaving that out?—A. I am speaking of the general farmer.

By the Chairman:

Q. What is known as mixed farming?—A. Yes.

By Mr. Nicholson:

Q. Have you any figures with regard to the relative number of producing cows of farmers in Eastern Canada now and five years ago?—A. I have not these figures at hand; I would be only guessing. They are obtainable.

By the Chairman:

Q. There is an increase?—A. A slight increase. Dr. Ruddick, the Dairy Commissioner, could give you the figures at a moment's notice.

By Mr. Nicholson:

Q. Assuming that the farmer hires his labour—you will know something about this—where the farmer has to go out into the open market for hired labour to assist him in his production, can you give us any relative figure as to the cost to the farmer to-day as against pre-war times, four or five years ago?—A. No, I have no figures. It seems to me a matter largely of calculation. Labour is about 60 per cent higher to farmers than it was four years ago.

By Mr. Reid (Mackenzie):

Q. And it is about forty per cent inferior?—A. About forty per cent inferior.

By Mr. Nicholson:

Q. Can you get farm labour at no greater increases than 60 per cent?—A. In many cases you cannot get farm labour now; four years ago you could.

Q. I am assuming you can get it. Would you say that the average prevailing wage to-day for farm labour is not greater than 60 per cent?—A. To my knowledge that is about correct. I say that because I know that the prevailing rate of wage for what would be looked upon for the ordinary labouring man is at least 100 per cent greater than it was before the war.

By Mr. Sutherland:

Q. Can it be true that the average farmer to-day can pay the current rate of wages?—A. That is the basis I was working on.

Witness retired and the Committee adjourned.

SATURDAY, June 7, 1919.

The Special Committee appointed for the purpose of inquiring into prices charged throughout Canada for foodstuffs and other necessaries of living met at 11 a.m., the Chairman, Mr. G. B. Nicholson (Algoma), presiding.

Members present: Messieurs. Davidson, Davis, Douglas (Strathcona), Hocken, Reid (Mackenzie), Sinclair (Queens, P.E.I.), and Stevens.

The CHAIRMAN: We will have Mr. Wright now.

Mr. STEVENS: Before taking his testimony I have a communication here on which I desire to base a motion. This telegram states that an Australian liner has come to Vancouver with cold storage space vacant although paid for by the wholesale meat concern. Based on that, I wish to move that the Clerk be instructed to wire the Mayor of Vancouver that this Committee has been advised that an Australian liner arrived in Vancouver recently with cold storage space vacant, thus preventing Australian meat or other products being sent forward. I am informed that this is a common practice, and therefore it is desirable that all the facts in the case should be obtained.

The motion, being put, carried.

Mr. A. A. Wright called, sworn, and examined.

By the Chairman:

Q. Now, Mr. Wright, what this Committee is anxious to learn is the cost of producing butter, the price at which you sell to the retailer, if you sell to the retailer, or the price at which you sell it to the consumer if you sell it direct in order that we may lay a basis on which we may ultimately determine the spread between what it costs to produce and what it ultimately costs the consumer. You are President and Manager of the Renfrew Creamery?—A. Yes.

Q. And in that capacity you have personal knowledge of everything in connection with the operation of the creamery, the cost of manufacture of the product?—A. Yes.

Q. Now, would you tell the Committee what it is costing to produce butter at your creamery to-day, and what it has cost during the past six months?—A. 4 cents a pound.

Q. It costs 4 cents a pound for the work of making butter out of cream?—A. I will tell you so you will understand. We take in cream from the farmers. We manufacture it into butter. We charge the farmer 4 cents a pound for making that cream into butter. We sell that butter. We put it into packages. We furnish the package, the salt, and everything necessary to make that cream into butter and place it on the train and we receive for that 4 cents a pound.

Q. Viewed from that basis, your creamery is in the nature of a co-operative instead of an independent institution?—A. Yes.

Q. You simply are manufacturing the butter for the farmers?—A. Yes, and selling it for them.

Q. And manufacturing butter, putting it in packages suitable for shipment, and shipping it?—A. Yes, at 4 cents a pound.

Q. Who gets that?—A. The creamery.

Q. Is that the total revenue?—A. No, we have buttermilk as a by-product.

[Mr. A. A. Wright.]

By Mr. Mackie:

Q. You make collections also?—A. All there are. We sell butter on current sale.

By Mr. Douglas:

Q. All for 4 cents a pound?—A. Yes.

By Mr. Stevens:

Q. Who gets the profit on the butter after being made?—A. The farmer.

Q. That is separate from the creamery?—A. Yes. John Smith brings in a can of cream to-day. We take a sample of his cream, and we test it, and we find from that the number of pounds of butter fat that he has sent to the creamery. Then John Jones comes in with a can of cream. We do the same thing with him. We do that with every one of our five hundred customers. Now, that forms a basis that we have one thousand pounds of butter fat coming in during the month. Smith sent ten pounds of that. We take all the produce of the butter that we have sold from that month's make. Deducting from that our cost of making, and dividing that up proportionately among everyone of the customers according to the amount of butter fat that he has sent. I think we are the only creamery of the Dominion of Canada that does it in that way.

By Mr. Douglas:

Q. Are any of your patrons members of the creamery company?—A. Yes, a few of them.

Q. It is co-operative? The farmers are stockholders?—A. I think we have no more than thirty patrons who have shares in it.

By Mr. Stevens:

Q. That is incidental rather than characteristic of the organization?—A. Merely incidental, yes.

By Mr. Sinclair:

Q. When you deduct the cost of making from the net returns, is that cost of making set by contract between the creamery company and the patrons?—A. Yes.

Q. What is the difference between the cost to the company and 4 cents a pound?—A. I can't do it this year. I don't think we will make anything this year. We had no dividends last year at 4 cents a pound revenue. Although I say we had no dividends we made some money, but we had to put it all into the creamery to get it in proper shape.

By Mr. Stevens:

Q. You used your surplus for capital improvement?—A. Yes.

By Mr. Sinclair:

Q. How much surplus was that?—A. About $1,000 last year.

By Mr. Davis:

Q. That would be over wages and cost of operation?—A. We made a little over one-quarter of a million pounds of butter.

By Mr. Stevens:

Q. How much receipts from the sale of that?—A. I haven't that with me.

By the Chairman:

Q. Could you give us a reasonable approximation to the average price at which your creamery has sold butter this year, beginning with the 1st of January?—A. We paid in January our patrons 62 cents for butter fat, and in February 60 cents.

[Mr. A. A. Wright.]

By Mr. Douglas:

Q. These are the highest months in the year?—A. Oh, yes.

By the Chairman:

Q. March?—A. 60 cents.

Q. April?—A. 60 cents.

Q. May?—A. I cannot tell you for May what it will be yet as the butter has not all been sold, but I think in the neighbourhood of 58 cents.

Q. Then it is this way, 62 cents in January, 60 cents in February, 60 cents in March and 60 cents in April. How much would you sell the butter at?—A. We did not sell the butter for the same price at all. For example, to-day our price for butter in prints is 55 cents wholesale. Now, that is to people in our own town in Renfrew. They retail that butter at 60 cents. They have thus a little less than 10 per cent for selling that butter. They should have 5½ cents to make it 10 per cent. The retailers have to come to the creamery and get that butter themselves. Then he has to take it to his store and deal it out by pound lots, and deliver that all over the town everywhere, and then run the risk of his loss so that as far as any margin of profit for him is concerned, it is very small. Your common sense would tell you that.

By Mr. Douglas:

Q. What is the proportion of butter contained in a pound of butter fat? You say that you paid 65 cents in January for a pound of butter fat? How much about would that produce?—A. In 100 that would make 110.

Q. A 10 per cent margin?—A. Yes.

Q. On that rate, after you paid in April 60 cents a pound, and selling butter at 55 cents you are not making any money at all.—A. That is what we did in January. In January we sold for more than 55 cents.

Q. What did you sell it for in April?—A. We sold it for 67 and 66 cents a pound. We did not always sell it for the same price. For example, take the matter as it is to-day. I am now selling our butter for 55 cents a pound wholesale. We sell it to individuals who come there if they get anything under twenty pounds at the retail rate, over twenty pounds we call that wholesale delivery. People coming for a retail order give us 60 cents a pound for the same butter we sell the wholesale dealers at 55 cents. Then the balance we sell, forwarding wherever we can get the most for it. But I can tell you now that we are not selling any butter just now at all.

Q. How do you account for that?—A. The dealers will not buy it.

By Mr. Stevens:

Q. What are they handling?—A. They are handling from mouth to mouth, chiefly from the farmers and small factories. You understand that when a dealer buys from us our butter in a large quantity he buys that butter to store. Prices are very high. They are frightened to buy that butter now and pay the ruling prices because if they put the butter in cold storage, and keep it until next winter, the question is whether they will lose or make. They take it for granted that at these high prices, the probabilities are they will lose.

Q. Have you much surplus butter?—A. Three weeks' make. That would be about 60,000 pounds.

Q. And still accumulating?—A. Yes.

By Mr. Douglas:

Q. The farmer does not know how much he will derive from the butter? You charge 4 cents irrespective of what he gets?—A. Yes. He does not know until the sale is made.

[Mr. A. A. Wright.]

Q. The market for your output consists of the local market and the markets in Ottawa, Montreal or any other place you can sell your butter, and you find difficulty in marketing at the present time owing to market conditions.

By Mr. Sinclair:

Q. You sell for cash, of course?—A. We have to give thirty days to the dealers.

Q. Not to the retailer?—A. No. Cash to the retailer.

Q. Why charge the consumer 5 cents more when he comes for the butter than you do the retailer?—A. We do that to protect the retailer in the town who is delivering what we sell. The consumer will not give us 60 cents and carry the butter home when they can pay that to the grocer, and he will carry it home for them.

Q. If you sold it for 55 cents to the consumer would the grocer do that?—A. The retailer would not buy from us in such a case. We would be boycotted.

By Mr. Hocken:

Q. What does it cost the farmer to produce a pound of butter fat?—A. There are no two alike. One farmer is an intelligent, bright man. He has the very best cows. He keeps them properly, and they give him a fine deal of milk. He has cows that are intensive milkers, that will give him milk for ten months in the year. He keeps them well in the winter time, and they come out in the summer in fine condition. A good farmer with seven cows will give us more butter fat than a poor farmer with fourteen cows. Easily. And with more profit to himself. A great deal depends upon the man, but I must tell you that farmers are being educated up to this to a wonderful extent now.

By Mr. Stevens:

Q. There is an improvement?—A. Oh yes. You may be astonished when I tell you that the greatest factor that there is in improving the farmer in this direction is the rural mail delivery. (Hear, hear).

Q. That is fine. We are glad to know it.

By Mr. Reid:

Q. How do you account for it?—A. I will give you one illustration. Colin MacGregor on the second line of Horton township when the rural mail delivery was started was taking as his newspapers the Renfrew*Mercury,* the Montreal *Weekly Witness* and the *Northern Messenger,* which comes once a month. Mr. MacGregor to-day gets a daily from Ottawa. It comes in in the morning, every morning. It gets out to him at 10 o'clock. The farmer has two hours at noon to read his papers. He gets three other dailies in addition to that. He takes three of his own farm papers and magazines. Four at least are coming to his wife. Now, there is no man that is going to be as thoroughly educated as the farmer of this country who lives on a rural route. Nor there are no women who will be so well educated as the farmers' wives. There may be more learned men, but there will not be any man as well educated as the farmer. The women have time in the evening after they get their children to bed to read these papers, and they do it. They do not come to the House of Commons, and sit in the gallery as your women do in Ottawa, and look down at the members until ten and eleven in the morning. They are not educating themselves. Women in the country are. They have their women's institutes now to which they go, and they are well versed in everything that goes on in the country. Consequently, the farmers and farmers' wives are being the best educated in the Dominion of Canada to-day. That is why the farmer to-day is being thoroughly educated in his calling and doing better work than ever before. Let me give you another example. A Polish man came into the creamery the other day. He is an illiterate man and can barely read English. He bought seven cows for which he gave $800 in order that he might send more cream to the creamery. He is one of the best men we have. He takes his two English papers, treating on

[Mr. A. A. Wright.]

nothing but agriculture and he reads them thoroughly. He gets his daily paper every day and reads it. He has two hours at noon to do it. Any farmer who is an intelligent, bright man takes one of the daily papers. These papers have editorials written by the very best men in the country, treating all the best subjects. You can see it would be impossible for him to read them thoroughly day after day without being well educated. You cannot walk in the rain without getting wet.

By Mr. Hocken:

Q. What does this intensive reading of the daily papers do to Colin MacGregor's milk supply? How does it affect that?—A. He has more cows, better cows, and treats them better. He sees all manner of illustrations as to how he is to do it.

By Mr. Douglas:

Q. How many cows does he keep?—A. I think he has just nine.

Q. Do you think he makes money out of those cows?—A. Well, sir, if the farmers cannot make money out of cows now, as the Church of England people say, "Good Lord deliver them".

By Mr. Reid:

Q. You say that farmers by reading editorials of the best daily papers become educated. Do you mean along political lines?—A. Oh, no. Take one of our best daily papers. Take the Montreal *Star*, which comes to our place. You understand the papers know where the new field is and they send men all through the country districts to take their papers.

Q. Is it not a fact that editorials deal with political matters?—A. They certainly do, but they deal with a vast number of other matters as well. They have editors who can treat every conceivable subject and treat it in a masterly manner.

Q. More young people are going away from the farms than ten or fifteen years ago. Is that not the case?—A. It is.

Q. Do you think this education is helping to get the young people away from the farm?—A. Well, it may have that tendency. May I tell you this. I wanted a young man to learn the ice cream making business, a bright young man who had had at least two years in the collegiate institute. I advertised for that man. I wanted a boy eighteen years of age. I got a large number of applications for the position by bright, intelligent boys. Out of the whole number there was only one that had even as much as passed his entrance examination. That is a state of affairs that is deplorable, isn't it? Perhaps that would not be the case everywhere.

By Mr. Stevens:

Q. Were these town boys?—A. Yes.

Q. How many from the country?—A. I do not think more than six. Most of them were from the town. You must understand there is a reason for that. For the last four years our town has been the head centre for the manufacture of all manner of war materials, and lads of fifteen or sixteen years of age were getting three, four, and five dollars a day.

Q. And they left school and did this?—A. I am under the impression that that is why I got such a terrible disappointment. They left school and went to work.

By Mr. Sinclair:

Q. To get at the facts of the profits in butter, can Mr. Wright tell us what it cost his company to manufacture butter out of cream sent to him?—A. This year I am under the impression that it will take 3½c. a pound. It will actually cost us that to make it. The price of labour is so high.

[Mr. A. A. Wright.]

Q. How much was it last year when you balanced your book?—A. Last year we made $1,000, and we sold 250,000 pounds of butter.

By Mr. Douglas:

Q. The gross turnover of $1,000 on the operations of last year—was that after deducting the expenses, interest on the money, and investment?—A. That did not give anything for depreciation.

By Mr. Sinclair:

Q. You made a financial statement to your shareholders?—A. I haven't this year. I cannot tell you from memory.

Q. That would show the exact business of the company, and what it cost to manufacture the butter?—A. Yes.

By Mr. Reid:

Q. What do you mean by making $1,000? Over and above all expenses—A. I did not set aside anything for depreciation, nor anything for interest on investment. That represented our gross profits.

Q. Did you take a dividend for the stockholders out of the $1,000?—A. We had no dividend.

By Davidson: Q. What was the highest price at which butter sold at retail in your town last year?—A. I cannot tell you that, but it is selling now for more than last year.

By Mr. Douglas:

Q. The highest price you charged the retail merchant last year, you say January would be the highest month. You say that you gave 65 cents for butter fat in January. Would you charge 70 cents a pound for butter then?—A. I do not think it went higher than 65 cents at any time. It is much higher this year than last year.

Q. January this year?—A. Yes.

Q. 65 cents was the highest you charged your purchasers?—A. We sold as high as 72 cents this year to the consumer.

Q. Your general trend of trade showed 65 cents as the highest price?—A. About that.

Q. If we take 5 cents per pound as the increase, which is the usual custom, the retailer would get 70 cents?—A. Yes.

By the Chairman:

Q. You sold large quantities to large packers such as the William Davies people and the Mathews-Blackwell people?—A. Yes.

Q. Did you sell butter to these people at the same price as you sell to the Renfrew retailers?—A. No, we have cold storage cars going on Wednesdays to Ottawa and Montreal. On Tuesday I 'phone to parties such as Morins Limited, the Davies Company, The Mathews-Blackwell and those dealers in town. There is also Gunns, Langlois. He has an agent in our town. They all tell us what they can afford to give us for our butter, and have us ship it on Wednesday on the cold storage car. They make me an offer.

By Mr. Stevens:

Q. Are they all the same price?—A. No, they vary, and we sell for the highest we can. We want to sell every Wednesday so as to have nothing but fresh butter on hand. We don't store butter. The last three weeks we got no offer. They told us they were not in the market. They could not afford these prices.

By Mr. Hocken:

Q. What will you do with the butter?—A. I do not know.

Q. Won't you have to put it on the market?—A. Yes.

By the Chairman:

Q. You sell to any reputable dealer who wants to buy?—A. Yes.

Q. You do not restrict the output to any large purchaser? If the man is reputable, and willing to pay money, you are willing to sell, and you sell at the market price?—A. Yes.

By Mr. Douglas:

Q. But none for the last three weeks?—A. No. The market price is 55 cents to-day but they won't buy at that. The sales at Montreal are around 53, 54 and 55 cents. These prices are "Delivered on Cars". These are sold delivered at outside places like the Eastern Townships. One factory has so many packages and will offer them for so much. What they buy from us is f.o.b. Renfrew.

Q. Will the price of butter reduce?—A. I wish I knew. The indications are that butter will not be much lower. We have word from Switzerland that butter is worth $1.50 a pound, if they can get it. They are delighted to pay $1.50 a pound when they can get it. They cannot get it. The difficulty is to get shipping to take it over. I understand that our Government is supplying certain Governments in Great Britain and on the continent with money to enable them to purchase butter and cheese here, and then they will have money to pay us for it as soon as there is transportation for the butter.

Q. That affects the export market, but as far as the people of Canada are concerned, they entirely depend on the export price as to what they will pay?—A. Yes. That is what the dealers in Montreal base their offers to us on.

By Mr. Stevens:

Q. Do you think the big dealers, the cold storage companies, are holding off the market at the present time to force prices down, and then in a week or two to jump in and buy, and hold the butter for higher prices coming on later in the season?—A. I do not know that it is altogether to force us down, but I think they are afraid to buy at these prices, even with the price offered in Switzerland, owing to the lack of shipping.

By Mr. Douglas:

Q. Where are the merchants of Canada getting their butter?—A. They buy as little as they can buy. A man who you would think should buy twenty or thirty boxes will buy three or four and buy them every week. Everybody is doing the same thing. They are frightened at these prices.

By Mr. Stevens:

Q. If you have a surplus, why not reduce prices and put it on the market?—A. I cannot get anybody to make an offer at all. I was in a dealer's office here in Ottawa for half an hour this morning to see if he would make me an offer. He said to me, "Mr. Wright Pas à present".

By Mr. Reid:

Q. The highest bid which you got for butter from the cold storage plants since the first of January this year, what was it?—A. You see it is only just in the month of May that we commence to offer the cold storage people. Fifty-four and one-half cents is the highest offer we have had from them. That was three weeks ago. I sent all I had, cleaned out everything at that price, and since that I have not had a dealer make us an offer at all. That was three weeks ago.

By Mr. Douglas:

Q. What is the effect on the farmers who are the producers? Are they alarmed? —A. They do not feel very good over it, but what they say is, "these are awful prices."

[Mr. A. A. Wright.]

Q. Are they still making money? Is that Polish man making money?—A. He got seven cows because the prices were so enormously high. He is making money. There is no farmer that is not making money.

Mr. DOUGLAS: Even the Ontario farmer.

By Mr. Davis:

Q. According to your statement 50½ cents a pound is what the patrons would get for their butter. How much would that be for one hundred pounds of milk? Does the farmer get a 3.8 average of butter fat?—A. We do not buy milk. We buy cream. I do not know what their milk would be.

Q. Mr. Archibald said that when milk sold at $2.70 a 100 pounds, a 3.8 cream content would give about 60 cents as the cost of butter. I was trying to find on that basis what 50½ cents to the farmer for his butter would show him getting for his milk.

By Mr. Hocken:

Q. Can you tell us what milk is sold for by the 100 pounds?—A. When I have to buy milk for ice cream I give 10 cents a quart.

Q. How much is that per 100 pounds?—A. A gallon of milk weighs 10 pounds. That would be 10 gallons to the 100 pounds.

By Mr. Douglas:

Q. You pay a high price?—A. Fairly high. We bought 32 gallons yesterday.

By Mr. Reid:

Q. What is the highest offer for butter which you got in 1918 from the cold storage people?—A. I cannot tell you that.

Mr. Mackie (Renfrew):

Q. If you kept storing your produce, and could make no sale, and the best offer you could get was 40 cents, would you have to consult the farmers before making a sale?—A. No, it is entirely in my own hands. They take it for granted, and justly. There are many competitors and the man who can give the most for butter fat will get the cream from the farmers. We have T. Eaton & Co. competing with us and the Belleville Creamery, and two or three firms in Ottawa, and every two weeks they let the farmers know what they pay, and you have to pay as much or you don't get it.

Q. Do any of your farmers ship cream to Ottawa?—A. They did, but not now.

By Mr. Reid:

Q. Do you think you got a higher offer for your butter last year than you are getting this?—A. Yes. I think about 5 cents a pound less.

Q. Then you got about 49 cents—A. Yes, all of that, if not more.

By Mr. Davidson:

Q. Who would you say was receiving the benefit of the very high price of butter at the present time? The farmer?—A. The farmer, yes.

By Mr. Stevens:

Q. Do you think he is getting an undue profit?—A. Well, I don't think he is getting an undue profit, but he is getting a good round profit.

Q. If it were thought advisable to fix the price of butter fat or cream or anything of that character, do you think the farmer would be injured very much?—A. He would be injured to the amount you lowered it.

Q. Would it reduce him to the point where he was producing at a loss?—A. It depends on what you take off him.

[Mr. A. A. Wright.]

By the Chairman:

Q. Providing the price of butter fat was fixed on the basis of 10 cents a pound lower than to-day, would it have a possible effect in reducing the ultimate supplies?—A. Oh, yes.

By Mr. Douglas:

Q. You said that the T. Eaton Co. was one of your competitors. It does not affect your creamery, I suppose? The farmer brings in the cream. You charge 4 cents, and he has to depend on your returns. He does not know what he is getting until the end of the month when you make the monthly returns. You say that Eaton quotes a price on butter fat every two weeks?—A. He does not tell what he is going to get but what he will give them.

Q. What effect has that on the creamery? You don't pay for butter fat.—A. Certainly we do.

Q. I thought you took the cream in, manufactured it into butter, sold it, and gave him a return less 4 cents a pound for your work. You give a price on it?—A. He does not know when he sends to Eaton. When they send to Eaton they do not know anything about it. When they send to us they know they will get everything but what we charge to manufacture. When they send to Eaton or to the Ottawa Dairy Company, or to the Belleville Creamery, they get a statement from these parties telling them how much they are going to pay them for cream they sent during the two previous weeks.

Q. Does anybody buy cream in your neighbourhood at a fixed price?—A. No, they do not know what they can pay until they send their stock.

By the Chairman:

Q. There is nothing like manufacturing butter on a speculative basis? You do not go into the market and pay 50 or 60 cents a pound for butter fat, and take a chance whether you will get a return on the butter which will yield a profit? The farmer takes the ultimate chance, does he?—A. Yes.

By Mr. Douglas:

Q. There is no question of profiteering by the farmer then?—A. No.

By Mr. Davis:

Q. I presume that the farmer delivers milk to your creamery?—A. Just the cream.

Q. You don't collect it. He brings it to you?—A. Yes, I know. There are certain ones drive it in. A large amount comes in by train. For instance, last night we got nineteen cans off the Kingston-Pembroke railroad.

By Mr. Stevens:

Q. It is delivered to you in Renfrew. You don't collect it yourself?—A. No. We have two rigs to do it from the trains that is all. We manage the whole thing for the farmers because we can do it better than they can.

Q. Did your company make anything last year?—A. No, nor the year before, and the year before that we lost $1,000.

Q. Why operate if you get nothing?—A. I am the largest stockholder myself.

Q. Do you get any salary?—A. Not a cent. I was always a large stockholder but three years ago it went to the wall and I got the controlling interest in it myself and since that I have been putting it on its feet. I am trying to pull it out by better business methods, and I am getting it there. Last year we made $1,000.

By Mr. Mackie:

Q. This butter that you sold to cold storage companies, have you ever found it on the market, and were you surprised at the spread in the price?—A. Perhaps you would

[Mr. A. A. Wright.]

like to know this. We are making 50,000 pounds of butter this month. In January we made 1,000 pounds. That 60,000 pounds of butter is fresh butter, not salted. It has very little salt in it. That has got to be kept in the very best cold storage in order that it may be kept in good shape. They buy it at this season of the year when the price is supposed to be the least,—this year is an exception—and they hold it over until winter when the creameries stop making, and they put it on the market at whatever the market will afford.

By the Chairman:

Q. Here is the vital point. Have you in your experience found that the spread between what the cold storage man was paying you in June for your butter and what he disposes of it for to the retailer in January, is very great?—A. In some seasons it is large, and in some seasons it is not.

Q. What would be the average?—A. I do not think that they would make more than 3 or 4 cents a pound after keeping it all that time.

Mr. Reid: I followed out these questions from what he told us that the highest price received for 1918 was 48 or 49 cents. That was for last year. We know for a fact that butter was retailing here in Ottawa last spring in the month of March for about 75 cents a pound.

The Chairman: In order to determine the spread there it would be necessary to determine where that butter came from. Butter obtained in March, we would have to know if it was butter which went into cold storage in June last year at 48 or 49 cents a pound or butter produced in January.

By Mr. Davidson:

Q. Does the cold storage butter sell as well as fresh butter?—A. No, not quite so good, but if there is not anything else you have to take it.

By Mr. Douglas:

Q. That butter does not keep as well?—A. No. It does not deteriorate much. It shrinks a little, not much. It shrinks a couple of pounds on a 56-pound package.

Mr. Stevens: That is a good shrinkage, about 4 per cent.

By Mr. Mackie:

Q. If you sold the grade of cream which you received for making butter, what would you charge?—A. I would not sell it at all. We do not do that business.

Q. What is the cream worth in your own town?—A. It all depends on the percentage of butter fat in it.

Mr. Hocken: If you get more cream than you needed any morning what would the dealers get for it?—A. If we sold cream we would charge 60 cents a quart for it, the price being based on the butter fat content.

By Mr. Douglas:

Q. The sum of your evidence would be that so far as your patrons are concerned they are not having any undue profit because they depend entirely on the outside market for their profit. There is no combination between you and your patrons and the cold storage people?—A. No, I don't think there is with any creamery.

Q. Other creameries may operate differently from you. They may buy it per pound direct.—A. No, they don't.

Q. They do in Alberta. They pay a certain price for the butter fat based on the price of the day. They are doing it on a straight speculative basis.—A. We don't. No creamery here does.

[Mr. A. A. Wright.]

By Mr. Davidson:

Q. What is the effect of the increased consumption of ice cream on the price of butter? Is that a factor?—A. I think it certainly will have that effect eventually. We are doing twice as much ice cream business this year and more than we did last year. The ice cream consumption is growing by leaps and bounds in every quarter of the country. It is being used as food.

By Mr. Douglas:

Q. An Order in Council was passed to forbid the use of ice cream for the period of war, was it not?—A. No, the butter fat content was limited, and the volume of sugar to be used. That is all. It was not so rich, but we could make it.

By Mr. Davidson:

Q. You think the quantity used for ice cream will grow. Then that would have a certain effect on the price of butter because it would reduce the volume of cream available for making it.

By Mr. Stevens:

Q. If you cut off the ice cream demand, the farmer would reduce his production, would he not?—A. It is slavish work taking care of cows, and it is only because there is money in it that any farmer would continue in the business. If you make conditions so that there is not much money in it, he will stop short.

By Mr. Douglas:

Q. Are there any milking machines used in your district?—A. Yes.

By Mr. Stevens:

Q. If there were more, would more farmers produce milk?—A. Perhaps so. They are coming into use more and more.

Q. Would an educational campaign help it along?—A. It might. I understand there is a new machine in the market better than anything that there has been so far.

By Mr. Reid:

Q. Is this milking machine used in Canada?—A. No, on the other side.

Q. What would be the duty?—A. I don't know. I think about 35 per cent.

Mr. R. H. Coats called, sworn and examined.

By the Chairman:

Q. Mr. Coats, you are statistician of the Department of Labour, are you not?—A. I am Dominion Statistician and am connected with the Dominion Bureau of Statistics.

Q. Can you give the committee information with regard to the quantity of butter stored in cold storage warehouses in Canada at any given date during the month of May this year?—A. Yes, we get a monthly return from every cold storage plant in Canada, showing in detail what they have in storage on a fixed date. We issue that every month.

Q. Could you give the committee these figures without preparing a statement? We would like information with regard to butter, poultry, tea, eggs, bacon, fresh meats, etc?—A. I think I had better give you a complete statement.

By Mr. Stevens:

Q. These monthly statements I think would be too voluminous. What we require is a summarized statement. You, as Statistician, would know what I require?—A. It is not a very lengthy list. I think it goes on a foolscap page every month. We run it off on the mimeograph, and send it to fifty or sixty of the largest newspapers.

Q. Could you summarize it for the last fiscal year?—A. That would be easy.

By the Chairman:

Q. We are particularly interested in getting statistics covering the months of January, February, March, April, and May of this year. We want a summarized statement of the year as well.

By Mr. Stevens:

Q. We want it to cover all dairy products, meats, and eggs.—A. I can give you that the first Monday.

Q. In studying these monthly statements for the periods you have been charged with getting them prepared, is it your impression that an undue amount of dairy produce and meats are held over from time to time by cold storage companies, I mean, withheld from the market?—A. Of course that all depends on what you mean by "undue."

Q. You have no method of investigating that fact by a competent man, have you? —A. Doctor McFall is the officer in our bureau in charge of looking after this. Our bureau is organized in ten or twelve divisions, one is the Internal Trade Division, and because of his work in that Division he was selected to do more intensive work as Cost of Living Commissioner. To decide whether an undue amount is kept in storage or not, we have to take into account the question of the relative amount. Some amounts look very large absolutely, but when you come to consider them in relation to the day to day consumption demands they are not very large. My general impression is that on most occasions with the few exceptions, there is never any more in cold storage than would feed people in that particular locality for a short period.

Q. Let me put it to Mr. Coats this way: There is a widespread feeling throughout the country that cold storage companies are hoarding and manipulating the market. The committee desires the truth in the matter. If there is any, we want to know it. If they are unjustly charged, I think it is our duty to dissipate that impression from the public mind. That does not affect prices, which is a different question.

The CHAIRMAN: The feeling is like this. A man will come to you and say that he has knowledge that there is 100,000,000 pounds of butter stored in a certain place and held there to corner the market. That gets the working men and the housewives excited, until they are in a state of mind as a result of it, which makes it necessary for the Government to get at the exact truth of the matter. If it is true, we want to get the men who are doing it. If not true, we want to get after it all the same.

WITNESS: You would need an investigation of the particular circumstances at a particular time. Cold storage has worked out in the cheapening of commodities in many cases. Take halibut, for instance. At one time when other fish was cheap it was an expensive fish in Toronto and Ottawa and other inland points because of the cost of carriage before there were cold storage refrigerator cars. The vast resources of the Pacific could not be tapped by the East but the moment refrigerator service was introduced halibut halved in price. When other fish sold ten to fifteen years ago at 10 or 12 cents a pound halibut was sold at 25 or 30 cents a pound, but when the Pacific supply was rendered exploitable the halibut immediately tumbled in price until it was one of the cheapest instead of one of the dearest of fishes.

By the Chairman:

Q. If we can get figures from you, the most recent figures you have of records of available stocks in cold storage warehouses, I think the committee might devise a means of checking that to see if there are any false returns sent in, and also have information of the available supply, and it should not be then a difficult matter to

[Mr. R. H. Coats.]

determine whether the total available supply is out of proportion to the gross needs of the whole country?—A. If you get these figures you can look at them, and the figure looks large, it is simply a matter of referring it to the ordinary day to day consumption.

By Mr. Reid:

Q. Did you ever make an investigation to ascertain whether or not the reports submitted to you were correct with regard to the quantities in cold storage plants?—A. We never made an investigation on the spot. I am not sure that Dr. McFall has not. When doing this work last winter the returns were very vigorously checked.

By Mr. Douglas:

Q. He said that they had no system of checking until recently, but they are now checked?—A. The man who makes a return to us is under a statutory penalty if it is false. All returns from manufacturers, we make them certify to their accuracy on a special statement which has the effect under the Statistics Act of a sworn statement.

By Mr. Davis:

Q. I think one thing we should put before Mr. Coats is this. With relation to the cost of living, what investigations and what returns have his department made. It might give us a hint as to what he could lay before us in that way?—A. Do you mean prices?

By Mr. Stevens:

Q. What classification of prices in foodstuffs, clothing, and necessaries of life?

By Mr. Davis:

Q. And what returns that you think would be of use to us?—A. Our Internal Trade Division is doing all the statistical work for the Cost of Living Commissioner, and there is a great variety of materials being assembled there at the present moment.

Q. Do you get any annual returns of the quantities of food produced in all lines that would affect the cost of living? Do you follow that up and get the average prices?—A. Yes.

By the Chairman:

Q. The cost of production?—A. That is a tremendous problem. We cannot do that.

By Mr. Davis:

Q. Have you the wholesale and retail prices?—A. We have our bureau of prices as a section of the Internal Trade Division. That bureau of prices collects the producers' prices, and now we attempt to get from many thousands of farmers, and practically from every agricultural district in Canada, a statement of the amount the farmer gets on the average for his crops. We have a staff of eight thousand or nine thousand correspondents, and we ask them in the month of November information as to what the farmer is getting for the wheat he is marketing. He says so and so.

By Mr. Reid:

Q. Is that Dominion wide?—A. Yes, that is for the producers' prices. We get every week and every day the wholesale price.

By Mr. Stevens:

Q. Does that include dairy products?—A. Yes. Speaking about the producers' prices, take fish. We are using the fishery officers and inspectors of the Dominion departments as our correspondents. We get what the fisherman gets for his catch. What the product gets when it reaches the market, the prices the wholesalers give in the locality where the fisherman takes it, when it is manufactured further we get a

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good many prices from manufacturers. This is the case with many kinds of manufactured goods. For instance, we ask every dairy factory in Canada what they have sold. We get an annual return from that dairy factory, and we ask them for the prices at which they market their product.

By Mr. Hocken:

Q. Do you follow that chain to the cost to the consumer?--A. Yes. We look after the producer's end, the wholesalers' and jobbers' prices. We get seven hundred odd articles that we value wholesale prices at, and every big staple article in Canada is included. You can get a list of one hundred good staples. There are seven hundred and fifty articles on which we are now getting information. In the case of crops where fluctuations are very rapid, we get daily statements from Fort William and Toronto of wheat prices, Fort William and Toronto being the great wholesaling centres of the trade in wheat. And so on for a large number. For butter and cheese we get weekly prices from the wholesale centres.

By Mr. Stevens:

Q. Would it be possible to give this committee a statement showing the return received by the farmer on his milk in connection with butter and cheese, the price at the factory, the price wholesale, and the price we pay?—A. We could not give you the prices Mr. Wright pays back to the farmer. We know Mr. Wright's price, however.

Q. Could you not have your farmers say that they receive so much for their dairy produce?—A. Those correspondents give us information with regard only to crops; not to milk.

By the Chairman:

Q. If we get prices that the dairy sells butter for, we could trace that back from the dairy to the farmer.—A. We watch the import and export values for a sidelight on the wholesale prices. We get in another subdivision of the prices work the farmers' market on leading articles. I think there are twenty-seven farmers' markets. We get that from the daily papers, or where there is such a thing as an official record, which is very rare, we get the official record.

By Mr. Stevens:

Q. Do these indicate a cheapening of the cost of living?—A. Not recently.

Q. Are these market prices good value?—A. They are supposed to be. My wife tells me it pays to go to market sometimes, and sometimes it doesn't. Her opinion changes from month to month. It is a farmers' market, as in Byward market here.

Q. Doesn't the jobber and the dealer get most of it?—Yes there is room for great improvement in municipal markets in Canada. We have nothing like the extraordinarily well organized markets of Paris and Budapest.

Q. You have a great deal of spread between the producer and the consumer to cover the cost of handling and the profit for the middleman, the jobber, the wholesaler, and so forth?—A. It is a maxim that in times of rising prices the middleman reaps a golden harvest because he has opportunities then.

Q. We want the facts?—A. That is the fact. Presumably it is. If not, we have a race of angels, not men. It is in times of rising prices that the best opportunities occur for trade profits.

By Mr. Douglas:

Q. You heard Mr. Wright speaking of the butter situation at the Renfrew creamery. The fact remains that he has produced 60,000 pounds of butter during the last three weeks, which he cannot get an offer on. How can a condition like that come about?—A. He cannot get an offer at 55 cents a pound.

[Mr. R. H. Coats.]

Q. He says he can get no offer at all?—A. If it came under the hammer, he would get an offer. You can always get an offer of a kind.

Q. You think he is not looking for an offer?—A. I suppose Mr. Wright is trying to get the highest offer he can. Further, we also cover the prices of different types of service, such as telephone rates, freight rates, tax rates, water rates, electric light rates. They are a peculiar kind of prices. They are not prices of commodities in the ordinary sense, but the prices of services. They also get the prices of securities, stocks, and bonds, and these are covered very carefully. Stocks and bonds prices throw a great deal of light on the money market and on the credit situation which very often affects the commodity market. And then, in retail prices, we work with the Department of Labour. They have a staff of 55 or 60 correspondents, covering every locality with a population of 10,000 and over. They report monthly prices on 30 or 40 articles. We simultaneously get the prices on the same articles direct, which we use as a check on the Labour Department's figures. The Labour Department gets the prices in a practical way. Their job is settling strikes, seventy-five per cent of the strikes of the country turn on a matter of wages, and you have to consider that question in the light of the cost of living. You have to have the retail prices daily. We check their figures because their correspondents are usually labour representatives.

By Mr. Stevens:

Q. How do you find them check?—A. Pretty closely. In Vancouver they appointed a committee to check the Labour Department's prices. The Employers' Association is doing it. They raised the point that the Labour Department's figures were biased in favour of the working man.

By Mr. Hocken:

Q. Did you find that to be the case?—A. I don't think so. I think the Labour Department's figures are reliable. We have found them so. I have never heard of a case being established against them, outside of humanity's liability to error. I was in the work there. My experience of labour correspondents is that their mistakes were more apt to be the result of laziness and carelessness than anything else.

Q. That would not make it reliable?—A. If you get after the careless or lazy man it would make him do his work. They report on 25 or 30 articles. For a time they sent this report monthly. They do it weekly now because of the countless variations in prices. Every time that a report from a correspondent is received it is checked against his previous report, and he is required in the general instructions when a change occurred from one month to another to give some explanation of the change. That was merely a device for insuring that he knew what he was about. When he sends any figure different from the previous month and gave no explanation for the change, we should send it back and say, "we notice you have changed the figures. Are you sure that the change is correct?" That would lead him to confirm the figure and state the reason why the change had occurred. It might be the case of butter, and he would tell why it was going up or down. If he left it unchanged for three times consecutively we would ask him why that figure was left unchanged. By a system of that kind you would have them on the job.

By Mr. Douglas:

Q. In connection with labour statistics with regard to the necessaries of living, the statement is made that the present scale shows an advance of 64½ per cent, and the Retail Merchants' Association claim that they have a system of collection of statistics of that character, and their figures show only 37½ per cent increase.—A. I have not seen their figures.

Q. It is collected by some bureau to which the Retail Merchants' Association have access on payment of a considerable annual fee. They claim that the work is

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done more carefully than it is done by the Labour Department. They may have more expert people collecting evidence. For example, in finding the percentage increase of the cost of meat they went very carefully into collecting prices on different kinds of meat.—A. Price statistics are very difficult to handle. It is rather difficult to state an exact retail price on paper. You can drop around to various grocery stores in Ottawa, and you will find four or five prices for butter, 62 cents, 63 cents, perhaps 61 cents. What is the price of butter then? What is the price of anything? What is the price of wheat at Fort William to-day? The best you can do even with the price of wheat is to give the price of high and low that is bid, the price at which sales occur and strike an average. Even then that may be misleading. A million bushels might be sold at the high price, and only one hundred bushels at the low price. The sale of a million bushels is relatively important, and you get into a perfect mass of minutiae if you try to get it down as fine as that. Take surloin steak. It is a different question in Hull from what it is in Ottawa, and you get different quotations in both cities, the reason being that it is a different article which is sold. A great deal of what we call Western beef is sold here. We have a wholesale trade in meat like the States. That did not exist before 1902. Most of the good beef we eat here is beef slaughtered in Toronto, and in Hull the prices are lower because they are using Gatineau cattle, nearby cattle. They are not such good cattle. You can get into a great argument about these things. The main tendencies are not obscure, but when it comes to clothing, boots and shoes, and articles of that kind I do not see how you can come to a conclusion.

By Mr. Davidson:

Q. In the House the other day the Labour Gazette was quoted to show the average cost of maintaining the family of a labouring man. It struck me that the figures were very high. What official would compile these figures so that we could examine them?—A. Mr. Bolton. These figures are misunderstood. We get figures with regard to beef, butter, bread, salt, vinegar, and so on, and are maintaining a record of prices. I started this feature in the Labour Gazette. You cannot treat a change in price of vinegar as of equal importance to a change in butter or bread. One doesn't buy 2 cents worth of pepper in a year. In order to "weigh" figures and assign to each their relative importance, the usual way is to take a hypothetical family budget. What was done in the Labour Department was like this. To get accurate figures would require an accurate investigation. Most housekeepers do not know it themselves. You have to induce a number of housekeepers to keep records for a year or so, and hand them over to you. You want to know what they are spending and the standard of what they are spending and so forth, and you have to have a great many of them to reflect the general situation. The thing had to be done in Canada and sometimes in Washington. Some, like the Russel Sage proposition, made some very good studies in dietary standards in New York. In the Labour Department we took a list of 32 articles and set about learning about how much these would cost for a working man, his wife and three children, supposing one were called upon to ration them from week to week with these 32 articles throughout the year. We had to decide how much would be allowed them for sirloin steak. I don't think there is a family that would buy the whole 32 articles. It is a purely arbitrary thing.

Q. You couldn't argue from it that the ordinary family spent that much?—A. If beef soars, the ordinary family stops eating beef.

By Mr. Douglas:

Q. That is what they should do, but they don't?—A. They do if they have no money—they can't help themselves.

By Mr. Davidson:

Q. If we wanted particulars as to what fishermen get, would we get it from you or from the Department of Marine and Fisheries?—A. From us. I can tell the spread

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on prices in fish. I thought I knew a good deal of the cost of living in 1914, but I have not been in as close touch since then, having been on other work. In 1914 I remember preparing a paper for the Canadian Fiscal Association, which was entitled, " The role of the Middleman." It is out of date now, but not so much as you might think. I took up the leading Canadian staples, the foods of Canadian production, and sketched the means by which they reached the market both foreign and domestic, and whether there were evidences of loss and expensive methods.

Q. We would like a copy on the table.

Mr. COATS produced a copy and tabled it.

By Mr. Reid:

Q. Can you give us the number of milking machines that have come into Canada for the last six or seven years and the amount of duty paid on them?—A. Do you happen to know if milking machines are specified in the tariff, or are they entered under the heading of agriculture implements? Our trades classifications only set forth eighteen hundred articles.

The CHAIRMAN: Dr. Archibald says that very few milking machines are imported into Canada. He says that they are assembled in Canada. They come in in parts.

Mr. DAVIS: I think that the committee will find it profitable to send a sub-committee to go over with Mr. Coats what he has been now outlining and see if he has made generalizations that would be of use to us in our inquiry. I have this feeling strongly with regard to the work of this committee, that if we attempt an original investigation and generalization, we have an insuperable job ahead of us. We have to get investigations and generalizations made by officers of the Government heretofore. We should get this before us, and then any other work we do should be in the same measure based on that, and then seize on certain salient points that we know about, and which may come to our knowledge for special investigation.

It was then moved by Messrs. Reid and Douglas that Mr. Davis should be empowered to go with Mr. Coats and look over the material in the way he had suggested. This was carried and the Committee adjourned until Monday morning at 11 o'clock.

MONDAY, June 9, 1919.

The Special Committee to inquire into the prices charged for foodstuffs, etc., met at 11 a.m., the Chairman, Mr. Nicholson, presiding.

Members present: Messieurs. Davidson, Davis, Devlin, Douglas (Strathcona), Hocken, Reid (Mackenzie), Sinclair (Queens, P.E.I.), Stevens, and Sutherland.

The CHAIRMAN: We have Mr. Toole of the Guelph Agricultural College, and Mr. Robertson, a representative of the Belleville Creamery, with us. Perhaps we had better call Mr. Robertson first to follow up the dairy business.

Mr. MACKENZIE ROBERTSON, called, sworn and examined.

By the Chairman:

Q. You are the manager of the Belleville Creameries?—A. Yes, sir.

Q. And in that capacity you have complete knowledge of the whole business of manufacturing butter as carried on by your people?—A. Yes.

[Mr. Mackenzie Robertson.]

Q. Do you manufacture any food commodity other than butter?—A. Nothing but butter.

By Mr. Davis:

Q. Any ice cream?—A. No.

By the Chairman:

Q. Would you, in your own way, give the Committee an outline of the methods employed by you in carrying on that business?

By Mr. Davis:

Q. Are you a co-operative concern, or an incorporated company?—A. An incorporated company.

Q. You buy outright, and sell for a profit?—A. Yes.

By the Chairman:

Q. Just as a basis for the evidence that we will get from you, you might give us a general outline of your general methods of doing business, starting with the product from which you manufacture the butter and the distribution of the butter itself?—A. Well, we buy direct from the farmers our cream on a butter fat basis, paying the farmer outright for the butter fat, cheques being issued twice a month in payment of that, and we pay all hauling charges such as express, or if we send it back by wagon to the farmer's door, we pay that. The cream is manufactured into butter and sold over to the retail trade, or any surplus is sold to the jobbing trade, that is, the larger firms.

By Mr. Stevens:

Q. Do you collect yourself all the cream, or is there some delivered, some you collect?—A. The great bulk of our cream is delivered to a railway station, and shipped by express to us. We pay express charges on that, but not the cost of what is delivered to the station.

By Mr. Davis:

Q. Do you make any difference about the price?—A. No, we pay the farmers practically the same.

Q. Whether they bring it to the station by wagon?—A. Yes, practically the same.

By Mr. Reid:

Q. Do any of the farmers deliver your cream right at your creamery?—A. A few, but very little. We have very little trade along that line. We are in the centre of a cheese section, and so if a cheese factory is nearer he would rather go to the cheese factory than hitch up and come to our door.

Q. Do you make any difference to the farmer who delivers his cream himself?—A. No, because the farmer who drives perhaps to Belleville, four miles, and delivers his cream there, another farmer may be drives ten miles to a station to deliver his cream to that station, so that he has a longer haul in delivering his cream to the station than the farmer has in delivering to us our cream. We let him put it down at the most convenient point, whether the railway station, a stage line or any other means of transportation convenient to his door.

Q. You pay a flat rate for your cream?—A. Yes, for that very reason, that the man delivering his cream to the station is driving further, perhaps, than the man who delivers to our door.

[Mr. Mackenzie Robertson.]

By the Chairman:

Q. You have a fixed price that the farmer knows he is going to get, a defined price for his cream on a butter fat basis, when he delivers it to you?—A. When he delivers it to us, it is on the same basis as delivering his cream to the cheese factory. A farmer in a co-operative cheese factory does not know what he is going to get for that market in which the cheese is sold, and for which price is struck and certain expenses taken off, and when the farmer has delivered his cream to us, he does not know what he is going to get for it until the end of the month when we ship his cheques.

Q. The farmer is really working on a co-operative basis; the price he gets for his cream depends on the price that you will sell the butter at?—A. It must be that.

Q. You are not doing business on a speculative basis; you do not buy the cream at a fixed price and depend on what you are going to get for your butter at a later date?

By Mr. Sinclair:

Q. Do you judge the cost of manufacturing and fix a price?—A. No, we buy that cream outright; we do not say at the moment what we will pay him, but we realize that we must pay him a price that will satisfy him. It is a complete sale.

By Mr. Sutherland:

Q. What percentage do you get for manufacturing?—A. We have a general business idea of what we must have in manufacturing.

By Mr. Stevens:

Q. Is it a fixed rate?—A. No.

Q. How does it average per pound?—A. We feel we can do a business based on the extra cost of manufacturing allowing six to eight cents a pound.

Q. Six to eight cents a pound. For instance, you get butter fat say at fifty cents; you then claim that you have to sell that butter at fifty-eight cents a pound before you have any profit?—A. No, there is a matter of ever-running that goes into dairying there. Through the year we might be selling butter at 48 cents and we will pay the farmer 50 cents for butter fat on account of the difference between butter and butter fat; which are two different things.

By Mr. Sinclair:

Q. Six to eight cents you quoted us as the cost of making butter?—A. Yes, that would be the general idea, but we realize if we made a good sale we might take a little more than that, and sometimes we make a poor sale and have to do with less.

By Mr. Devlin:

Q. But that is the net average?—A. Yes.

By Mr. Hocken:

Q. Does that include your profit on butter?—A. Yes, as well as the expenses.

By Mr. Douglas:

Q. Also marketing and packages?—A. We have all our cost, operating expenses, everything of that kind, to take out of this percentage and our express and haulage expenses which is the biggest item of all.

By Mr. Devlin:

Q. Have you ever prepared any memorandum as to what your actual expenses were in your business, your actual expenditures?

[Mr. Mackenzie Robertson.]

By Mr. Davis:

Q. Have you last year's statement showing the total receipts of your factory last year, the total amount paid for milk, and the quantities of butter sold, etc.?—A. I think I have a statement, yes. That is you want something about the percentage on the turnover.

By Mr. Stevens:

Q. Have you last year's balance sheet?—A. Yes, I have it.

Q. Did you pay a dividend last year?—A. Yes.

By Mr. Douglas:

Q. Have you that balance sheet here?—A. No, I have not.

By Mr. Stevens:

Q. How much dividend did you pay?—A. That is a point I cannot answer very well—I would like to answer all questions fairly but there is this point about that question that in our case we started with a very small capital.

Q. How much?—A. $4,500. I spent a long time in the creamery business learning it, and a large amount of my capital was my knowledge of the business; I spent years at the Agricultural College, Guelph, in studying the whole creamery business.

Q. I think I know what you are getting at. You have been operating this factory and you have been adding to the plant, which would be capital expenditure out of the profits and in your case that has been added but the original capital has remained very small consequently the dividend was at a high rate on the original capital?—A. But aside from that I know more about the creamery business than the average creamery man does on account of spending long years working at it at other creameries and seven years with the Provincial Government and I regard the knowledge I gained in that way as capital.

Q. Perhaps that is not a fair question to ask, but what we are trying to get at is the cost of manufacturing and marketing these things and if we have a copy of your balance sheet which I suppose you have before you it would give us that information.

By Mr. Douglas:

Q. You might continue the explanation which you commenced to give us when you stated that you started with $4,500. Can you give us the length of time you have been in the business, and the amount of money you have made annually? That would be fair, and it would not be taking any undue advantage?—A. I only started in January, 1914 We have been operating five years, but we started in a locality where there was not many creameries, which enabled me to build up the business much more quickly and then I applied that knowledge which I had acquired during my years of study and practical work.

By the Chairman:

Q. How much butter did you manufacture in 1918?—A. Close on 600,000 pounds of butter.

By Mr. Hocken:

Q. We were told the other day by another creamery man that it cost 4 cents a pound to manufacture butter. Is that a fair price?—A. Yes. I think a man would have nothing left at all out of 4 cents.

Q. There is no profit in that or anything else?—A. But there is a point there that some who are in the business cannot pay their transportation charges.

[Mr. Mackenzie Robertson.]

Q. That is exactly what we were told, that does not include the cost of gathering, large dividends or anything else; that the cost of manufacturing was 4 cents, and I think that is a fair statement.

By the Chairman:

Q. What he says is that when the cream is delivered at the factory it cost 4 cents to manufacture?—A. Yes, that would be fair.

By Mr. Hocken:

Q. The other 4 cents would represent the amount of the express charges, the interest and other charges?—A. The express charges would be two cents, or pretty close to that.

Q. What was your profit per pound on the butter?—A. I think last year it was somewhere about one and a half cents per pound.

By Mr. Reid:

Q. A net profit?—A. As net profit, yes.

By the Chairman:

Q. You say that you sell retail?—A. As much as we can, yes.

Q. And the balance you sell to the jobbers and large buyers?—A. Yes, in carload lots.

Q. Can you give the committee the average price at which you sold butter during January, February, March, April and May of the present year? I think we are more particularly interested in the price this year than in the price of last year?

Mr. Reid: I think one question you might ask is when h esells to the retailer and to the wholesaler respectively what the difference is in the charges to the wholesaler and the retailer?—A. Generally about a cent a pound more to the retailer because for him we have to put it up in what we call pound prints and when we sell to the wholesaler it is put up in fifty-six-pound boxes, so that there is not so much work in connection with that as when it is put up in pound prints.

Q. But it is pound lots, it is not, just the same?—A. No, it is not.

Q. Is it in one solid block?—A. Yes, but when it goes to the jobber or retailer it has to be done up in pound lots.

Q. Why does the wholesaler want it like that?—A. Because it is generally going into cold storage and it is better in that way and when he wants to take it out he wants to put his own brand on it.

Q. So that you really make a difference of one cent a pound?—A. Yes.

Q. And in the one case you deliver pound prints, and in the other case it is just in fifty-six-pound boxes?—A. Yes, or in large amounts.

Q. And there would not be any greater difference than one cent a pound difference between the butter that is sold in one-pound prints to the retailer or dealer and that sold in boxes of fifty-six pounds weight to the wholesaler?—A. No, the wholesaler puts his special brand on it. About a cent a pound, yes.

By Mr. Sinclair:

Q. What are your gross returns for butter? What would your sales amount to per year?—A. I think our average was somewhere about forty-six or forty-seven cents.

By the Chairman:

Q. Last year?—A. Yes.

[Mr. Mackenzie Robertson.]

By Mr. Sinclair:

Q. How does that compare with this year?—A. Well, up to the present point butter has been selling higher this year than it did for the same period last year. At the present time butter is ranging from 9 to 10 cents higher than it was the same time last year.

By Mr. Hocken:

Q. Are you paying more for cream?—A. Yes; we are paying in the same proportion—in fact, a little more for cream. While our butter is running from 9 to 10 cents more, our cream prices are running 10 to 12 cents more.

By Mr. Douglas:

Q. Can you give us an idea of what you paid for butter fat in January of this year?—A. It was 55 cents, I think. I may be a cent out on that, but I am pretty sure it was about that.

Q. What did you do in February?—A. February we went up to about 58. I could give you those figures exactly if I had my records here.

By Mr. Devlin:

Q. You did not bring your records with you?—A. No, but I am giving this pretty close.

By Mr. Douglas:

Q. March?—A. I think perhaps the first half of March 58 and the last half 60. The whole month may have been 60.

Q. But April?—A. All April 62.

Q. Have you got any returns for May?—A. The first half of May 58 and the last half we paid 60.

Q. You do not know what June is yet?—A. No.

Q. In your price to the retailer or jobber in January, about what would you get for that butter that you paid 55 cents for—for the fat?—A. I think it was about 56 cents, but I am not sure about that point.

Q. Would it be safe to say that your profit was only a cent all through in all these months?—A. That would be the average for the year. In the wintertime, when our market is very low and expenses heavy, we might be making more than that, but that would be our average for the year.

Q. About a cent?—A. Yes.

Q. When you speak about taking 8 cents a pound from the price of the farmers' butter, is that the butter or the butter fat you took the 8 cents for?—A. It is really butter we are handling.

Q. You would get 110 pounds of butter from 100 pounds of butter fat? Is that about it?—A. I do not like to contradict you, but I think it runs a little higher than that.

By Mr. Sinclair:

Q. The average would be 116?—A. 116 or 118. It depends on how well the creamery is managed. It is a question of intelligence and management, the same as operating a farm or anything else.

By Mr. Douglas:

Q. That would mean that in January your concern got a return of about 48 cents for butter?

[Mr. Mackenzie Robertson.]

Mr. DAVIS: No, they were paying 55 cents for butter fat.

Mr. DOUGLAS (Strathcona): But it cost to manufacture 8 cents.

The CHAIRMAN: Butter would have to be sold higher, because you were paying the farmer 55 cents for butter fat.

Mr. DOUGLAS: But he was selling the butter for 56 cents.

WITNESS: Yes, there would be that difference in the winter time—well, I am not sure what your question was.

By Mr. Douglas:

Q. I was wondering what price the original producer got for his butter, who patronized your creamery in January. You paid him 55 cents for his butter fat. You think you sold butter for 55 cents and the costs were about 8 cents? (No answer.)

By the Chairman:

Q. How many pounds of butter will a hundred pounds of butter fat make?—A. On an average run 117.

By Mr. Devlin:

Q. You do not take it from any particular breed of cattle?—A. No, that is a matter of butter fat manufacture.

Mr. SINCLAIR: What is the price for butter during the same period? (No answer.)

Mr. DOUGLAS: Mr. Robertson says about a cent a pound advance is what he got; so that would show butter for January at 56, February 59, March 61, April 63, and May 58. At the price he sold to the jobber or retailer, taking 8 cents in rough figures, the farmer would receive about 47 or 48 cents in January and 51 cents in February, and so on. The point we want to get at is this: The original purchaser of this butter in the shape of butter fat got 47 and 48 cents in January. Your cost of manufacture was around 8 cents. Then you sold to the jobber or retailer at an advance of a cent. Now in order to follow this out and find out what the consumer is paying, we would have to have a retailer to ascertain the price he paid, so as to see the spread between the farmer and the ultimate consumer. You could not testify to that?

WITNESS: No. In our own city the jobber, the groceryman, I do not think gets any more than about 4 cents a pound.

By Mr. Douglas:

Q. That is the retail groceryman?—A. Yes.

Q. He would sell that butter which cost him 56 cents for 60 cents?—A. Yes.

By Mr. Devlin:

Q. Have you any customers among the retail merchants of the city here? The Renfrew Creamery butter has a union brand and is sold here.—A. We sell very little in Ottawa—not very much—not to a retailer at all. I have no retail trade here.

Q. Do you sell it wholesale?—A. I might have a surplus; I might sell wholesale to some of the jobbers.

By Mr. Stevens:

Q. Where do you sell most of the butter?—A. The great bulk of our butter goes to all the towns of eastern Ontario, Belleville, Kingston, Cornwall, Gananoque, Peterborough, and all through there, but the jobbing trade goes to Montreal and Toronto.

[Mr. Mackenzie Robertson.]

By Mr. Sutherland:

Q. In the jobbing trade, do you deal with people who are buying for export, or people who put it up in pound prints?—A. I spoke of jobbing it out to the groceryman in small lots.

Q. The wholesale produce merchant?—A. No, direct to the retail grocer. He sells to the consumer.

Mr. HOCKEN: Your butter goes from your factory to the retailer and then to the consumers?—A. Yes, excepting our surplus, carload lots.

Q. What happens to that?—A. That goes to the Harris Abattoir, and they job that out to their grocerymen all over the country.

Q. What proportion of your output goes to the wholesaler?—A. Well, I could only guess at that; perhaps half.

By the Chairman:

Q. Half goes direct to the retail trade —A. Yes, that is the case.

By Mr. Douglas:

Q. As far as that half is concerned, between the farmer who produces the milk and the consumer who buys the butter, there is a spread of 12 cents a pound on the butter?—A. Yes.

Q. You have no idea as to what the spread may be to the man you sell the carload to?—A. No, because a great deal of that goes into storage when there is a surplus, and it is not sold until the next winter.

Q. Is it sold in prints?—A. No, in boxes, but they are printed as the grocer wants butter in a pound print.

By Mr. Devlin:

Q. And he sells it to the consumer, roughly speaking, around the winter time at sixty-eight cents a pound. Is not that about the price that he gets?—A. I think that was for a very short time this past winter, when butter was up that height in the very late spring.

By Mr. Douglas:

Q. At one point during the year it went up to seventy-five cents?—A. There were reports of that kind, but I know that for our butter, the highest we charged at one time was about sixty-two and sixty-three cents. That was for a short time. That meant that the grocer was not making much out of it when selling at sixty-seven cents.

By Mr. Reid:

Q. What is the highest peak at which you sold your butter, that is wholesale, to any of those big cold storage concerns, say in the last three or four months of last year?—A. You will understand that in the winter time our make is very small. We have no butter for them, we have not enough for the grocery trade.

Q. During the summer then of 1918?—A. Forty-three cents to forty-four cents.

Q. Not over forty-four?—A. I cannot say, I think as the season got on——

By Mr. Douglas:

Q. What was the cheapest time?—A. That is the time we had most to sell, and that would be the cheapest time.

[Mr. Mackenzie Robertson.]

By Mr. Reid:

Q. About forty-four cents?—A. Yes.

Q. You think that was your lowest point; what was your highest point, say from the Harris Abattoir people? (No answer.)

By Mr. Sutherland:

Q. About this butter you sell to the jobbers, how do they put that on the market? Do they put it up in their own labels; is it labelled butter manufactured by your creamery?—A. No, they are allowed to put that up as a brand. For instance, whatever brand they trade under, that is legitimate trade, but instead of marking it "Belleville Creamery Butter," it would be marked with their own brand.

By Mr. Reid:

Q. They have a trademark?—A. Yes.

By Mr. Sutherland:

Q. Does the consumer know from whom it is purchased? Is that indicated on the print?—A. Yes.

Q. For instance, the Harris Abattoir people purchase butter from you. Does the consumer know that the butter is put up by the Harris Abattoir people? I am not speaking about the retailer, but the consumer. Does the label on the butter indicate the firm that put it up?—A. Just what do you mean by putting it up, do you mean manufacturing it, or putting it up in this brand?

Q. In this brand?—A. The Harris Abattoir people try to be proud of that brand.

Q. But it does not say you manufactured it?—A. No.

By Mr. Devlin:

Q. Do you sell to the Chateau Laurier, Ottawa?—A. No.

Q. There is butter sold by retailers here in the city that they have purchased from creameries, and they put a brand on it, "The Chateau Laurier" to show that it is the same butter that is being used at the Chateau Laurier. Have you had any such instances as that in connection with your butter?—A. No, no difficulties of that kind.

By Mr. Douglas:

Q. Do you put up any special brand?—A. No, just the Belleville Creamery in a plain box.

Q. In manufacturing butter in your creamery, do you always make the butter direct from the cream, or do you ever buy any dairy butter?—A. Never, it is all creamery butter. If we bought dairy butter, it would have to be branded as dairy butter.

Q. You would not remanufacture it?—A. We never handle a pound of dairy butter.

By Mr. Stevens:

Q. Can you supply the Committee with a statement showing us the months in which your peak is, May, June or July?—A. July last year was our biggest output.

Q. Well, say for June and July last year, showing the carload shipments to say a couple of your biggest firms, the Harris Abattoirs and any others. Could you supply a statement showing the quantities?—A. I could do that if you consider it fair for me to do it. They are my customers, and I would rather you would make me do it, than ask me to do it.

[Mr. Mackenzie Robertson.]

Q. It would be in that sense, of course. If this is done, it would be by order of the Committee. I leave that to the discretion of the Committee, but it strikes me that it would be a desirable thing to have some specific shipments in view in dealing with these matters?—A. I feel this way about it; it is my duty to protect my customers as much as possible. I do not know whether I am looking at it in the right way.

By the Chairman:

Q. There is a very widespread feeling that the spread between what the butter costs when it leaves the factory, and what the consumer pays for it in January and February of the next year is too great. This Committee has been appointed for one of two purposes, to dissipate that feeling or to define the truth, and if there is too great a spread to see if we can find a remedy; and the only way by which we can find out what the spread actually is is to ascertain, if we can, what the butter costs at your factory; to find out whether the spread between what you are paying the farmer, and what you are getting, is too great, having in mind the latitude of business; then the spread between what you get from the jobber, the wholesale dealer and the cold storage man and what he ultimately charges. We might arrive at that in another way. You sell the butter to the cold storage man in May, June and July for storage?—A. Yes, or June and July; it is so late of late years. There is no surplus.

Q. That butter is stored until the following winter?—Yes.

Q. Then it is put on the retail market?—A. I am giving you it as a general rule.

Q. As a general rule. Have you any personal knowledge in a general way, of the usual spread between what you get for your butter in June and July, and what the cold storage man gets in January and February of the next year? I think that is the vital point?—A. I do not think I have any general knowledge on that. I know no more about it than you know yourself. I could tell you what I sold last June for, and you know pretty much what butter sold for through the winter.

By Mr. Sutherland:

Q. I did not understand the arrangements as to price with the patrons from whom you purchase the cream. You said that they do not know what price they are going to receive. Do they know the margin or profit that you are going to have for manufacturing?—A. No, we are offering them a market for their cream, and if we are not offering as good a market as another place, they are not going to send us their cream. It is a complete sale, and so far as they are concerned, ours is a private business.

Q. Do they not know what profit you intend to have for the manufacturing?—A. No.

Q. Not until the end of the month?—A. We pay them twice a month. They do not think that I can give you that from memory. Most of my car lots are sold when the weight of the cheese and everything. As I have said before, what they are sending to-day, they would not know until the end of next week what they would be getting.

Q. What sort of statement do you make when you send them the cheque?—A. A statement showing the number of pounds in each can and the number of pounds of butter fat, and the total.

By Mr. Douglas:

Q. And the price?—A. The price we are paying them.

Q. For butter fat?—A. Yes.

By Mr. Sutherland:

Q. What is the result, so far as your patrons are concerned; are they satisfied with your returns?—A. Yes. I can speak of that because of the development of our business. I am drawing patrons from other creameries.

Q. Have you much competition in Belleville?—A. Not in the town. It is not often that you find more than one creamery in a small town.

[Mr. Mackenzie Robertson.]

Q. They draw from the same centres?—A. Yes, for instance we have patrons who put cream on at Renfrew where there is a creamery, and ship it to Belleville. We must be giving satisfaction or they would not do that. And we have also other patrons who put their cream on at Trenton and send it to Belleville although there is a creamery at Trenton.

Q. Have you any fixed charge for manufacturing?—A. No, we would rather go out of business than fix a charge because if you fix an amount and it does not meet your expenses what are you going to do about it?

By Mr. Sutherland:

Q. I thought you would know what the cost of manufacturing in your business is, can you not tell that from your average?

Mr. Reid: There is a point that if your plant is not running to full capacity the cost of manufacture would be heavier?—A. Yes, and this year, salt, labour and everything else is more than it has been before, the cost of manufacturing varies for that reason.

By Mr. Devlin:

Q. How many labourers do you employ?—A. At this time of the year we employ a little over 20, in the wintertime we would not have as many as that.

The point arose a moment ago as to Mr. Robertson protecting his customers. I can quite understand that and perhaps we may simplify matters by having Mr. Robertson give the committee a statement of his sales and prices for last year with the names of the parties to whom he sold and the prices at which he sold.

Mr. Stevens: The resolution instructed him to do that and he says he would prefer that method. My resolution is that Mr. Robertson be instructed to prepare and file a statement to be put in the hands of the members showing the shipment in carload lots of bulk butter manufactured in June and July, 1918 to whom shipped, the amount per pound received, and the amount shipped to each customer, including the Harris Abattoir Company of Toronto.—A. That would not be asking me to include all my small dealers.

Q. Bulk butter in carload lots?—A. As far as any creamery is concerned butter is always at the highest point when we are not getting so much of it, that is in the wintertime, when we are running at a loss; indeed many creameries close down altogether rather than run in the wintertime. Our money is made in butter in the summertime owing to the large volume of business we are doing.

By Mr. Reid:

Q. Can you give me the lowest price at which you sold butter, and also can you give me the highest price of any cold storage concern in the summer of 1918?—A. I do not think that I can give you that from memory. Most of my car lots are sold when the butter is not cheap at all, although they are buying then, but later on when it is higher. But from memory I think 46c would be a fair estimate.

By Mr. Devlin:

Q. Can you in a general way give the committee an idea as to the variations in the price of butter in the last year?—A. I think it was about three years ago when the bulk butter was selling around 33 and up to 36c.

Q. Retail?—A. That is taking that margin, it would include both, the retailer was a cent higher, and then in 1917—perhaps I had better go back the other way. Last year we took from 43 to 45 cents, though the bulk business was away down, that was the lowest price and we moved up until in August when the butter starts to go up owing to the scarcity and the greater demand for prints, there is no dairy butter then to supply the Canadian consumer. It has practically gone off the market, in fact last September we sold butter for 48c. and were getting up to 50c., and the government put

[Mr. Mackenzie Robertson.]

it back to 46c., which was altogether too low, at that time of the year. Now during the five years of the war butter has moved up gradually about 10 cents a pound each year, from 22c. up to 44c.

Q. That is what we want to get at, what has been the real cause of that increase?—A. Well, I do not know that I can tell you any more than the general lack in the world production, and the demand for anything in the food line, the food was needed in Europe and to feed our armies. Another cause for it being higher is the natural cause that the farmers cannot get the help they need. Even to-day the farmers around Belleville are farming with one man on 200 acres because the farmers cannot get the help and in a general way the scarcity of help in producing and the great demand for food in the countries in Europe, is responsible for the increase in price.

Q. You mean to say there is a scarcity in labour to-day?—A. The farmers cannot get the help they require to-day.

Q. That is around Belleville?—A. The farmers around Belleville cannot get the help they require. As I say you will find one man on 200 acres and he cannot begin to do his work at all.

Q. What about the Government Bureaus for employment, do they not employ farm hands?—A. No, not to any extent. The labourers will go into these places and say 'yes, we want work but we do not want farm work'.

By Mr. Douglas:

Q. When butter was down to 22 cents a few years ago, as you say it was, was your manufacturing cost as high as it is to-day?—A. No, it was not; nor was our margin as high as it is to-day.

Q. So the farmer was getting a greater proportion than he is to-day?—A. Yes, the margin was smaller and the cost of manufacture was much smaller. We could not live and make butter in 1918 or 1919 on the margin we had in 1914 or 1915.

Q. From memory what would have been your total output in 1914?—A. 224,000 pounds or something like that in 1914.

Q. That has been increased since?—A. Yes, to 600,000, but that was only a natural increase.

By the Chairman:

Q. You sell this butter in tubs or boxes?—A. Yes.

Q. Supposing a private consumer would ask you to send him a box of butter, what would you do?—A. If it were in a town where I had a large grocery trade, I would ask him to get it through his grocery, and try to arrange a very small margin. I think that is why the consumers do not provide for themselves; they want someone else to do all this providing, and then kick about what it costs. I have supplied butter to people in Ottawa. I have supplied to Mr. Dickson, the Secretary of Mr. Guthrie, and the Hon. George E. Foster has used my butter the last two or three years, and they get it at 44 cents and they put it in storage and all they have to do is to pay their own storage on it. The thing is in the hands of the consumers if they would act, but they will not undertake it.

Q. If you had 40 or 50 customers in Toronto who sent you orders for 150 pounds of butter, you would supply them with butter at the same price you would sell it to the wholesaler?—A. Yes, but you will understand that if it is in a town where I am depending on the grocer as my distributor and where I have a large output, I must have help in distributing, and the consumer would not purchase often enough to make it pay. Therefore, it would not be fair to sell to the consumer at the same price as to the grocer. In Ottawa or Toronto, where I am not doing much trade, I would sell at wholesale prices. I have friends in Toronto who get butter for June. They tell me "Put that butter away when it is cheapest," and I do it, and it goes into storage. All they have to do is pay that storage bill.

[Mr. Mackenzie Robertson.]

By Mr. Douglas:

Q. You put it in your own storage?—A. No, in mechanical storage. The Ottawa stuff went into the Ottawa Cold Storage here.

By the Chairman:

Q. If a man buys a hundred pounds of butter in mechanical storage in June, how much per 100 pounds per month will he have to pay to keep that butter in storage till the next December?—A. The old rate was one-quarter of a cent the first month and one-eight of a cent after that.

By Mr. Stevens:

Q. Per month?—A. Yes. One-quarter cent per pound for the first month and one-eighth of a cent after that. These charges have gone up some. I have a flat rate of ten cents per box per month in our Belleville cold storage, but I know that is a cheaper rate than can be got in Ottawa. I think our Ottawa men paid half a cent the first month or something like that. I know they said the charges were higher.

Q. The other rate would not be more than about two cents for six months?—A. No. People in Toronto were eating butter that was not costing them more than about 46 cents, when other people were paying 70 cents and a dollar a pound, although I do not know who sold butter at a dollar a pound, but those who undertook to protect themselves were eating butter at 46 cents a pound last month.

The CHAIRMAN: Mr. Stevens has given me the following motion to place before the committee, to wire the representatives of the Harris Abattoir and Davies, who are to appear to-morrow:—

> "You are hereby required to read into summons of Cost of Living Committee issued June 6 the following words: 'Bring with you and produce last balance sheets, statement showing all butter purchased in carload lots during 1918, showing cost same, from whom purchased, showing price received for same, date received, date sold.'"

Motion agreed to.

Mr. DOUGLAS: I might ask Mr. Robertson to submit some sample statements to show just how the thing works out with them; check April, May and June statements to show just what the farmers get for this year. It will show us just how he makes out that statement and what the farmers get. Complaint is made that the farmer is getting too much for the butter. On the other hand the farmer says that the middleman is the one who is getting the profit. I think it has been proved by Mr. Robertson that the spread between the farmer and consumer is twelve cents, which seems to be an excessive spread.

Mr. DAVIS: I have been trying to work it out on this line, having in mind what Mr. Archibald said. His statement was that the farmer should be getting \$2.50 or \$2.75 per hundred pounds for milk. If I have worked this out correctly, it seems to me that the prices Mr. Robertson is paying for butter, calculated on a basis of 3·8, which is a good average, I think only yields the farmer \$2.10 to \$2.30 per hundred pounds of milk, and as 100 pounds of milk are taken by the Guelph Agricultural College as the standard, I wanted to get a statement of that.

WITNESS: Of course, in our case we are not like a concern that is taking the milk and everything. We simply take the cream and have the valuable skimmed milk for feed for hogs, which one farmer stated to me was worth sixty cents a hundred.

By Mr. Sutherland:

Q. What value do you place on the buttermilk?—A. We are selling buttermilk at twenty cents a hundred, although I quite realize that it is worth more than that now that other things have gone up, but I simply did not change my price on the by-product. We are feeding the buttermilk to the hogs.

By Mr. Sinclair:

Q. What do you realize on the buttermilk?—A. Buttermilk, with all the profit, we realize about thirty-four cents for it, but we do go out and buy stuff for the hogs at an expensive price. It would be different if we were breeding and raising them.

By Mr. Douglas:

Q. When you speak of eight cents for manufacturing, did you take into account everything?—A. Well, six to eight cents I think.

Q. Your carrying charges represent two cents?—A. Yes.

By Mr. Sinclair:

Q. Going back to what we were talking about, what was your average overrun last year, 1918?—A. We got about twenty per cent.

Q. Out of every hundred pounds of butter fat, you got 120 pounds of butter?—A. Yes.

Q. That would be about your average for the year?—A. Yes.

By Mr. Stevens:

Q. That is only possible with a very high point of efficiency of management and scientific operation?—A. Yes, we look after everything carefully in doing that.

By Mr. Douglas:

Q. Does that explain why you draw customers from far distances, from other concerns—that your efficiency is producing more butter from the fat than your rivals produce?—A. It is producing more returns to the farmer than our rivals.

By the Chairman:

Q. And to the same degree the application of that efficiency, as a general thing, would tend to ultimately reduce the cost of butter, or else increase the profit that the farmer would get, one of the two?—A. Yes.

Q. Assume that the spread between what the farmer gets and the consumer pays is as low as it can be brought, and then it was decided that the cost was too high, what effect would it have on the production of butter, the output of butter if the lower prices were fixed——

Mr. Stevens: Fixed by the Government. (No answer.)

By the Chairman:

Q. If the farmers are getting 50 cents a pound for butter fat and the Government were to fix a price at 40 cents what effect in your opinion would that have on the output of butter?—A. I have no doubt it would curtail the supply of butter and the farmers would not keep the same number of cows.

By Mr. Douglas:

Q. You have a case in point. Last fall the Government commandeered the butter that was in the creameries at that date at a fixed price. What effect did that have on your patrons?—A. It was at a time of year that made it pretty hard to deal with, because it was in the late fall, when the market was dropping off very fast. I know all our markets dropped off very fast at that time. In fact, many of them could bring their butter to market and sell it for more than we could give.

Q. They did that?—A. Yes.

Q. That lasted for six weeks?—A. Yes, and of course, as I say, our market broke quickly because it was getting time of year when their supply was getting low anyway, but no doubt it had a great deal to do with it.

[Mr. Mackenzie Robertson.]

Q. What was that fixed price to you?—A. 46½ cents delivered in Montreal.

Q. What would be your gross profit?—A. About ¾ cents per pound.

By Mr. Sutherland:

Q. Would that have a tendency to divert towards the condenseries milk that would otherwise come to you if the price fixed had corresponded with the price offered for milk used in these condenseries?—A. Wherever the farmer could reach the condensery he would ship there rather than take that price for butter.

By Mr. Douglas:

Q. Is there a keen demand for butter this present month?—A. I do not think the Canadian consumers are eating nearly as much butter as they did on account of the high prices. There is a market for all the butter we can make, and there must be a great deal of it taken care of in storage. So much is taken that we wonder if there will be any butter next winter at all.

Q. Have you any butter on hand?—A. Just a few days' work.

Q. Have you been able to sell right along?—A. I have been able to sell it.

By Mr. Davis:

Q. Have you formed any idea of the effect of the sale of oleomargarine on the demand for butter?—A. It naturally curtails the sale of butter to a great extent when the butter has reached a high price.

Q. Have you formed any idea as to whether it would be advisable to restrict it or not?—A. I think it should be restricted eventually, but not just now when butter is so very high. Oleomargarine is not a substitute for butter. It is simply a makeshift that they can get along with and imagine that they have somthing like butter. It is a detriment to the butter industry to have oleomargarine allowed in the country. It curtails production. The dairy cow is the basis of the good farm and anything which tends to discourage the production of butter and therefore the keeping of dairy cows tends also to discourage farming.

By Mr. Sinclair:

Q. Does oleomargarine discourage the production of butter now?—A. At present prices I don't know that I would say it does. Under ordinary conditions it would do so and if we go back to the old prices such as we had before the war it would be a detriment. We were getting too little for our butter then.

By Mr. Devlin:

Q. When production equalizes the demand or the demand equalizes production that would cause a more normal condition?—A. I could take you to farmers out of Belleville who get high prices but who sold their cows last year even at present prices, and they sold them on account of the high prices of concentrates for feeding and the lack of labour to take care of them. The labour was the large item. Even last year our supply of cream had gone down for the winter as compared with the last three winters. The farmer did not feel he was justified in feeding expensive foods.

Q. Would the high price for hay have anything to do with his selling his cows? Did it cause him to sell out too much hay and not keep enough for feed?—A. Considering the producing of milk a laborious method of producing money the farmer thought it would be just as well for him to sell his hay. That is bad farming, but rather than feed the cow, milk it, separate it, and handle it, he preferred to do that.

By Mr. Sinclair:

Q. Apart from the labour situation don't you think the farmer made a mistake in doing that?—A. Yes, I think so. There is no doubt about that.

[Mr. Mackenzie Robertson.]

By the Chairman:

Q. You say that he made a mistake. Was it a miscalculation financially, or a mistake in the sense that it was not good farming.

Mr. DEVLIN: I think he did financially.

WITNESS: They go together really.

Mr. DEVLIN: He had to go on the open market and buy back his own stuff which he had sold at good prices but which he had to pay higher prices for in order to feed.

By Mr. Hocken:

Q. You have a good knowledge of general farming, I take it? Will you tell me how many cows a farmer should be able to keep on a hundred-acre farm?—A. The next witness coming can give you better information on that than I can.

By Mr. Sutherland:

Q. The regulations in the Dairy Act are very strict as the quality and purity of butter. Is it fair for a packing house to take part of their product, put it through a process, galvanize the grease, flavour it, and put the product on the market in competition with prints of butter of the same size and colour and appearance, I refer to oleomargarine?—A. As a creamery man I would say that if people are allowed to have oleomargarine—and they always can have it in some form or another—they should not be allowed to mix good butter with it, and they should put it in packages that do not look like the pound prints of butter.

Q. Do you think it fair to people buying your butter and for you to send it out in pound prints in competition with prints of a substance partially composed of butter, churned in milk, flavoured with it, and sent out in packages looking identically the same, but being nothing like the same?—A. It is not fair to the consumer at all. Nor do I think the prices of oleomargarine should be quoted in the daily papers in the same column as butter. It should be quoted in the same column with lard. It is put in the same column as butter to make it appear as though it is just as good, but it has not the same value at all. They think that they would get more money for a cheaper grade of food than if they put it under its own column.

By the Chairman:

Q. Analogous to that, how does that apply to the family of the poor man who cannot afford to buy butter at 60 or 70 cents a pound for his children?

Mr. REID: Why should he be deceived into thinking that he is getting butter when he is getting oleomargarine?

Mr. DOUGLAS: Under the law every print or package of oleomargarine must have the name stamped on it. There cannot be any deceit.

Mr. REID: I was referring to the oleomargarine which was partially mixed with butter.

The CHAIRMAN: The formula for producing oleomargarine is standardized and the oleomargarine put on the market to-day contains a definite percentage of butter. Possibly we had better not go into that until later on when we call witnesses who manufacture the stuff, but that is my information, roughly speaking.

Mr. REID: I have two formulas for making oleomargarine and there is not a particle of butter in them.

The CHAIRMAN: The oleomargarine made in Great Britain, and that which was made in Germany in pre-war days, was manufactured from certain species of beans and nuts together with certain fats, but what we are using here in Canada is oleomargarine manufactured from cottonseed oil, is it not?—A. I think you will find that all grades are used, and that no special amount of butter is put in except when the manufacturer wants to make the quality of his product good. I think in Ottawa you will find nut oleomargarine has no butter in it.

Q. Yes, the nut margarine or the margarine made from soya beans would not have any?—A. Yet people will think they are getting something that will supply the place of butter.

Q. They say that oleomargarine made from nuts is better than the other kind?—A. It is in the hands of a few firms as far as manufacturing it is concerned. There is the Swift Canadian Company, and the Harris Abattoir Company. There are other firms that can buy oleomargarine in the United States, and as I understand it, it comes in duty free, and they can job it out to any one who is in the produce trade.

By Mr. Devlin:

Q. Who is the head of Swift's?

The CHAIRMAN: It is the Chicago firm of Swift's.

By Mr. Hocken:

Q. What is the difference between the food values of margarine and butter?—A. That is pretty nearly a question for a chemist to answer, I am afraid.

By the Chairman:

Q. I want to take you back over your evidence to see if we can summarize the statements you have made. You state that the spread between what the farmer gets and what you get is from 6 to 8 cents per pound?—A. Yes, under present conditions.

Q. And out of that 6 to 8 cents a pound you pay the carrying charges of the cream to the factory, you manufacture the butter, you provide the box, express it and sell it on the market?—A. Fuel and everything.

Q. And that 6 to 8 cents covers the carrying charges on the cream to your factory and all the manufacturing costs and your profit?—A. Yes.

Q. If I understood you rightly you said that the profit in 1918 was about one cent a pound?—A. It would be about $1\frac{1}{2}$ cents a pound.

Q. A fifty-six pound butter box is made of spruce, isn't it?—A. Yes.

Q. What is the difference in value between the present and pre-war prices of spruce boxes?—A. They are practically double. We used to pay for these boxes around 20 cents before the war, and now they are costing us 40 cents. In fact, last year they cost a little above 40 cents.

Q. What about the wrappers you put your pound prints of butter in?—A. We used to buy them for 85 cents a thousand, and now we pay $2.65 a thousand.

By Mr. Hocken:

Q. They are furnished printed, are they not?—A. Yes.

By Mr. Douglas:

Q. I think this committee should have a statement in detail as to your capitalization, and we would like to have it go back as far as 1914 in order to make our records complete. You say you started with a $4,500 capitalization. To make it fair to you I think you would be justified in including in that any borrowings you had to get from the bank owing to the low capitalization, for the operation of your creamery.

Mr. HOCKEN: And also the value of your plant.

By Mr. Douglas:

Q. You may not have that with you?—A. No, I have not.

By the Chairman:

Q. There are two motions here already. How long would it take you to get these statements ready?—A. I can give you a statement in a week or ten days.

[Mr. Mackenzie Robertson.]

Q. How about the shipments in 1918 for the months of June and July?—A. We could give you that very quickly.

The motion, asking Mr. Robertson to furnish statements showing shipments of butter in bulk for June and July 1918, to whom shipped, and the prices received, and the motion made by Mr. Douglas, having been put to the meeting, carried.

By Mr. Hocken:

Q. With regard to the statement Mr. Douglas is asking for, I think we ought to protect Mr. Robertson from adverse criticism as to the amount of his profit. He has kept his capital low, and put machinery into the plant and all that kind of thing should be taken into account. On his old capitalization his statement should show a greater percentage than he should legitimately show. The amount which he has invested may be very larger than his capital?—Yes, it is a great deal larger.

Mr. Hocken: You have taken your profits in past years to build up the business and keeping your capital down in this way would make your business show an excess profit, but in proportion to the value of your plant it would be a very much lower profit.

The Chairman: I am confident that this committee will deal fairly with Mr. Robertson and with every one else. If he produces 650,000 pounds of butter in a year, to determine whether the amount of his profits was reasonable or unreasonable we would seek to find out the profit he was making per pound of butter rather than the profit he was making on his capital.

Mr. Reid: He is making a profit on the overturn.

The Chairman: And by the method in which he is doing business.

Witness: There is such a thing as penalizing a man for industry and knowledge of his business. I do not hire a man to do my business, and then go off bowling or something of that sort. By knowing my business and looking after it I get good returns. I do not think it would be fair to me to publish these percentages.

By Mr. Douglas:

Q. Is yours a joint stock company?—A. A limited liability company.

Q. Then an annual statement of yours giving these returns is filed in some branch of the service in the Legislature of Ontario?—A. I am not sure that I have been filing it.

Mr. Douglas: If not, you have been violating the law.

Mr. Davis: You will get your charter cancelled if you do not observe that requirement.

By Mr. Reid:

Q. If you show the amounts borrowed from the bank to conduct your business, it will make your statement look better. You may have a small capital, and a large line of credit with the bank.—A. We do a cash business and it keeps our borrowing low. We do not need a large line of credit.

Q. You need capital for running the business, do you not?—A. We turn the profit back in as the business increases, and as we do a cash business, in that way we do not have to go to the banks. We do not give a line of credit. In selling to firms we know we give credit but get our cheques within a week or ten days.

By Mr. Douglas:

Q. You must use capital to some extent. You show a business of $600,000. You must have had credit or your capital has been increased.—A. The capital has been increased a great deal.

[Mr. Mackenzie Robertson.]

Q. It is not an unfair request to make of you for we will have to do that with every company that comes.—A. It would not be the intention to publish this statement in your report, or in the newspapers?

By Mr. Davis:

Q. They are part of the records, and anybody has access to them.—A. Then my opposition, that has not been doing as well as I, could perhaps take them and make use of them in opposition against me.

By Mr. Douglas:

Q. If you have pleased your patrons, I do not see how publication could be disadvantageous to you. If you give better returns to your patrons than they think they can get from any one else, I do not see what the opposition can say.—A. The farmer would consider that point, but there is an element in the country that, if a man is doing well, they do not want to help him doing well, and it would hurt me.

By Mr. Reid:

Q. The more money the farmer get for his cream, the better he will be pleased. That is what he considers.—A. Yes, when he looks at it in the right way.

Mr. Reid: If you pay the price you will get the goods.

The Chairman: We do not want to injure any one's business, but we want to get at the bottom of this thing and let the public know what the facts are. If your business is being carried on in the proper way, as it appears to be, we want the public to know it. That is what we are after. We want to know what the farmer is getting, and if he gets too much, and if anything we can do will improve the situation, we will be glad.

Mr. Davis: We have summoned him here because we know he knows his business, that he has been successful in it and that he is treating his patrons right.

Witness: I appreciate that compliment, and we always try to treat our patrons right. We have to buy cream in the open market. If we don't pay the price we don't get it, and we have to sell our butter in the open market as well.

The committee then adjourned at one o'clock, to meet in Room 318 at four o'clock in the afternoon.

Committee Room 318,
Monday, June 9, 1919.

The Special Committee to inquire into the prices charged for foodstuffs, etc., resumed at 4 p.m., the Chairman, Mr. Nicholson, presiding.

Professor W. Toole (Guelph) called, sworn and examined.

By the Chairman:

Q. What this committee is anxious to get from you, if we can, is a statement that will give us as nearly as possible the cost of producing butter per pound, the cost of producing beef per pound on the hoof, hogs, mutton and so on, if you can, and as far as you can. We would also like any information you can give with regard to the present costs, and relative costs as between to-day and say five years ago. You might just lay the foundation for that in some general remarks with regard to the whole question of farming?—A. I take it that what you want to find out, you will question me on particularly. I had figured it out in our own herd at Guelph the cost of producing milk for February, March and April. The feed alone was $2.12.

[Professor W. Toole.]

Q. Per one hundred pounds?—A. One hundred pounds, for feed alone. Adding the labour average we cannot produce that milk for less than $3 per hundred pounds in those three months. You may say that our average is heavy. It is rather heavy because we have a barn and facilities such as the average farmer would not have.

By Mr. Douglas:

Q. What three months were those?—A. February, March and April. For the month of April alone, to give you some comparison, the cost of feed per one hundred pounds of milk was a little lower. I think I gave you $2.12 or $2.12½ for the average of the three months. I would say $2.02 for February alone with a herd of twenty-two cows milking, composed largely of Holsteins, with a few Ayrshires and Jerseys. Or at least, you can put it this way, that the average milk in Ontario, or Canada if you will, will run very little over 3·5 per cent fat. I notice some one said 3·8. I do not think it will average 3·8. I have nothing definite to give you, but from tests of individual cows, I think that 3·5 would be closer to it.

By Mr. Davidson:

Q. How much butter would that make?—A. A pound of fat will make about one pound and one-sixth of butter.

By the Chairman:

Q. That would be three pounds and five-sixths?—A. You can figure your cost from that. I did not figure the cost of butter.

Q. Let us get your opinion. We have a statement before this committee that it is possible to produce a 17 per cent increase, or in other words, that from 100 pounds of butter fat it is possible to produce 117 pounds of butter. What do you say as to that?—A. That agrees with my statement, one and one-sixth, does it not? It is very close to that on the average I should say.

Q. We had another statement before the committee, from another creamery, that the best they could figure on was 110 pounds of milk to 100 pounds of butter fat. Would that be due to inefficient methods?—A. I cannot tell you what it is due to, I would not venture a guess why he did not get more.

By Mr. Davidson:

Q. Perhaps there was more salt in it?—A. You wont find any creamery putting very much salt in because the taste of the average individual is not for salted butter, and they have to produce a butter that will sell. They have to live within the law as to the amount of salt and moisture in butter.

By Mr. Stevens:

Q. That is pretty well checked up in Ontario, is it not?—A. Very carefully. For last year, if you want the price that the farmer got for his milk and the cost of production on the farms, as shown from the surveys carried on, I can give you that pretty closely.

By Mr. Davidson:

Q. How were these surveys conducted?—A. By men graduates of the agricultural college sent from farm to farm with a questionnaire. They were made right on the man's own farm in each case. The cost of producing milk on, say Oxford county farms—four hundred and thirty-seven records were taken—figured out to $2.17 per one hundred pounds.

Q. On milk?—A. The cost of production, the average cost.

By Mr. Stevens:

Q. What does that include?—A. The cost of production includes the man's investment and his labour and his feed, everything in connection with the herd.

[Professor W. Toole.]

By Mr. Douglas:

Q. According to the figures he produced?—A. According to the figures that were given to the man sent out to get this questionnaire filled in by the farmer himself on his own farm.

By Mr. Stevens:

Q. That would be for the year round?—A. During the year ending February 28, 1918; that is from February, 1917, to 1918.

By the Chairman:

Q. The cost per one hundred pounds was $2.17?—A. $2.17. Possibly there should be a little extra charged against that milk because the profits derived from the sales of hogs, poultry and so on, reduce the cost of the milk. That is to say, the men who were producing that milk were also producing other things.

Q. It is a fair charge against the milk to take the by-products, whatever they might be?—A. It would be. Treating each farm, however, as a milk-producing business, it is quite fair to consider these side lines as items in the cost of running the farm. But you can take the figure of $2.17 if you wish for that period it would cost quite as much to produce milk then as it does now.

By Mr. Douglas:

Q. What period was that?—A. For the year ending February 28, 1918, commencing on the first of March, 1917.

By Mr. Davidson:

Q. Do you charge for overhead in that?—A. Yes, that is a man's investment is charged.

Q. At what rate of interest?—A. Seven per cent.

Q. What wages did you allow the farmers?—A. $500.

Q. For the year?—A. For the year.

Q. For themselves?—A. Yes, if I remember correctly $500 was allowed to the farmer.

By Mr. Douglas:

Q. Have you the figures there as to the actual cost of producing butter at the rate of $2.17 per hundred pounds of milk on the farm; have you computed that?—A. It is not computed, but it is very easy to make the computation, taking the average of milk at 3·5 per cent of butterfat, that would be 3·5, but the point I wish to make is that, while it cost that much to produce, it sold for an average of about $2.20 on the year. That was the average on all these farms covered by the survey of that year, $2.17 to produce, and the milk sold for $2.20 on the average.

By Mr. Reid:

Q. You say you allowed $500 to the farmer?—A. Each farm was treated as a manufacturing unit for producing milk. The costs of production, therefore, were made up on each farm of the following items: Current expenses (labour, repairs, seed, feed bought, taxes, etc.), depreciation on buildings and machinery, interest on investment at seven per cent, and $500 for the labour of the farmer himself. From this total was deducted the amount received for crops, hogs, poultry and other miscellaneous sales. The difference was the cost of producing the milk sold, the interest on the investment at seven per cent and $500 for the labour of the farmer himself. From this total was deducted the amount received for crops, hogs, poultry and other miscellaneous sales, that is to say everything that had been sold off the farm outside the milk was deducted from it. The difference was the cost of producing the milk sold.

[Professor W. Toole.]

Q. What do you figure the cost of producing milk?—A. $2.17 per hundredweight. Of course these are the latest records available from this particular survey of 437 Oxford county farms, which, by the way, is one of the best dairy districts in the Dominion.

By Mr. Reid:

Q. Can you hire that labour for $500 a year?—A. That is what was allowed as a lump sum for the farmer himself. I do not think it is enough money if the farmer be allowed that amount.

Q. He would occupy the position of a manager?—A. He is the manager of his own farm, that is true.

Q. What was the milk sold for?—A. For $2.20 per hundred as the average price, but for the milk of those same farmers at that same time that it was costing him $2.17 he could get $3 a hundred.

By the Chairman:

Q. And he got $500 as salary for the year?—A. Mind you I am only giving you the figures as they are gotten on the actual farms, and I am quite sure I am right when I say that the cost of production is a little higher this winter than it was then, because feed has been higher.

By Mr. Hocken:

Q. How much milk would the farmer produce on the average, have you got that?—A. Well, that is a question I cannot answer; how much he will produce depends upon the farmer.

By Mr. Sutherland:

Q. They would average higher possibly than in any other county in Canada.—A. We have them for Dundas county too.

Q. What would the cost be there?—A. I do not know how that was worked out exactly, there were 340 farms in the Dundas county survey.

By Mr. Hocken:

Q. Then with milk at $3 per hundredweight the farmer is not making very much?—A. No, the people are not flocking back to the farms to do it.

By Mr. Reid:

Q. Had the same milk been manufactured into butter and sold at the market price, what would it have represented in money, in cash?—A. What would it have turned in, in money, the same milk?

By the Chairman:

Q. Put it another way, what will butter fat of 3·5 cost when milk is costing $2.17 per hundred pounds?—A. It is an easy matter to figure it out. I do not think it is necessary for me to figure that.

By Mr. Reid:

Q. Would it have sold for that much a pound? I am informed that it is more profitable to sell milk than it is to sell butter.

By the Chairman:

Q. We have evidence before us that would show conclusively that the farmers are getting 50 cents a pound for butter fat, and milk at $2.17 per hundredweight is worth more than the butter fat at 50 cents a pound.—A. Naturally it would be, because you must remember that you have the by-product, when cream is manufactured into butter, that is worth considerable a hundred on the farm for feeding purposes.

[Professor W. Toole.]

Q. Can you give us any comparative figures showing the relative cost of producing to-day and the cost of producing in 1914?—A. I cannot give you the figures.

Q. You have not any figures that will go back further than the report that you have?—A. No.

Q. Could you give us any relative figures with regard to the cost to-day from your own experience on the Experimental Farm?—A. The cost to-day, as compared with that period in 1917—we figure it is costing us $3 a hundred at the present time, but I think that is a little bit high. As I said, our overhead is heavier than that of the average farm. The cost of milk production at the present time should run somewhere, I should think, with good feeding and good management between $2.50 and $2.75.

Q. Per hundred pounds?—A. I heard a dairyman in Ontario say not later than Friday, a gentleman who has 32 cows, and who is selling his milk for $2.40 a hundred, that he lost $70 in two weeks. He kept count of it in that time, and he figures he has to have $3 a hundred in order to make it pay.

By Mr. Reid:

Q. While your overhead may be heavier, one would think your production of milk is more than the average farmer?—A. Yes, it is probably double that of the average farmer.

Q. So that you can probably produce cheaper than the average farmer.—A. Well, we can and we cannot. Our labour expenses are a little higher than the average farmer's, and feed cost is possibly a little higher.

Q. Where the employment of labour becomes involved, where the farmer is in a position that makes it necessary, in order to carry on business, for him to go into the market and employ labour, what would your opinion be with regard to the difference in these costs in 1918 and 1919?—A. The cost of labour—very little in 1919 and 1918.

Q. Can you go back in that record to 1914-15?—A. Yes, our own men for instance are getting about 65 per cent more now than in 1914.

Q. Then as to the amount of labour you can get per man?—A. Less than we did.

Q. What would be the percentage?—A. That is hard to estimate. It is quite plain to see that they are not working just as hard as they did. I should say the cost of labour has increased anywhere from 60 to 70 per cent since 1914.

By Mr. Reid:

Q. How much has the efficiency decreased?—A. Probably 10 to 20 per cent—maybe more. You see I am trying to give the average Ontario conditions. At the present time on our own herd we have three men doing what two men should do, but under these circumstances you cannot hustle the men very much.

By the Chairman:

Q. Would that be a probable condition that every dairy farmer will be contending with?—A. The increased cost of labour—he has to contend with that, or otherwise he has to do the work himself, or some of his family do it.

Q. When he reaches the point that the work gets beyond what he can do, he goes into the labour market, and he is up against it?—A. He is up against it very hard, because the men who work on the farms are scarce, and the one looking for work on a dairy farm is scarcer, and that means seven days a week.

Q. Have you any information with regard to the number of producing cows on Ontario farms, whether they are increasing or decreasing?—A. I cannot tell you that offhand. The report of the Ontario Bureau of Industries would give you all that.

[Professor W. Toole.]

By Mr. Stevens:

Q. What experience have you with regard to the milking machines as assisting to overcome the shortage of labour?—A. We are not using the milking machines at the farm at the present time, because our herd is smaller than it was and we have men enough to handle it, and we expect to put in a larger herd soon, but in looking over the country you find differences of opinion in regard to the milking machine.

Q. Can you give us some personal information on that?—A. We used a milking machine and found it quite satisfactory when we used it, but it requires a certain amount of stripping afterwards, and for cows on test work I prefer hand milking. Of course, if you are producing milk for shipping or on a farm at the present time and have a large number of cows to milk, undoubtedly a milking machine properly looked after, and a good machine in the beginning will save some labour. There is not any doubt about that.

By Mr. Douglas:

Q. In that survey of the farmers in Oxford county, where it is shown that it cost them $2.17 per houndred pounds, can you tell us what they actually received for that milk?—A. $2.20 per hundred pounds.

Q. That would show that butter on that basis was costing about fifty-three and one-eighth cents per pound?—A. I did not take the trouble to figure that out.

Q. Would it not be a fact that there would be very few farmers who would get fifty-three and an eighth on an average the year round in Oxford county?—A. I do not know what they got that year. I do not think they would get that average. You see the fact that there is very little butter being made on the farms now, comparatively speaking, would go to prove that it did not pay the average farmer to make the butter on the farm.

By Mr. Sutherland:

Q. As a matter of fact, in your survey did you find there was any butter being made in the creameries in Oxford?—A. I cannot tell you, but I do not think so.

Q. A comparison of prices received shows cheese factories, condensers, and so on? —A. Have you Oxford county or eastern Ontario before you?

Q. Oxford?—A. I do not think they found any butter. There would be practically no butter made there.

Q. As a matter of fact the farmers there buy most of their butter?—A. Yes.

Q. The milk is disposed of to the condensers and cheese factories?—A. Well, not very much now in Oxford county.

Q. Have you not any cream factories?—A. No. It is powdered and condensed and consequently the prices received in Oxford would be very much higher than in places where they did not have the condenser.

By Mr. Douglas:

Q. According to your view, is there any chance of butter being cheaper?—A. My contention is that it costs sixty cents a pound to produce butter right now, for the three months I gave you, and there is no possible chance of it becoming cheaper, unless something else comes down.

By the Chairman:

Q. Any effort to arbitrarily fix the price at a lower figure than the farmer is getting for it now in competition will have what effect?

Mr. SUTHERLAND: Free grant lands.

The CHAIRMAN: I would like to get the professor's opinion on that, because it is vital. We have a lot of documents put before us advocating that some one should step in and say that this stuff must be sold at a lower price. Assuming that the farmer is getting fifty cents per houndred pounds for his butter or butter fat, without the cost of manufacturing at all, and the federal authorities step in and say that the farmer must sell his butter fat at forty cents, what effect will that have?

WITNESS: He will not sell you much butter fat. That will be the effect. If he can get calves he will put them on the cows and stop milking and sell his cows.

By the Chairman:

Q. In your judgment it would result in reduced production?—A. As an economic proposition, with the present cost of labour and foodstuffs and everything the farmer has to buy, he cannot do it. He is more or less of a business man and will not do it.

By Mr. Douglas:

Q. What would you suggest as a possible means of lowering the rates?—A. That is very well set forth in this document I have before me: That is that we need higher producing cows for one thing. We need better sires, and we need, in a great many cases, a little more efficiency in handling, but that cannot be brought about in a very short time.

Q. We quite appreciate that, but that is one of the things we want to get at.—A. You cannot do anything better than encourage better live stock.

Q. That is an educational campaign?—A. Yes. It is very clearly set forth. I think I can do no better than to leave copies of this report with you, and you can go through them. Of course, as shown in the survey work, these things have an important bearing on the man's income from his farm.

By Mr. Stevens:

Q. Have you any figures in those reports regarding the average per month paid to a labourer?—A. No.

Q. Have you any idea how it runs?—A. The average wage per month to a labourer?

Q. Yes.—A. I can tell you what we are paying; it is $2.50 a day to our oldest and best men, with free houses.

Q. And they board themselves?—A. They board themselves with the free house, you understand, and a garden patch.

Q. Have you any idea what they are paying for the farm help with board?—A. I could not say offhand, and there is no use guessing at it, but they are paying I should say easily 60 to 65 per cent more than they did in 1914. Board is an item that is not very often considered on a farm, but it costs just as much to feed a man on the farm as anywhere else.

By Mr. Davidson:

Q. Have you any figures as to the cost of pork?—A. I have none taken on the farm. I have some taken by myself. It figures out at the present time at about $18 per one hundred.

Q. Live weight?—A. Live weight. I will tell you the way we figure it. Some of you may be in a position to question these figures. Investigational work at the college has shown that it requires more than four pounds of meal to produce one pound of pork. You are safe to put it at five pounds for the average farm in the country.

Q. What kind of meal?—A. Mixed meal; five pounds to produce one pound of pork. You go out at the present time, and you buy pigs at about $15 to $16 per pair. There is $8 for your pig at two months' age when he is weaned. It will take you on the average, until he is seven months of age, to make him weigh 200 pounds, and you are doing pretty well over Ontario if you make him weigh 200 pounds when he is seven months old. You have 170 pounds of pork to make, and at the present time I figure

[Professor W. Toole.]

the feed at two and a half dollars per hundred, which is about the average price, barley, oats, a few peas if you will, or concentrates such as oil meal in small quantities, or something of that kind. It will cost you twenty-one to twenty-five dollars to feed him after you get him. We figure in labour somewhere near four dollars, and just what the difference in interest and depreciation is, I am not quite sure; somewhere around possibly four dollars for the average farmer who would keep one or two, making your 200-pound pig $27.25, or a little better than $18 per one hundred. I do not know whether that is too high or two low, but if you figure everything in, you will find it is around $16 or $18.

Q. Does it cost $17.50 to produce a two months, pig, if you raise him?—A. That is what you will have to pay for him, and if you sell him, you will not have a big profit on him, because you have your sow to carry. You have to run the risk of whether she raises seven pigs or no, the average is about seven. There might be a little profit in that pig at the $8 I give, but it is around that figure at the present prices for everything.

Q. Have you any figures for beef?—A. Yes.

Mr. DEVLIN: Let us settle the pig question first.

Mr. Hocken:

Q. What is pork worth now?—A. It is going down a little. It was up a little over $20 per one hundred.

By the Chairman:

Q. The latest quotation is about $19 per hundred?—A. It is down, but it did go as high as $23.

By Mr. Stevens:

Q. That was on the Toronto market?—A. It was up to $22.50 f.o.b. country points, but it is going down a little, which you would naturally expect.

By Mr. Douglas:

Q. Do you find that the farmers figure out the detailed cost of producing a pound of pork as closely as you are figuring here?—A. No.

Q. If they did they would go out of business?—A. I do not think so; they have to do something.

By Mr. Stephens:

Q. Perhaps if they figured a little more closely, they might work a little more scientifically?—A. They do not get time to figure. Give them more help on the farms and they will do more figuring. The point is that with the population drifting cityward all the time, the man left on the land is working eight hours before dinner, and eight hours after dinner, and the rest of the time he sleeps; he does not figure.

By Mr. Sutherland:

Q. Does that not account for his ability to get along, the fact that he works 16 hours a day?—A. Not altogether, but it does to some extent, that is to say, his ability to get along, is due to his application to his business.

Q. Have you included the cost of labour in your estimate of $18?—A. Yes.

Q. Four dollars per pig; that is putting it pretty low, is it not?—A. Four dollars per pig for labour. There is an item which you have to take some account of, that is the fertilizer you get from your pig.

By Mr. Davidson:

Q. You have not charged plumbers' rates for labour?—A. No, not quite.

[Professor W. Toole.]

By Mr. Reid:

Q. I think the four dollars is about right if a man has a herd?—A. It is based pretty closely on what we are doing ourselves. I was rather careful about these figures that I did not get too wide of the mark. I am not here to say that it is not possible to produce pork at a little less than $18, or that in other cases it does not cost a little more; but that would strike me as about what it has been costing just recently when prices have been what I have been giving you.

By Mr. Stevens:

Q. Do you figure upon that sow farrowing in the spring or fall?—A. Twice a year.

Q. Did you ever figure, or can you give figures regarding the raising of hogs up to shipping time on grass or pasture, or clover and so on?—A. We have. I have not these figures with me. The work was done before I took over the Department at Guelph. But there are figures to show just how much pasture will cut down the grain. But remember the pig is not like the ox and the sheep; you have got to give him concentrates before you finish him, and while you do it a little more cheaply in the summer months, and a little more cheaply on alfalfa and green feeding, at the same time you will have to average your summer litter with your winter litter. You will not get the farmer to raise summer litters alone as a general thing; he tries to get two litters a year from his sow, and you average the two.

Q. And these figures you have given have taken care only of the cost in Ontario? —A. I have taken Ontario only.

Q. Have you compared that with the figures of other provinces?—A. I have not.

Q. You could not say whether that would be fair for the other provinces?—A. It would possibly be higher in some other provinces than in Ontario. I did not know until Saturday that I was coming here and I did not compare the figures with those of any other provinces but I take it into consideration that we can produce pork as cheaply in Ontario as anywhere else in Canada.

Q. What is the cost of pork retail?—A. I do not know, my wife buys the pork by retail.

Q. Of course the figures you have been quoting were for live weight?—A. I am quoting you live weight figures.

By Mr. Devlin:

Q. Why do you say you can produce it cheaper in Ontario than in any other province?—A. I did not say that; I said we can produce it here as cheaply as you can in any other province.

Q. Probably we can produce it cheaper in Alberta?—A. Probably you can.

Q. For this reason we can grow heavier weight per bushel of oats and barley, and then there is more feed, more nourishment in our oats than in the oats from any other part of Canada.—A. Do you raise two litters a year as successfully as we can in Ontario? I know of course you can in some part of Alberta.

Q. Oh, yes, there is no reason why we cannot, we have not any colder climate than you have in some parts of Ontario?—A. I wish the committee to recognize the fact that my figures are confined entirely to Ontario because at the present time I am interested in Ontario, I am an Ontario Government official.

By Mr. Davidson:

Q. Can you suggest any way in which the price of production will be decreased?—A. If you fix the price at all it will decrease. What we do need is better stock and I have in mind that we need in this country if we are going to continue to produce the bacon hog is that a premium be paid for the production of that particular class of hog to induce the farmers to produce that kind of hog rather than the larger and heavier hog.

[Professor W. Toole.]

Q. That is a premium for the smaller hog?—A. So that he can get a slightly higher price than is paid for the big hog. As it stands now I can get just as much in the yards on the farm for the big Poland weighing three hundred pounds, or nearly that, as I can for the choice Yorkshire which will weigh 200 pounds.

Q. Then the lighter hog is the better bacon hog to raise?—A. That is if the bacon market is our main market. You must remember, however, that there are certain sections in Canada that are not wedded to the bacon hog. The people in the west like the Duroc hog, a dark coloured hog better than they do the Yorkshire.

Q. What is the best weight hog on the market?—A. The best weight of bacon hog is around 190 or 200 pounds live weight; that is the way they all go now, they are shipped alive to the butchers.

Q. That class of bacon hog demands a higher price on the market than the fat hog?—A. It does not at the present time; it may in the old country market if that is the market for the farmers here; that is the kind of bacon that the consumer in the old country likes and it is on account of that fact that the Canadian bacon commands a higher price in the English market than the American. The American bacon is from a big, fat hog and the English consumer likes bacon from a lighter hog. There are a lot of misfit hogs at the present time.

By Mr. Reid:

Q. What breed do you reckon the best breed for bacon?—A. I cannot answer that. If I named one breed and you happen to be breeding another breed you will object. There are three good breeds of bacon hogs being bred in the country. The Yorkshires, the Tamworths and the long type of Berkshire; the Duroc and the Poland and as you know the thickest Chesters are recognized as large hogs, but you will never catch me saying which is the best breed. However, that is away from the point.

By the Chairman:

Q. What we want to get at is the cost of producing the hog?—A. The figures I quoted are as close as I can give it to you.

Q. You say it is $18 per hundred?—A. $18 or thereabouts.

Q. Then if they are selling at $19 or $20 the producers are getting $1 or $2 a hundred?—A. Yes, it has been a little higher lately.

By Mr. Sutherland:

Q. What is your particular idea of the killing of hogs by reason of feeding them some of these standard hog feeds that have been put upon the market. Do you find any bad effects from poisonous wheat feeds?—A. We haven't had any poisonous feed and we have only had one lot of shorts since I went there that the pigs refused to eat. Undoubtedly that lot of shorts had in it black wheat seeds; there was a bitter taste to it.

Q. It would have to be very bad before the pigs refused to eat it?—A. No, not necessarily. You see it takes such very little, only a seed of mustard sometimes. They were well fed pigs; they had always plenty of feed you understand, and as soon as they struck something bitter they refused it.

Q. Of course you have no swamp land?—A. We have some that was almost a swamp this spring, but our pigs do not range over large areas. We had large quantities of shorts, particularly for the pigs and we bought a considerable quantity of the standard hog feed that was put on the market by the Government in war time.

By Mr. Stevens:

Q. Have you noticed in the bran and shorts during the last two years a deterioration in quality?—A. It could not be anything else when you put the best part of the wheat in the bread for the people and take it away from the live stock. Shorts to-day are not anything like as good as shorts were some years ago.

[Professor W. Toole.]

By the Chairman:

Q. Have any complaints come under your observation in regard to these standard hog feeds with bran and shorts that were put on the market last year having the effect for instance, of drying up the mother pigs?—A. No, we had nothing of that kind come under our observation. That is you mean that the standard hog feed that was put on the market by the Government dried up the mothers?

Q. Yes?—A. The few mothers we had we did not feed very much standard hog feed. For the breeding sow we make up our own ration.

The CHAIRMAN: Shall we proceed now to the question of the cost of beef? Perhaps the professor will make a statement as to that.

WITNESS: You can understand that a personal factor comes in largely in all these things, but I have figures here in which I claim it costs about $111.50 or $112 to grow a 1,200-pound steer at the present time.

By the Chairman:

Q. That is 9½ cents a pound?—A. Pretty close to ten cents a pound, and that is a very good quality of steer. You can figure your calf at about ten dollars. That may be a little high. That does not include labour, because I made no estimate of the labour in this figure. The first month he will require new milk, or should get new milk, 10 pounds a day, and that amounts to $7.50 for the month. Then four months he would be on skimmed milk at about 12 pounds per day, thirty cents a hundred. It is really worth more, but that is what we pay for it ourselves. That would bring the cost of the skimmed milk at about $4.30. Then he would require three dollars' worth of grain and two dollars' worth of roughage. Then from the time he was five months old up to a year he would require about $15.75 worth of grain, and about $5 worth of silage and probably $5 worth of hay. The second year he would probably be five months on grass which at $1.50 a month would amount to $7.50. Then seven months on grain which would amount to $31.50. Then silage $10 and hay $10. That comes to $111.55. That is without calculating labour or overhead charges. Of course, that figure may be out one way or the other, but that is a fair average of the amount he would eat at a fair price.

By Mr. Douglas:

Q. He would have to be a good grade?—A. He would have to be a fairly good grade and to be well handled to bring him to 1,200 pounds in two years. He must be a good steer and have good breeding. There are more of them over the country that will weigh eight or nine hundred pounds.

By Mr. Stevens:

Q. What would he bring?—A. He might bring twelve cents, possibly 13 cents a pound. I have added no labour in connection with that. If you add a man's labour for growing and finishing that steer, it will be more.

Mr. STEVENS: And the risk.

By Mr. Davidson:

Q. No overhead on the steer?—A. No.

By Mr. Sutherland:

Q. And the average man raising cattle would not exercise the careful oversight, and have the experienced feeders, possibly that you would have?—A. No.

Q. He could not?—A. No, but remember these are not actual results from our own feeding, because we tried to get a steer heavier than that at two years of age, and we succeeded, but we fed a lot more grain than would be fed in this case.

[Professor W. Toole.]

By Mr. Devlin:

Q. That steer would practically be useless for exportation?—A. Well, a 1,200-pound steer is heavy enough to export if he is in prime condition, but he would be a real choice steer for a butcher shop.

By the Chairman:

Q. How many pounds of butchers' beef in that?—A. It depends a good deal on the steer—65 per cent perhaps.

Q. That is a choice butchers' steer?—A. He would be considered as such. He would hardly be compared with the steer we feed, but we get a heavier weight than that. We let the calf suck the cow, and you have to charge the whole cow to him for eight months.

By Mr. Davidson:

Q. Has there been a great difference in the breed of steer?—A. Well, of course, this would be a beef steer. You would not do this with a dairy-bred steer.

Q. He would have to be a good steer?—A. A Hereford or an Angus or something like that.

By the Chairman:

Q. Can you give us any information with regard to the average of the steers that are produced throughout the country?—A. Just what do you mean?

Q. The steer that you refer to is not the average steer that is going on the market?—A. No.

Q. The majority of the beef we are eating is not produced from steers of that type?—A. No.

Q. They are not as good?—A. No.

Q. The average is 900 to 1,000 pounds.—A. Yes, and that steer is about two years old when you get him. He has not eaten as much grain. He has not had as good care, and therefore on the market he will not bring the high price. He will sell on the market—he would possibly be sold as a feeder, and go back to be finished, and then he is killed and goes on the consumers' table.

By Mr. Davidson:

Q. After all, it would cost just as much either way to produce the beef per pound?—A. Yes. I am taking this calf and raising him from a youngster up. With the grass cattle you simply go on the market and buy the cattle in the spring ond sell them in the fall. I know of one load of cattle bought that way last year, and over $3,000 put into them, and they were grass cattle, and were sold, and brought four hundred dollars more than was paid for them in the spring.

Q. Thirteen per cent? You said it cost $3,000?—A. Cost better than $3,000. They were purchased in the spring and kept there till fall and the increase in the selling price over the purchase price was $400, but it took practically 100 acres of land to carry them.

By Mr. Sutherland:

Q. How many head?—A. 25 head.

By Mr. Devlin:

Q. Why do we pay so much more for western beef on the retail market than we pay for eastern beef?—A. Do you mean by eastern beef Ontario beef? Do you pay more for it? I do not see why you should?

Q. Do you not know of your own knowledge that they pay more for western beef?

Mr. DAVIDSON: It is better beef.

By Mr. Devlin:

Q. More is charged for western beef in Ottawa than for Ontario beef.—A. They would not charge more for choice western Ontario beef. Do you have to pay more for beef coming from Alberta to Ottawa than you would for a choice piece of meat out of a good steer from Ontario?

Q. What would you pay for good meat out of an Ontario steer?—A. I do not know.

Mr. Devlin: You pay 48 cents here to the dealers for good western beef.

By Mr. Devlin:

Q. Can you give any explanation for that difference?—A. No, I cannot.

Q. For instance, a butcher said to me, "It is no use handling eastern Ontario steers at all, because the people do not want them, too light, they call for the western beef".—A. Well, they must mean scrub dairy stuff, I should think, coming from some districts where they have no particular breeding. For instance, you cannot get any higher quality of meat than the choice baby beef of the choice 18 months to two year old steer, highly finished in old Ontario, and in regard to that point about the heavy cut, as a general thing, the butcher tries to tell me that the demand is for the lighter cuts—the high quality of lighter cuts—highly finished young animal.

By the Chairman:

Q. Have you any information as regards poultry and eggs?—A. That is out of my line. If you want to get that information I would advise you to get a poultry man.

By Mr. Hocken:

Q. What is the variation in prices of beef?—A. Well, there is a big variation in price, but I would not undertake to go into it here. You can take one-half of your animal above a line drawn about the centre of the body; and that portion of meat above that line is worth just double, or practically so, the portion below the line. The expensive cuts are all along the back of the animal or down the hind-quarters. Take the animal along the centre, on each side, and above that you get the expensive cuts; leaving out the neck, that portion will be double, under normal conditions, the portions below.

By the Chairman:

Q. Summarizing what you have told us, you say that producing milk is costing $2.17 per hundred?—A. Not now; it did do that. I would rather put it this way, it cost $2.17 on a number of farms surveyed in Oxford county from March 1, 1917, to February 28, 1918.

Q. And that the cost would have increased if there was any variation?—A. It has certainly increased some since.

Q. You put it that in your judgment it is costing sixty cents a pound to produce butter?—A. I do not think the average farmer could produce butter under present-day conditions the year round at much less than sixty cents, and make a living.

Q. And it is costing $18 to produce hogs?—A. My estimate would be in the neighbourhood of $18, and that without any overhead for labour or risk it would cost about $112 for a steer of 1,200 pounds, two years old, under the most ideal conditions of feeding?—A. Yes, that is under very good conditions of feeding.

By Mr. Mackie:

Q. Do you include the West as well as the East?—A. No, Ontario.

[Professor W. Toole.]

By Mr. Davis:

Q. What about sheep?—A. I did not bring any figures with me as to sheep.

By the Chairman:

Q. Can you give the Committee any approximate figures as to the cost of producing lamb and mutton?—A. A lamb, if he is a good lamb, should weigh about ninety pounds in the fall when he is marketed, and you can figure it at about a lamb, or a lamb and a quarter, to a ewe. You can get fairly close to it. I do not like to say without doing some figuring, because it is rather important that you should get fairly close to it, but you have five months at grass for a ewe, and you have to figure on your ewe as well as on your lamb. So you can run six sheep and one ewe; you can run your ewe at a dollar and a half, twenty-five cents a month, a dollar and a quarter for the summer months.

Mr. DAVIDSON: While Professor Toole is figuring that out, I may call the attention of the Committee to an editorial in the St. John's *Standard* of June 6. It is an article on "Wasting Food." Perhaps I may read it. (Reads):—

> The Standard is informed and has reason to believe that on a day within the past two weeks there was turned into fertilizer sufficient mutton and lamb to supply every family in St. John with several meals. The quantity involved in this destruction is said to have amounted to five hundred carcasses, which would average from 40 pounds to 45 pounds each at the lowest estimate. It is also stated that another concern doing business here purchased, at a price of 1 cent per pound and truckage, a very considerable quantity of butter and lard, etc. Meantime mutton sells at 20 cents per pound by the carcass, or 30 cents retail, and butter to the consumer is running from 55 cents to 60 cents per pound. This wastage, which is nothing less than criminal, is not at all new. Great quantities of foodstuffs which should be made available for purchase among our people have been destroyed in this city on frequent occasions during the past few years. Apparently the owners, rather than permit a reduction in price, are content to submit to total loss on these consignments in order that they may maintain the prices on others."

Moved by Mr. Davidson, seconded by Mr. Douglas.

Whereas the Standard newspaper of the City of St. John in its issue of June 6, charges editorially that owners of foodstuffs in that city rather than permit of reduction in prices have allowed large quantities of food to waste, therefore resolved that the clerk ascertain from the publishers of the Standard the writer of this article with a view to having him summoned by the Committee.

Motion adopted.

Examination of Professor Toole, continued.

By the Chairman:

Q. About $12 per hundred at present prices would be the estimated cost of producing lamb?—A. About $12 a hundred, yes.

Q. Now with regard to the cost of producing veal—have you any information in regard to that?—A. No, nothing regarding veal.

Witness retired.

Committee adjourned.

[Professor W. Toole.]

TUESDAY, June 10, 1919.

The Committee appointed to inquire into the cost of foodstuffs and other necessaries of living met at 11 o'clock this morning in the House of Commons Chamber, Mr. Nicholson, the Chairman presiding.

Members present.—Messieurs: Davidson, Davis, Devlin, Douglas (Strathcona), Euler, Hocken, McCoig, Nesbitt, Nicholson (Chairman), Reid (Mackenzie), Stevens and Sutherland.

The CHAIRMAN: In Mr. Robertson's evidence given here yesterday, as published in the Citizen of yesterday afternoon, there was a manifest mistake which I think should be corrected. Mr. Robertson gave evidence that the lowest price at which he sold butter during 1918 was a good figure. I think he was asked two or three times to make that point very clear. It was the lowest price to which butter went in June and July, 1918. The newspaper report gives it as the highest price. It seems to me that it should be corrected because we do not want to have statements going out that are likely to give a wrong impression.

Mr. STEVENS: The *Citizen* will correct that, I am sure.

Mr. SUTHERLAND: The *Citizen* of this morning, in reporting Mr. Robertson's evidence, states that in normal times the sale of oleomargarine is a detriment to the dairy farmer, and that the manufacturer should be allowed to mix good butter with it, which is the very opposite of what he said.

The Chairman here announced the receipt of a telegram in connection with a motion made by Mr. Davidson concerning charges made in the *Standard.* The *Standard* said that charges such as those referred to had been made in an editorial written by Mr. H. V. Mackinnon. On the motion of Mr. Davidson, seconded by Mr. Reid, it was decided to call this witness.

Mr. E. C. Fox called, sworn and examined.

By The Chairman:

Q. What is your position, Mr. Fox?—A. General Manager of the William Davies Company.

Q. Your business is the general meat, packing and produce business?—A. That is right, sir.

Q. And, in connection with that, you handle meat products right from the hoof to the retail store? I suggest to the committee that we should follow out one line at a time. So far we have been dealing exclusively with the question of butter. We will begin with that. Do you operate a creamery yourselves?—A. No, sir.

O. You purchase from the creameries?—A. yes.

Q. Do you purchase dairy butter from the farmer?—A. Very little, practically none at all.

Q. What percentage of the butter you put on the market do you get from the creameries, and what from the farmer?—A. I could not tell you off-hand. I would not even venture an approximate opinion, but I think that we would not get more than five to ten per cent of dairy butter.

Q. The butter you put on the market in the months of December and January, February and the first half of March in each year, what month is that usually put in storage?—A. Usually put in in June and July.

Q. With any of the butter which you put on the market during these months as creamery solids or in creamery one pound bricks, is it all creamery butter, or do you do any compounding?—A. None whatever.

Q. There is no such thing as mixing creamery butter and dairy solids, and turning it out printed as creamery butter?—A. Absolutely none.

Q. Can you give the committee figures as to prices at which butter going into your cold storage warehouses during the season of 1918 that went on the market in the winter months of 1919 when the butter supply was low—what the costs were to your firm per pound?—A. It was only 4.30 o'clock yesterday afternoon that I got a telegram asking for some information on butter, and it was impossible to produce figures as asked on the short notice given because we keep the records in a different form than those we are asked for, but I have brought with me all the daily forms that we were required to put into the Canada Food Board last year and up to March this year, during which time the profits on produce, butter, cheese and eggs were limited to four per cent gross with respect to wholesale sales, and ten per cent gross with respect to retail sales. These dealings forms are on record with the Canada Food Board, and I brought our only copies down with me in case you wanted to examine them.

Q. In order that you may get clearly before you the objects of this committee, I will make this explanation. We are not endeavouring to go into a mass of forms and evidence such as the Canada Food Board had. We are endeavouring in a more direct way, if we can, to establish the spread between the cost of production, or between the cost paid to the producer of necessaries of life, and what it costs the ultimate consumer. We are not particular as to a fraction of a cent, but we do want to find what the spread is. For instance, between butter, which went into storage in June and July, 1918, and what it costs the consumer in January and February, 1919?—A. Mr. Chairman, I can give you the price at which we sold the retailers, and then there is the step from the retailers to the consumers. That last step I can tell you nothing about.

The CHAIRMAN: That is what we want to get from you—as far as the retailer.

Mr. STEVENS: Ask him the price he received from the retailers in November, December, January, February and March.

Mr. NESBITT: We want the price paid for it first. We can trace it down from that in the natural order.

By the Chairman:

Q. We want the cost in June and July of last year first as it went into the cold storage warehouse?—A. What I have not got I can get for you, Mr. Chairman. In June, for the four weeks ending June 22, 1918, I give this in two separate figures covering the operations of our Montreal and Toronto houses.

By Mr. Devlin:

Q. How many houses have you?—A. Two.

Q. Not any other?—A. We have one in Winnipeg, but we don't own anything out there at all. For the four weeks ending June 22, 1918, the cost of what went into storage, just the freight included without anything else, was 43·17 cents a pound.

By Mr. Stevens:

Q. Is that for Montreal?—A. Yes. The average selling price was 44·23 cents.

Q. For June 22?—A. Yes.

By the Chairman:

Q. Did any of this butter which went into storage on this June 22 period at 43·17 cents a pound—did you carry it over to the next winter?—A. I cannot tell you. The probability is that some of it was carried over. It loses its identity when it comes in, and it is averaged.

By Mr. Stevens:

Q. You mean to say that, whereas you buy in June and July the largest quantities of butter, which we know are the greatest producing months, you cannot tell us when that butter is taken out of cold storage?—A. Yes, I can tell you when the butter is taken out of cold storage by going back to the lot numbers, but I cannot tell you in a short time.

Q. The bulk of that would not be sold until the winter?—A. You are quite right.

By the Chairman:

Q. The butter which went into storage before June 22, went in at an average cost of 43·17 cents. The sales in June were at 44·23 cents. Would you give us the figures for the next period?—A. For the same period in Toronto the average cost, including freight only, was 42·77 cents. The average selling price was 44·74 cents.

Q. For the same period?—A. Yes, sir.

Q. Will you give us the next period?—A. For the period from June 22 to July 27 in our Montreal house the average cost was 43·51 cents. The average selling price was 44·91 cents. The Toronto figures for the same period show an average cost of 43·57 cents while the average selling price was 45·21 cents.

By Mr. Stevens:

Q. What was the quantity put in cold storage in those two months?—A. I do not know. Do you think I should expose our business publicly in this manner? I think the William Davies Company has been exposed enough. Our business has been hashed over while other business of the same kind have been allowed to escape.

Q. I do not think you should talk about hashing. We want to get all the facts. Any attitude of that kind will not deter me from getting at the facts either. I want to know what went into cold storage in June and July?—A. I was not referring to this committee in my remarks. I cannot tell you what we bought for that period. I can tell you what we sold. But I believe, the house bought 506,000 pounds.

By Mr. Nesbitt:

Q. What did they sell?—A. 53,000 pounds.

By Mr. Stevens:

Q. That is the very thing we want to get?

By the Chairman:

Q. Now give us figures for the Montreal house?—A. For the same period, the Montreal house bought about 590,000 pounds and they sold 104,000 pounds.

By Mr. Stevens:

Q. For the two months of July and August.

The CHAIRMAN: No, for Montreal and Toronto in July. Give us June for the same period?

The WITNESS: In Toronto for the June period 287,000 pounds of butter were purchased while we sold 45,000 pounds. For the Montreal house for the June period we purchased 402,000 pounds and sold 40,000 pounds.

By the Chairman:

Q. You can continue now for August, September and October?—A. Yes, sir August 31, would be the end of the next period. In Montreal for the August 31 period the purchases amounted to 346,000 pounds at an average cost of 43·16 cents a pound. At that point the Food Board asked us to divide the retail and wholesale figures so that the figures here I will give you divided in this way. We sold 43,000 pounds wholesale at 43·54 cents, and we sold 42,000 pounds retail at 44·99 cents.

By Mr. Stevens:

Q. That is for Montreal?—A. Yes, and we sold 200,000 pounds for export.

By Mr. Devlin:

Q. The first 43,000 pounds from the Montreal house was that sold at retail?—A. No, that was wholesale.

Mr. DAVIDSON: I understand that duplicates of all this information have been filed with the secretary from the Cost of Living Branch, and this would give exact information which Mr. Fox is giving the average for month by month.

Dr. McFALL: Except for the last two months we have an average of all the firms of the country.

The WITNESS: You have them from June 22, I am giving nothing new. All this is filed with the records that they asked us for when it was first decided to limit the profits.

Mr. STEVENS: Do the reports and documents you have filed show the quantities taken in and the quantities taken out of cold storage in all these months?

Dr. McFALL: Yes.

Mr. STEVENS: Is there any objection for Mr. Fox to give that?

Dr. McFALL: It is all massed together, sir.

The CHAIRMAN: Shall we continue to get these figures from Mr. Fox?

Mr. STEVENS: I do not want to pursue the thing in great detail, but I want to check the records for December and January, taking those two months as sample months.

Mr. NESBITT: Down to what time have you these figures, Dr. McFall?

Dr. McFALL: Up to the end of January.

Mr. NESBITT: Have you this year's figures?

The WITNESS: I think they went to March, did they not, Dr. McFall?

Dr. McFALL: Some handed them in up to that period, but it was not pushed.

The WITNESS: The last record I have is February 1st. We were out of cold storage butter anyway after that period so that it does not make any difference.

By Mr. Stevens:

Q. I have asked for the quantities going into and being taken out of cold storage for the months of December and January. Let us have them.—A. For the period ending December 28, they purchased for the Montreal house 24,000 pounds at an average cost of 51·13 cents, and sold 45,000 pounds at an average cost of 51·02 cents. Our stocks were down to 261,000 pounds. For the Toronto house we purchased 496 pounds. We sold 12,000 pounds at an average cost of 48·53 cents, and 66,000 pounds at an average of 48·15 cents.

By the Chairman:

Q. And you had in stock?—A. 496,000 pounds.

Q. And in the period ending February 1st?—A. For that period we purchased 64,000 pounds at an average cost of 51·41 cents and we sold 64,000 pounds at an average price of 51·65 cents. For export we sold 113,000 pounds at an average price of 52·05 cents. At the beginning of that period I should have said that we had 232,000 pounds. In the Toronto house we took in 768,000 pounds, and we sold 178,000 pounds at 50·27 cents. We had a stock left of 294,000 pounds.

By Mr. Devlin:

Q. Give us the average profit throughout the year.—A. We lost money.

Q. We have all lost money. I know you have lost money, but you have not lost money on butter. You sold at 52 cents, and you bought for 44 cents.—A. We combine the produce department, taking together all the cheese, butter and eggs. We have no way of separating the profit and loss on the different items. I do not suppose we did lose money on the butter. We probably made some money, but what the percentage is I do not know. Whatever charges there were had to be taken off the gross. We lost money on the gross. I do not think we lost money on the butter.

Q. Can you tell us what you got—A. I cannot tell you exactly, but it could not have exceeded ten per cent gross on the retail sales.

Q. Why is it that creamery butter is so much more expensive than the best farmer's butter? Creamery butter is now selling in this city at 68 cents a pound at the retail merchants.—A. We are selling creamery butter in our stores at 58 cents a pound, this week in Toronto.

Q. That is a spread of ten cents between your institution and the retail stores of Ottawa.

Mr. McCoig: The wholesale price of that butter was 53 cents a pound, and that would show a spread of about 18 cents as compared with retailers prices in Ottawa.

The Chairman: We have evidence that butter is sold to the retailers in Ottawa, and we will have to learn from them about this spread. What it was sold for elsewhere does not enter into the problem.

By Mr. Nesbitt:

Q. What did you pay to the creameries?—A. Last week we paid 53 cents a pound. This week they think they will get it for 51 cents.

Q. Last week butter that we bought at 53 cents has been sold by your retail stores for 58 cents?—A. Yes, sir.

By the Chairman:

Q. You put butter into the Montreal warehouse in June and July last year at an average cost of approximately 43¼ cents, according to the figures you have given us here. You sold butter which, I would assume, was the same butter in Montreal in December and January at 51¼ cents. The spread there is eight cents a pound between the butter coming in in June and July, and that which was sold to the retailers in December and January. What is the shrinkage in butter put into cold storage in June and July, and taken out and sold in December and January?—A. I really could not tell you. I am not a butter man at all. Our produce business is very small. I do not think the shrinkage is very great. There is a slight shrinkage.

By Mr. Devlin:

Q. Independent of all shrinkage he tells us what his profits are?

By the Chairman:

Q. The thought I have, Mr. Devlin, is this, that there seems to be a feeling that the question of profits is somewhat difficult for the average consumer to digest. He is anxious to know if he can what the spread is, how much a pound there is between what that butter is costing, and what the producer is getting and what he is paying. We have butter put into cold storage and kept there for six months. On Friday or

[Mr. E. C. Fox.

Saturday we had evidence as to the shrinkage on butter. Could you give us, Mr. Fox, what you consider the carrying charges for this butter? I do not mean the interest on the investment, simply the cold storage charges per month.—A. There was a recognized cold storage charge allotted by the Canada Food Board, what amount it was I do not know. The custom is to charge two-sevenths of a cent a pound for the first month and one-seventh of a cent a pound for all subsequent months.

By Mr. Nesbitt:

Q. That would be one cent in six months?—A. That would give it to December. It would be a little more.

Mr. DEVLIN: What I cannot digest and what I think the general public will not be able to digest is how it is that Mr. Fox in a retail store in Toronto can afford to sell creamery butter at a good sized profit for 58 cents where I, in another place, have to pay for that same butter 68 cents.

By the Chairman:

Q. We must get the people here who are selling at the 68 cents to give information as to that.—A. I would not say we are selling at a good sized profit. You can see we are not. Over a period of time it is fair to assume that one sells for profit or does not stay in business. We are not selling at 58 cents all the time. It is a leader this week.

Mr. DEVLIN: You are not selling butter for the benefit of the health of the public. You are selling it for your own profit, I would suppose?

Mr. McCOIG: In selling it at 58 cents you make five cents clear?

By the Chairman:

Q. The sale is at 58 cents, and the spread is five cents from the wholesale price Out of that the cost of doing business must be taken.—A. I think you will find, when you go into the retail business, that the cost for every one dollar's worth of sales you have will be approximately 20 cents charges before you begin to show a profit. Some man with a small volume of business will have it run higher, and with a larger volume it will run lower. The spread of five cents between 53 cents and 58 cents, averaged over a retail business, is not profitable, and could not go on permanently for fifty-two weeks in the year.

By Mr. Devlin:

Q. You say you are selling butter at the present as a leader. In other words you are selling butter cheaper than you usually sell it so as to draw in more custom to your stores?—A. Yes.

Q. If you were not selling it as a leader, what price would you be selling it at at the present moment?—A. I would add another four cents a pound to that. We do not take the same percentage of profit on produce as on meats, bacon and so on for this reason. You buy a pound of butter and you sell a pound of butter. You do not buy one hundred pounds of meat and sell one hundred pounds.

Q. Then, for butter, 62 cents a pound would be the normal price just now?

Mr. NESBITT: Mr. Fox was going to tell about the spread from spring until December, taking it for granted the same butter was selling in December that was brought in June.

By The Chairman:

Q. That would show eight cents carrying charges?—A. There is on top of that the interest on the money used in the purchase of the goods, not the interest on the investment. Then there is the insurance charge. These three carrying charges we should add to the cost of the product and the cost of labour and administration are included as part of the gross. All that would have to come out of the ten per cent gross profit.

By Mr. Devlin:

Q. When selling butter at 58 cents as a leader, you can make five cents profit, can't you?—A. Gross.

Q. On five pounds you would make 25 cents profit. That is a pretty fair margin, is it not?—A. That is a gross profit.

Q. What is the net profit on a pound of butter?—Our expenses run from 19 to 20 per cent on a dollar's worth of sales. The spread between 53 and 58 cents is a good deal less than 19 per cent. Therefore something else has to absorb it in order to arrive at an average.

Q. So you cannot tell us what the profit is on a pound of butter?—A. Nobody can tell, not unless selling butter alone.

By The Chairman:

Q. You say that a produce merchant could not continue in business on a margin of profit of five cents a pound for butter in a retail way?—A. I never saw one who could.

By Mr. Stevens:

Q. The loss on butter is different to that on other things?—A. You buy a pound print and sell a pound print. Whereas with meats you have to cut, slice and all the rest of it at a great deal of loss in scraps and so forth. In butter there is no such loss, and butter can be sold for that reason on a narrower margin than meats. I hope that you are not treating me as a butter expert because I know nothing about it except how to spread it on bread.

By the Chairman:

Q. Do you handle oleomargarine?—A. Yes, sir.

Q. Imported?—A. Yes sir.

By Mr. Nesbitt:

Q. What is the spread on that?—A. It has been around four cents a pound between our cost and the price to retailers.

By Mr. Devlin:

Q. You do not make it?—A. No, sir.

By Mr Douglas:

Q. Do you sell it in your stores?—A. A little of it.

By Mr. Nesbitt:

Q. As oleomargarine?—A. Absolutely. I would not be here if I did not.

By Mr. Devlin:

Q. When did you begin selling it?—A. When the law was passed permitting it to be imported.

Q. What time elapsed between the passing of the law and your selling of it?—A. I suppose a matter of two or three weeks.

Q. You had time to import it after the passing of the law?—A. I do not understand what you are driving at.

Q. You had time to import oleomargarine within the time succeeding the passing of the law until the time you sold it?—A. We had absolutey none on hand.

[Mr. E. C. Fox.

By Mr Douglas:

Q. Where did you purchase it?—A. In the United States. We did not buy any in Canada.

Q. Do any of your auxiliary firms make it?—A. No, sir.

By Mr. Hocken:

Q. What quantity do you sell?—A. A car load a week.

Q. What would that be in pounds?—A. 25,000 pounds a week.

Q. Is that a large amount of margarine?—A. Very small.

By Mr. Sutherland:

Q. Is the demand increasing?—A. It is steady. I see no change. It goes down in hot weather, and comes up again in the cold weather.

By Mr. Reid:

Q. How do you explain this greater demand in cold weather?—A. People naturally crave fats in cold weather, and they do not want so much fats or meat in hot weather.

By Mr. Hocken:

Q. Does oleomargarine affect the price of butter?—A. Not perceptably, I do not think.

Q. You would not say that the manufacture of butter is being hurt in any way by the sale of oleomargarine?—A. I have never believed so. I rather thought it helped the creamery industry. Many years ago I went over to Denmark and came back entirely pursuaded that the oleomargarine industry and the butter industry went hand in hand, and each helped the other to higher standard of production. You cannot have highly developed oleomargarine, and have in competition with it, in the same market, a poorly developed, rancid butter. You compel the man making a rancid butter to make a higher grade of butter, and because he does it he gets a demand for it, and better prices for it than otherwise he would get. The two in my mind are entirely compatible. In oleomargarine you have a food that is just as fit to eat as butter. Why therefore should the ingredients be prohibited from being manufactured altogether, and served to consumers. Every other country in the world that has advanced has it, and it has never hurt the dairy industries in those countries as far as I can see. Of course, there is a difference of opinion on that.

By Mr. Reid:

Q. Can you give us the different ingredients in the oleomargarine that you sell?—A. Part oleo-oil, cotton seed oil, butter and milk.

By Mr. Sutherland:

Q. And you contend that cotton-seed oil is as wholesome for children as butter fat?—A. I would think so, sir.

Q. Have you any expert knowledge of the virtues of the two?—A. No, sir, but there is lots of scientific defence of it.

Q. What is the oleo-oil manufactured from?—A. From the meat fats. We pay anywhere from 29 to 32 cents, depending on the quality in car load lots laid down at our warehouse.

By the Chairman:

Q. And the retail price?—A. We sell at 33 to 34½ cents.

By Mr. McCoig:

Q. I see by the report of Dr. Hastings of Toronto, the Health Officer of the city, that he said it was selling in England at 16 cents. That could not be correct, I suppose?—A. I had occasion to investigate that. I was in England when the price was made 8 pence a pound. If the Committee wish to hear, there is a good explanation of it. In the first place it should not be called oleomargarine at present because there is no oleo in it. It is margarine, and it is made of purely vegetable oils and fish oils, which are put through two processes, deodorized, and hardened. They are mixed and made into margarine which sells for 8 pence a pound. The hardening of these oils is a process not known in this country. I know of one plant in the United States. It is covered by patent, and is a very costly and expensive process as well as being secret. They can take ordinary fish oils, ordinarily very repugnant and which a very short time ago were considered entirely inedible because you would not stand them, and they have these deodorized, at the same time succeeding in hardening them which is necessary because that oil was a very soft one.

By Mr. Stevens:

Q. Is the product as good or desirable?—A. I do not think it is as good in flavour, and I do not know anything about the wholesome qualities of it. It is recognized in England as such.

By Mr. Devlin:

Q. Would you mind saying where you imported your oleomargarine from?—A. From the United States. It is the only country you can import it from. Oleomargarine cannot keep. It does not go to cold storage. In selling it a man gives you a limit of thirty days at which you can keep it. If you keep it beyond that time you cannot collect any claim for damages. The reason for this is that there is milk in it, and naturally enough it cannot be kept.

Q. Did you import any butter from Australia in the last six months?—A. No, sir.

By Mr. Douglas:

Q. Does the Harris Abattoir make butter?—A. I believe so, but I am not connected with them.

Q. Are they at all connected with The William Davies Company?—A. No, sir.

Q. Have you any personal knowledge of where these beef fats used in oleomargarine come from, from what part of the animal?—A. Yes, it is the ruffle or tallow fat, the highest grade fats in the animal.

By Mr. Nesbitt:

Q. I suppose that this would be the same fat as that which goes into the pail?—A. I suppose that the fat going into the pail would be drawn from that source, and secreted from it by a natural process.

By the Chairman:

Q. Would it be the same fats as used in the manufacture of shortening, the beef fats?—A. In shortening it is the cotton-seed oil and beef stearing. The beef fat is made up of oleo and stearine, and you separate the two. It goes into shortening and the other ingredient into oleomargarine.

Mr. NESBITT: I think we have all the information about butter that we need from Mr. Fox. It is the retailer we should get after for that information. We know the wholesale prices of butter. We can trace it every day in the daily papers. We had better take up the bacon or the beef question.

The WITNESS: I am not an expert on beef. I do not pretend to be.

By Mr. Devlin:

Q. Are you on bacon?—A. I have some pride in that respect, sir.

[Mr. E. C. Fox.

By Mr. Nesbitt:

Q. Will Mr. Fox disect a pig from the time he buys it until he sells it, and tell us where he comes off at?—A. What do you mean, Mr. Nesbitt? Last time I was in a commission giving evidence I was criticised for not answering shortly enough the questions put to me. I want to be helpful, but not over talkative.

Q. A pig weighing two hundred pounds, how much bacon would you get from it? —A. Between 115 and 120 pounds of bacon.

Q. What does the rest consist of?—A. 26 per cent of water and waste. About 74 per cent of the product is marketable.

Mr. STEVENS: 26 per cent of the whole hog disappears?

By Mr. Douglas:

Q. You were speaking of live weight, when you said 200 pounds, and that 120 pounds of bacon can be obtained from it?—A. Yes.

By Mr. Davidson:

Q. Did you allow for an increase in weight in pickling?—A. There is only an increase of one or two per cent in pickling. It is entirely negligible.

By Mr. Nesbitt:

Q. You paid $20 a hundred weight, live weight. The pig weighs 200 pounds. Tell us what you get out of him?—A. I can refer you best to that statement produced by the commission that looked into the statement of the Davies Company, the statement as to the costs of products from the hogs. They show that the cost was 18 cents per pound live weight. See page 20. The example taken is a hog 184 pounds in weight, live weight. This at 18 cents a pound would mean a cost of 533.12. Add to this a shrinkage in handling of 71 cents per hundred pounds, or $1.32 for animal. Add the cost of feeding, yarding, cleaning and cutting, 60 cents; for loss of weight for shrinkage in handling and killing, 23.51 per cent, or 43.26 pounds out of 184 pounds. The cost of the dressed hog is $35.04, the hog now weighing 140 pounds. Deduct from this cost the value of 4.92 pounds for 6.75 pounds for cutting offal, 17.67 pounds for lard, grease and fertilizer making a total of 29.34 pounds, which can be valued at $3.89 thus reducing the cost for the hams, backs, bellies and shoulders to $31.15. The weight of the hams, backs, bellies and shoulders will be 111.40 pounds. That ham, back, belly and shoulder goes to England in the form of a Wiltshire side. In the average Wiltshire side we get the ham, back and bacon and there is more or less trimming of the spare ribs and bones to the extent of about 5.88 pounds, worth about 64 cents, leaving the net cost for 105½ pounds of ham, shoulders, bacon, backs and bellies in the uncured state at $30.51. To get back the actual cost only, the packer has to receive from 27 pounds of ham 29 cents a pound, from 29½ pounds of backs 31 cents a pound, from 21 pounds of bellies 31 cents a pound and from 27 pounds of Rose, 27 cents a pound, making a total of 105.52 pounds.

By the Chairman:

Q. That is for hogs which were bought at 18 cents a pound live weight?—A. Yes, sir, but without anything added to it for himself. It is the cost for the untrimmed backs, bellies and Rose which have to be cured. For that the following costs are incurred, for the ham 29 cents a pound and for the pickling and curing charges 17 cents. I must say that that cost has gone up since this testimony was given because of the cost of labour, etc. Deduct again another charge for 1.09 pounds gained in curing so that you ultimately get 28.16 pounds of cured ham at $7.88. In smoking there is a loss of weight of 2½ pounds, while the cost of smoking and the cost of delivery and shipment is 66½ cents. You ultimately produce 25 pounds of smoked ham from that hog, which gives the packer $8.45 or 32.95 cents a pound that can be worked out with respect to other goods if it is desired.

By Mr. Stevens:

Q. What is the cost of that ham?—A. 32.95 cents.

Q. Practically 33 cents. Does that apply to-day?—A. No, sir, the cost of hogs is higher.

By Mr. Douglas:

Q. We can easily get that cost, the price of curing, and all the costs that have increased?—A. Yes, sir.

By Mr. Stevens:

Q. To what extent has the cost increased for curing?—A. I would say it is double.

Q. Since that report?—A. This was in 1917.

By the Chairman:

Q. Could we get something as to what took place in April or May of this year? Could you give the committee the average cost prices for hogs per pound and its various parts in April or May?—A. No, sir, I have not got them. I will be glad to supply them to the committee.

By Mr. Stevens:

Q. I received a circular this morning showing these costs by the week and the month. We get it regularly. They have been running higher the last few months. A. We have been running 23 cents per pound.

By Mr. Nesbitt:

Q. You have the cost of the ham shown at 33 cents, what did you sell it for?—A. We should have been getting 35 or 36 cents from the retail trade.

By Mr. McCoig:

Q. How do you retail it now?—A. Smoked ham?

By the Chairman:

Q. The price of bacon and ham given to the retail trade to-day?—A. We are not listing ham. We are asking about 42 cents from the retail trade for 20 to 25 pound hams.

By Mr. Nesbitt:

Q. What is the price for bacon, the best breakfast?—A. For bacon with the rind on it is 45 cents. Trimmed, we get 50 cents a pound. That is smoked.

Q. What is the belly?—A. I have not got it listed. We are not selling any. Smoked shoulder bacon is selling at 38 cents.

By Mr. Douglas:

Q. What date is that?—A. June 9.

Q. Don't you sell any belly bacon?—A. It is not listed for that week. Don't know why. The price was 40 cents on June 2.

Q. What is the highest priced bacon you have on that list?—A. Trimmed boneless backs is the highest priced. It is 54 or 55 cents.

Q. What brand do you call that?—A. We do not call it by any brand, but call it the trimmed and boneless back.

By the Chairman:

Q. The percentage of your sales of that class of bacon would be small?—A. Very small.

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By Mr. Nesbitt:

Q. Bacon at the present time is sold at 50 cents for that class?—A. 51 for the trimmed and boneless back, the trimmed back is 47 cents.

Q. And that is the highest class you have?—A. The highest price class we have.

By the Chairman:

Q. And for the trimmed back, which is the average sale, the price is?—A. 47 cents.

Q. The question of cost comes in very forcibly here, as between the time your statement was made up and the present. What difference would there be per pound on the average in the cost of handling a hog 280 pounds live weight, right through the whole process of killing, curing and putting on the market as in April and May, 1919, compared with the time when this statement was gotten out?—A. I cannot tell you, but it would be whatever percentage our charges have gone up since that time.

Q. I would like to get, what, in your judgment, has been the increase in the actual cost?—A. My judgment is twice—you are talking of the operating charge.

Q. Yes.—A. My estimate is that it has gone up twice.

By Mr. Devlin:

Q. And your profit, how much has that gone up?—A. It has gone down; since 1917 it has been under control.

By Mr. Reid:

Q. How do you figure that the cost has gone up double, is it in labour?—A. Labour, and the materials that enter into the calculation; boxes, packages, salt, all these have more than doubled, and your labour too, and then the cost of operating in the factory is twice what it was; repairs and everything like that has increased.

By the Chairman:

Q. Due to the high price of all kinds of material?—A. Yes.

By Mr. Devlin:

Q. Are you putting the whole charges of that back upon the bacon and ham?—A. Yes—Well, we seek in the division of our charges to make it as equitable as possible; it may, however, on such a great amount vary, possibly. I just want to point out——

By Mr. McCoig:

Q. How often do you regulate the wholesale price of bacon?—A. Every week.

Q. Every week?—A. Yes.

Q. And do the prices go down as the market goes down in raw materials?—A. As a rule we do; you can take it as an established fact that was bound to happen or else somebody else goes down ahead of you and you lose the business.

Q. Can you give the committee an idea of how you could regulate the price of hogs; is there a way by which you can so regulate the price that it would remain the same for any length of time so that the producer would know what price he was going to get for his hogs?—A. That is a long answer but I will be very glad to give it. Your view must be based upon the market that takes the greatest quantity of your products, and that is the English market that takes the greatest quantity of your products, therefore you must in endeavouring to fix your buying price have in mind this English market. The English market for the most part, was cut off during the period of the war because the British Ministry bought in New York but it is coming back to the normal basis again, and to your normal market. The stuff goes to England and is cleaned up every week and you get an average return of your goods on that market

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every week, and of course you have in transit and in cure preparatory to going over to that market about six weeks' supply of products on hand. Therefore you are buying this week for the market on the basis of what you think or hope or expect will be six weeks from this. Sometimes it goes up and you make a good profit and sometimes it is down and there is a bad loss and you hope that over a long period of time it will work out profitably. Experience tells us a great deal. I know that we sit down every Friday, the chief officers of the company and we try to determine the price we think we ought to go out and pay—a price that will give us enough cost to operate, and undoubtedly a close price at which we think we can buy; we may find that in a certain territory somebody else is, what we call taking our hogs; they have been paying 10 or 15 or 20 cents higher or, again, we may find that we are getting the bulk of the hogs because we are paying a little higher and the supply will vary during the week; that accounts for different prices in different parts of the country, competition in buying, and the same process goes on week in and week out.

By Mr. Stevens:

Q. The English market rate is fixed by the supply from Denmark and other countries?—A. We compete with the world in the English market.

Q. It is the world supply that regulates the price in the English market?—A. That is so.

Q. And the prices in the English market determine the prices here?—A. As long as there is a surplus of hogs.

By Mr. Devlin:

Q. Then the price in the English market determines your price for selling ham and bacon in this country?—A. Naturally; it means that if the English market is high the packers must of necessity make goods for the English market and if the English market is low they of necessity make goods for the Canadian market to sell them here.

Q. Do I understand you to say that you are catering to the English market, in preference to the Canadian market?—A. No, I do not say that, but we are trying to do what we can to compete in and hold that market that takes the bulk of our products.

By Mr. McCoig:

Q. How long do you have your stock sold ahead?—A. We have not got it sold until it is put on the market and we do not know the price we get for it until it is sold.

Q. Then it does not give you any certainty as to what price your products will be sold at?—A. No, we cannot have any regulating of it.

Q. In February the bulk of the hogs from our section of the country were going over to the United States; were your products at that time going to the foreign markets?—A. No, what happened at the end of January was that the British Ministry who had been buying all the foodstuffs in Great Britain and North America for a year and a half suddenly terminated buying without giving any notice whatsoever of the termination.

Q. That was along in December, was it not?—A. No, sir, that was in January, and the packers had their cellars full in anticipation of another month's supply being required. We had no intimation of the intention to cease buying, in fact we had been led to believe it would be continued. But the English authorities when they discovered they had enormous supplies, it was said they had enough for from three to six months or a year, concluded they did not want it any more. It occasioned a great deal of perturbation not only to the packers but to the Government here as well.

Q. Did you not get any information from the Canadian officials informing you as to the supply and what the demand would probably be?—A. I wish we had had the information, but we could not get any information at all. As a matter of fact one of

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the members of the Department of Agriculture and three Canadian packers got on the boat the next week and went over to England and were working there for some weeks before getting a movement in our bacon.

By Mr. Devlin:

Q. At the time your pork cellars were loaded with meat in England was there any shortage in the Canadian market?—A. Shortage of supply?

Q. Yes.—A. Not that I know of.

Q. Was there any soaring of prices in the Canadian market?—A. Not that I know of.

By Mr. Douglas:

Q. Was there any increase?—A. In the Canadian market the chances are there were. I could not tell you, but I would think so. People would be anxious to sell.

By Mr. Devlin:

Q. It was currently reported in this country that bacon going from Canada to Europe was being sold on the English market and retailed to the English consumer at a price much less than similar bacon was being sold on the Canadian market and retailed to the Canadian consumer. Is that right or wrong?—A. I do not think you could pin me down to a yes or no on that question, because you are comparing two dissimilar things. You are comparing bacon shipped to England in the form of a Wiltshire side, the easiest thing to make in the form of bacon, sold in large lots, with no expense in selling practically, as against selling in Canada in the form of smoked bacon cut up, with a wide distribution of several hundred miles for each packing house, with a sparse territory and high cost. In my opinion the return that comes to any export house is greater than the return to a house that purely serves the Canadian trade.

Q. What would be the difference in the selling price of meat that goes over between the two countries at that time?—A. That report is many years old, that we sell bacon in England for less than in Canada. It is very old.

Q. During last year the report had gained ground that there was considerable difference between the Canadian bacon sold in England to the consumer there and the Canadian bacon sold in Canada to the Canadian consumer. Admitting now your explanation of the difference of the bacon and operating expenses, can you tell me about what difference there was in price?—A. No, I would say that the return to the packer was as much on the bacon that went to England. The packer is not responsible for the price after he has got rid of it in England, and if you are going that far, I think you have to enter into a comparison of retail distribution in Great Britain and retail distribution in Canada.

Q. I will not enter into the retail.—A. That is where the trouble is.

Q. Take your own case; what was the difference in price that you got in Canada and the price you got in England?—A. I really could not tell you, because it is a different business.

The CHAIRMAN: The point Mr. Devlin wishes to bring out—

Mr. DEVLIN: Mr. Fox knows it.

By the Chairman:

Q. You sell bacon to the English retailer?—A. To the English wholesaler.

Q. Put it that way. You sell it to the English wholesaler, and you sell bacon to the Canadian retailer?

Mr. DEVLIN: And the Canadian wholesaler.

—A. Practically no wholesale houses; it is the Canadian retailer.

Mr. E. C. FOX.]

By the Chairman:

Q. Under the conditions such as you have outlined, what will be the difference between what you sell to the English wholesaler and what you sell to the Canadian retailer—the average difference?

Mr. STEVENS: I have no desire to protect Mr. Fox, as he is probably already aware, but I can easily understand that you are putting him in an utterly unfair position. This Wiltshire side is not the stuff that is sold in this country.

WITNESS: And it is not smoked.

By Mr. Stevens:

Q. It is really a pickled bacon?—A. Yes.

Mr. STEVENS: We cannot ask him to compare the difference in price between the Wiltshire side which is not cut up, and not treated, and not subject to shrinkage. I think Mr. Devlin should get at it in a different way.

Mr. DEVLIN: How would you get at it?

Mr. STEVENS: If the statement as to the spread went out to the public, it might give the public a false impression, because they would not hear Mr. Fox's explanation of the difference in the class of bacon. Perhaps Mr. Fox could give us the price they receive for the Wiltshire side, and then give us the cost of cutting it up and making it into bacon such as we have in Canada.

By Mr. Devlin:

Q. I can make it a good deal shorter, and you will understand it. Is there any quality of bacon that you sell to the Canadian market that you do not also sell to the English market?—A. No quality of bacon, but different cuts of bacon. In Canada we sell the hog divided into the back and the belly and the shoulder and the ham, and each sells for a different price, because naturally the shoulder is not——

Q. You explained that thoroughly.—A. And therefore that is why I cannot give a comparison and cannot answer you.

By Mr. Nesbitt:

Q. You sell the whole side?—A. In England.

By Mr. Stevens:

Q. The two halves of the hog is what you sell in England?—A. Yes.

Q. Minus head, tail and feet?—A. Yes.

By Mr. Devlin:

Q. Don't you sell part of that to the Canadian market?—A. There is no part left. It all goes over. There are only trimmings left. In Canada I cut it up into four pieces. Toronto wants nothing but backs. It does not want shoulders. I have to go and find a market for the shoulders or I cannot cut up any more backs, and when you ask the price of smoked backs, you must take into consideration what you get for the shoulder, because it represents a quarter of the hog.

Q. Do you not send Windsor bacon to England?—A. I think that is a brand rather than a cut. We do not sell Windsor bacon.

By Mr. Douglas:

Q. Windsor bacon is the brand of the packer?—A. Yes.

By Mr. Devlin:

Q. You sell a line of bacon to England?—A. No, we sell the whole hog to England, whether he is lean or fat—anything that makes a Wiltshire side we send to England. We cannot buy the lean hogs, we have to buy them all. Certain sections will take the lean, but the reason it has got the name of the lean hog is against the American corn-fed hog, which runs to fat, and relatively the Canadian hog is lean.

By Mr. McCoig:

Q. Getting back to where we started, when other members began to ask questions, in the month of June there was a report that the different packing houses had a surplus of meat products in England?—A. Yes.

Q. Was that true?—A. It was true.

Q. Has that stock been reduced or disposed of since?—A. Yes.

Q. Was that the time when the price of hogs went down?—A. Yes.

Q. Why did they not go down on the other side?—A. They did to a certain extent, but not as much as here, and for this reason, going to the English market, we cure for that market and send over the product as soon as it is cured. We generally carry this product a great length of time. It is not a cold storage product, as popular opinion supposes. The Canadian packers have no large cold storage space. The trade in the United States is the reverse of that. They take their fall hogs in the United States and cure them and put them away in cold storage. They have enormous warehouses to take care of them until they go out.

Q. To what extent?—A. They cure them thoroughly. They had a capacity in storage that the Canadian packer did not have and we were in the position that we could not take the hogs. There was no space to put them in, and it was a godsend that there was a market.

Q. Had they any insight as to the future possibilities of the market that you did not have?—A. I think they had very much so.

Q. It was known that the Canadian packers were not taking Canadian hogs?—A. I wish I had the foresight of some of the American packers.

Q. If you had had any knowledge, would you have bought Canadian hogs?—A. We did not have the space to handle them. I think our whole problem was to get a shipment of the goods.

Q. Is it true that the American buyers can buy at $15 a hundred and that the seller will get about two per cent more than if he had sold to you?—A. Surely.

Q. And that American money will be credited to these buyers at one and two per cent?—A. Surely.

Q. And they have been going over to the United States for the last twelve months, and on the exchange they have been paying their shrinkage and their freight, an average of $30 or $40 a car?—A. Two per cent on the value of the car, whatever it might be.

Q. They have paid that to allow for the shrinkage. How would you explain the unrest of the people in the City of Windsor over the price of bacon and hams in Windsor and in Detroit where the labouring classes were paying ten per cent more?—A. I cannot attempt to explain that because I do not know the circumstances.

Q. Would it be because the American packers have more insight as to what the future market is going to be, and buy up when your folks were not buying?—A. You have to give them that credit, a little. I do not know whether you are comparing the same kind of bacon.

Mr. McCoig: I think it would be desirable for this Committee to make some investigation into that. I was asking Mr. Fox for information.

Witness: There is a lot I do not know.

The Chairman: We might reverse the position.

Mr. McCoig: Can you give the Committee a little insight as to how the prices are generally regulated for the raw product, and why the supply of hogs is dropping off from year to year in face of the fact that they are getting good prices?—A. The supply of hogs is not dropping off. The supply of hogs in Canada was lowest during the years 1912, 1913 and 1914. That was the lowest period for Canadian hogs. Subject to correction, there was an increase in 1915 which was reflected into 1916. I think there was a decrease in 1917 owing to the failure of the western crop; I think that was the year in which the western crop failed. Last year, I think there were more hogs than there ever were.

By the Chairman:

Q. What are the prospects for 1919?—A. I think they are very good in the East; I do not think they are so good in the West.

By Mr. McCoig:

Q. You have not any figures with you?—A. No, none whatever.

Q. It was generally understood that in the fall of last year, last December, a lot of breeding stock was marketed?—A. It was not my observation.

By Mr. Stevens:

Q. How long does it take from the time you kill until the hog is ready for the market?—A. About four weeks. It is not in cure all the time.

Q. If the English market slumps, that is on your hands?—A. It has to go over.

Q. You cannot market that in Canada at all?—A. No.

By Mr. Nesbitt:

Q. It is prepared for the English market?—A. It is not in the form of Canadian cuts.

By Mr. Douglas:

Q. You can easily convert them into Canadian cuts?—A. You can but you cannot make a shorter ham. That is impossible. The H-bone as we call it is out of the Wiltshire ham.

By Mr. Devlin:

Q. I have eaten bacon in England year in and year out, and I have eaten bacon in Canada?—A. I do not say you cannot convert it, but the bulk of that has to go to England because Canada has a surplus of hogs.

Q. Instead of it being wasted.—A. It is not wasted. Nobody ever pretended that it was waste.

By Mr. Nesbitt:

Q. You told us that the bacon this month, or last month, was selling wholesale at fifty or fifty-one cents, that is back bacon. What were you retailing it for at that time in your own stores?—A. I tried to bring down all the information that I thought might be wanted. I find that on May 26 our retail system paid forty-five cents for smoked hams, and they sold the whole ham at forty-six, half a ham at fifty, sliced ham at fifty-eight, breakfast bacon, that is the belly smoked, forty-seven cents, and they sold in half piece fifty and a half, sliced at fifty-five, trimmed backs at fifty-one cents, sold in half piece at fifty-five, sliced at fifty-nine. The rolls they bought for thirty-six cents and sold in the half-piece at forty, and sliced at forty-two cents.

By Mr. Stevens:

Q. Do you sell to all the trade at the same prices as you sell to your own stores?—A. We charge half a cent more than we sell at to our own stores, because we treat the whole group of our stores as a wholesale house. We sell to our own stores at the best wholesale prices.

Q. So that any retail store can get that from you?—A. Yes, at half a cent more. Broadly there is half a cent differential between the packing house price to the retailer, and the price to the wholesaler, owing to the expense of distribution.

By Mr. Nesbitt:

Q. As regards the first ham you mentioned, there is quite a difference?—A. The ham has to be, because when you slice the whole shank you cannot do anything more with it. There is a lot of waste on a ham that is not on the other.

Q. The difference is about eight cents?—A. Yes, but it is due to that big shank. You have to sell that shank over the counter.

By Mr. Douglas:

Q. Why do you charge a difference for the slicing of breakfast bacon? Is there a shank there?—A. As I recollect, in your bacon if you send out one hundred you get about ninety-five. You cannot just hit it exactly when you divide up that way. Then there is always the labour of slicing. You have only working people in your store.

Q. But the slicing machines do it very quickly?—A. Yes, but the customers also come in very quickly, and they come in at one time.

By Mr. Nesbitt:

Q. I have no doubt there is some waste in the slicing.—A. There is a waste.

By the Chairman:

Q. In your judgment with hogs ranging at present prices what do you say, that we can or that we cannot expect any reduction in the wholesale price of the hog products?—A. You cannot, there is nothing that human nature can devise to cut it down.

Q. Then the next question is whether in your judgment if anything were done to fix lower prices for the hogs the raw material for the bacon industry, what effect would it have?—A. I think it would have two effects, Mr. Chairman, first your live hog would find a higher export market in the United States unless you take some means of preventing them going over, and I think you would have some trouble in doing that. You would then stop the Canadian packers from securing hogs and there would be that many men simply thrown out of employment, the trade would go to the United States, and they would export these goods to England. Further, it would all be done with American labour. In the second place I do not think you could do it, because your farmer would complain that it was an interference with him and kill production.

By Mr. Nesbitt:

Q. In the last two points you have hit the nail on the head, the farmers would not stand it.

Q. We will extend this a little further, because there is no question about the strong agitation that exists in this country not only to fixing prices, but to prohibit export.

By Mr. Sutherland:

Q. In conjunction with that would you also compel the farmers to produce? There is a strong agitation that we should take some means of fixing the prices and that we should not allow this stuff to go out of the country. What I want to get at is what would the effect of that be supposing we were to say to the Canadian farmers "You must sell hogs, if you sell them at all at this price".—A. I have no hesitation in saying, whether it is popular or not, that you would absolutely kill the live stock industry in this country, which next to the grain industry is the greatest business this country has.

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By Mr. McCoig:

Q. Just at that point my experience in dealing with farmers who are raising hogs is that the real reason why there is not greater production is the uncertainty as to the price that the packers will give you for your pork when it is ready for the market. That is the real reason why we have not more hogs produced in Canada to-day. The price of hogs always goes down, and Mr. Fox will not deny it, every year just in the fall of the year, just at the time the farmer has his rent to meet and his hired man to pay and when the hogs are ready for the market, when he needs the money most, that is the very time when down goes the price of hogs.—A. And it is about that time we get less for our bacon.

Q. You put the products of the hogs you kill in cold storage?—A. That is the very point, the Davies Company has not a pound of pork products in cold storage.

By Mr. Stevens:

Q. Did you at any period during the past year have any large quantity of cold storage?—A. No.

Q. None at all?—A. No.

Q. Supposing the Government fixed the price of hogs at 18 cents for one year, do you think that would stop the farmer from producing?—A. I know exactly what would happen. Hogs would go out of Canada alive.

Q. Supposing we stopped them going out of Canada?—A. You don't want to ask me a question like that. I think it would be a tragedy. Of course, I could make a living anywhere, but I think it would be a national tragedy. If you are through asking me questions, I want to say that I think we are all trying to get at the same thing. The world is short of food products. Of those food products, the world is short of meat products. Europe was not a butcher-cattle producing country, but a dairy-cattle producing country on a very large scale. Those dairy cattle do not exist to-day. You have only two cattle-producing countries in the world; those countries are Argentina and Australia. As to hogs, you only have two countries left, United States and Canada, and the production in Canada is relatively small compared to the United States. Germany was the second largest hog-producing country in the world. Roughly speaking, there were 26,000,000 hogs in Germany when the war broke out. It is believed that that number has run down round 6,000,000. In spite of that 26,000,000 in Germany, Germany imported lard and provisions. Other countries in Europe imported prior to the war relatively small quantities of pork products. This year they have imported enormous quantities from the United States, not from Canada, but it has the same effect on the Canadian situation as if they had. This country has its natural resources for the most part on the land, and it has got to encourage those. It has got to export those commodities or we go broke, and if we do anything to inhibit the natural production of grain and live stock, you have cut out an industry, a vital industry in Canada, which will take years to recover. As far as the packer is concerned, he has been under a limitation of profits, which has limited his profits to two per cent on his turnover, the smallest profit on the turnover that any industry in the world, bar none, lives on, and he is able to do it because he has a large volume relative to his capital, and gets a very small margin on each sale. The result is that while some packers are big, and some are small, the human element comes into play, and some packers are keen in reading the markets; there has to be a close finesse, and other packers are not so keen, but all are compelled to sell on a small profit, or they may not sell their wares.

By Mr. Devlin:

Q. And they have to have a big turnover?—A. We have to have a big turnover or we cannot live, and I would think it was a tragedy if this Committee brought up any such regulation which either put up an artificial barrier, or attempted to throw an artificial barrier across the natural means of production and distribution.

Q. You are a practical free-trader?—A. I have never declared my attitude with respect to free-trade, but if I lived in England I would be a rabid free-trader.

By Mr. McCoig:

Q. At the present time you are aware no doubt that there is quite a difference of opinion between the producer and the packer?—A. I thought the last couple of years they were living hand in hand.

Q. There is a feeling of unrest—

The CHAIRMAN: Do you mean between the packer and the consumer?

Mr. McCOIG: I mean the producer and the consumer and the packer. In the first place you have the producer who is afraid to go into the business because he is in the hands of the packer. You have the consumer who is also in the hands of the packer, and the retailer who feels that he is being imposed on and that he is paying extravagant prices for the meat products he is consuming. What you have said has not gone any distance whatever to help us out in what I believe the Committee was appointed for, as to what you would conceive in the way of encouraging the producer to produce more products, and how they could be put on the market so that the consumer would not feel he was being robbed or that some person was getting extravagant profits out of what he was consuming. Are we going to have increased production by guaranteeing the farmer a price that he will be sure to get, and as much more as the market might warrant?

The CHAIRMAN: The question I put to Mr. Fox that I understood him to be answering, was not whether we should guarantee the farmer or producer a certain price, or whether we should recommend that something be done to curtail the price that should be paid. Taking it from the opposite standpoint, that is a different proposition altogether.

Mr. McCOIG: The price would be whatever the market warranted. My object would be to encourage him to produce more.

The CHAIRMAN: What effect would it have if he was guaranteed that his price would not go below a certain level?

WITNESS: I do not know whether you are a lawyer, Mr. McCoig, or what business you are in, but you cannot forecast your own position three months ahead. I have no supernatural powers and no other packer has supernatural powers. We don't know. I am scared stiff that the price is going to drop, and I may suffer.

By the Chairman:

Q. I want the benefit of your advice on it. The sugar company guaranteed the price on the production of the sugar beet?—A. That is purely a seasonal affair. They get one or two crops in the year, and that is purely a seasonal affair. The hogs come from week to week and are sold on that basis. I do not know the sugar business, but they get all their supplies and the price is there.

Mr. DOUGLAS: Sugar varies from day to day.

By Mr. Sutherland:

Q. Is there any understanding between the large packing houses as to the price they are going to pay?—A. None whatever.

Q. Do they arrive at any understanding?—A. No.

Q. Is there any arrangement or understanding that they will not enter into competition in the territory in which the other packing houses are?—A. None whatever.

Q. As a matter of fact there is not very much competition; one packing house usually buys in a certain district, and another packing house in another district?—A. No, that is not so. I wish it were. We absolutely go right into any territory to buy our stuff regardless of where other packing houses are situated.

Q. You contend there is no such custom as that?—A. None whatever.

Mr. Reid (*Mackenzie*): If you buy on the stock market?—A. We buy both ways. We do not send buyers out that way; there are men who are in that business and they get the price from us on Friday or Saturday as the case might be for the following week. We told them they could pay so much for hogs, and there is a recognized differential. It was twenty-two cents then, and is now twenty-five cents a hundred. That goes to that man.

Q. That is commission?—A. It is really a commission.

By Mr. Reid:

Q. The point raised by Mr. Devlin is what is to prevent further hog production. We know very well that if there is an extra supply of hogs in the market, down goes the price. The hogs may be fed on very expensive grain, and the farmer loses money. Naturally, he cannot stay in the hog business if he is losing money?—A. I have never seen a farmer who, over a reasonable length of time, said he lost money. He may lose money on a particular drove or litter. That is part of the incident to any kind of business. But over any period of length, I have never seen a farmer who did not admit that he had made money on the raising of his hogs.

Q. I think you have seen some to-day?—A. I disagree with you. I have not seen a farmer lately who said he was losing money.

By Mr. McCoig:

Q. I do not think you are looking very hard to find them. You referred to the season of 1914, when grain was double in price. You must admit that at the beginning of the time when the hog crop was the big question, it was going down, and it has been going down ever since. Notwithstanding your knowledge of the business I can assure you that so far as the County of Kent is concerned your statement is not accurate?—A. The counties of Kent and Essex are unique with respect to the rest of Canada. You have a little corner of a corn belt in Essex and Kent, and your hogs are corn-fed hogs. If you have a failure of your corn crop in Essex and Kent, you produce less hogs, and if the corn crop in Essex and Kent is better than it is throughout the rest of Canada, you produce more. I have been answering all questions with respect to Canada as a whole. I have seen times when Essex and Kent with a good grain crop would produce more than the rest of Canada. It depends a great deal on the crop, more than anything else.

Mr. McCoig: The real state of affairs in Kent is the unrest as between the consumer and the producer. That is the trouble so far as we are concerned. The consumer is in a restless state of mind, and so is the producer, and I was in hopes that we would get some information from you that would give some assurance to the consumer and some encouragement to the producer.

By Mr. Davidson:

Q. We hear very disquieting reports from time to time about large quantities of food being destroyed in cities because speculators have held them up rather than sell at reasonable prices with the result that they are spoiled. What is your experience as to that?—A. I do not believe it. I give it a most emphatic denial that the quantities of food destroyed are anything more than a small accident that is bound to happen from time to time. I do not say that any cold storage operated by the packers is under Government inspection, and anybody who does an interprovincial trade is under Government inspection. There is not one ten-thousandth of one per cent of food destroyed or wasted.

By Mr. McCoig:

Q. With regard to what you said as to there being a surplus, I have a report which for the week ending June 5, gives 9,532 hogs, and for the same week in 1918, 15,656?

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—A. You must remember that the week ending June 5 was as hot a week as we have ever gone through in the month of June, and the farmer was a foolish or rather a brave man who sent his hogs to the market. I do not think it is a fair view to take to compare the two situations in Canada, deliveries one week only as against those of the previous week. You must take them over a season.

By Mr. Douglas:

Q. What, in your judgment, would be the effect of Government operation of the packing concerns in Canada?

Mr. DEVLIN: That is hardly a fair question.

Mr. DOUGLAS: There is a very prevalent opinion throughout Canada that such action should be taken.

Mr. DEVLIN: I think I could venture a guess that he would be against it, or I would be very much surprised.

WITNESS: I think you are right, Mr. Devlin, but I do not think I would be against it particularly on personal grounds.

By the Chairman:

Q. Supposing you got the same salary for operating a Government institution, I suppose you would be willing to do it?—A. That is another matter entirely. That is a purely personal matter, and I take it that it is a national matter. I am not against it particularly on personal grounds; I am also against it on national grounds, because I know it would not be half as well done. The packing business is a big individual business which allows a free hand to the operator, because it is a trading business and the operator must have a free hand. He makes some mistakes just as anybody else does, but he must have a free hand. I believe in hogs this week, or I don't. This week I may say that I will not buy; somebody else takes a different view. You strike an automatic view, as it were. Under a Governmental controlled scheme you won't have the response in the livestock industry that you think you are going to have, and that, after all, would be the only purpose in taking it over.

By Mr. Douglas:

Q. In your experience, have any packing companies, conducted along good business lines, failed in Canada in recent years?—A. No, sir.

Q. Is it not a fact that the packing companies in Canada have made unprecedented progress in their business?—A. I do not say that it has been unprecedented, except in the sense that during the war the profits of the packing houses were larger than they were before, the same as most manufacturers' were, and out of which they paid important profits to the Government, the percentage of which you know, and all of which is an open book.

By Mr. Devlin:

Q. When you reported to the Cost of Living Commissioner did you give him a statement of your annual profits?—A. There is lodged with the Cost of Living Commissioner and with the Finance Department as well, the balance sheet and the profit and loss sheet of the William Davies Company from March 31, 1912, down to the present date.

Mr. DEVLIN: I think it would be just as well for us to get that.

By Mr. Reid:

Q. I think you gave as a reason for the raising of the price of hogs that you had no cold storage to put them in?—A. We had no curing space; we were filled up.

Q. What was done to relieve the situation?—A. Three packers went over to England with a member of the Department of Agriculture, and for three or four weeks we worked hard with the British Minister of Food, pointing out the importance of continuing the purchases from Canada and finally an order was secured.

Q. Why was that left so long until there was a glut in the market?—A. I have no idea.

Q. Who was to blame for that neglect?—A. I never attempted to locate the blame. I do not think there was any Canadian inefficiency, or inefficiency anywhere. I think it was one of those unforeseen accidents which happened at the time of the armistice in other matters as well.

Q. To whom was the sale made to relieve the situation?—A. The British Minister of Food.

Q. That is, the British Minister of Foods bought the hog products?—A. They had been buying for a year and a half previous. They bought one more lot. They stopped buying, and yet would not allow free exportation of the product to Great Britain.

Q. Now they do?—A. They made one large purchase and they decontrolled with respect to shipping, and after that we could ship our own goods from Canada.

Q. For the time being, they would not allow you to ship?—A. We could not sell, and we could not ship.

By Mr. Douglas:

Q. Now you can sell to anybody?—A. Anybody in Great Britain.

By Mr. Nesbitt:

Q. The market is open the same as before the war?—A. That is right.

By Mr. Reid:

Q. While you were over, I understand that you had a large quantity of other forms of carcasses of beef that you were trying to dispose of?—A. We had a small quantity.

Q. Did you dispose of that?—A. Ultimately they disposed of it not while we were there.

Q. In England?—A. I think it has all gone to Italy, but it was disposed of through the English authorities.

Q. Were these beef carcasses stored in England at the time?—A. No, sir, in Canada.

Q. And they were shipped later to England?—A. They are just going out now. I do not know whether they are going to England. I think they are bought on behalf of the Italian Government, so I expect they will go to Italy.

By Mr. Nesbitt:

Q. You told Mr. Sutherland that there was no general understanding when you fixed your prices on Friday nights for the next week?—A. Yes, sir.

Q. The variation is very small?—A. There is quite a variation, and the variation is due to the competition in buying at this point and at that point.

By Mr. McCoig:

Q. You surely are not serious when you say that the packers are not familiar with what they are going to pay for hogs next week?—A. I say there is no agreement.

Q. Is there no telephone communication on Friday nights when the word goes out to the different buyers?—A. As soon as I give my word to my own buyers, an hour after the other people know what we are going to do.

By Mr. Reid:

Q. A gentleman's agreement?—A. No, there is no gentleman's agreement; the buying prices will show that, for live pork, but at the same time there was a tendency

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upward in the prices of bacon from say 1918 to February 1919 there was a general tendency for prices to fall?—A. Off-hand, I do not think it is.

By Mr. Reid:

Q. It might be. You have told us that the cost of curing had doubled?—A. It might be in that, but I do not think so.

Q. I think the tables we had the other day showed that?—A. I do not think there is any great tendency that way anyway.

By the Chairman:

Q. Can you give the committee any information with regard to the average overhead expenses in connection with your retail department? What percentage would it be?—A. You mean all charges?

Q. Yes.—A. We vary down to $18\frac{1}{2}$ and $20\frac{1}{2}$ per cent on every dollar's worth of goods sold.

Witness retired and the Committee adjourned until 4 p.m.

The Committee resumed at 3.45 p.m., the Chairman Mr. Nicholson presiding.

Mr. W. E. MATTHEWS, called, sworn and examined.

By the Chairman:

Q. Mr. Matthews, you are the manager or secretary of the Matthews-Blackwell Company, I believe?—A. I am the president.

Q. Of the Matthews-Blackwell Packing and Produce business?—A. Yes.

Q. Will you give the Committee, Mr. Matthews, a statement first with regard to the butter, the quantity of the butter you put in storage in the months of June and July, 1918, and the cost of same going into the storage warehouses?—A. I am sorry that I could not give it to the Committee, a great deal of the information is in Winnipeg and I only knew last evening about four o'clock, that I was coming here. It would have to be prepared and sent to you.

Q. Then you cannot give us any detailed statement, with regard to the transactions in butter by your firm during 1918 at all?—A. No, excepting that we are in a very similar position to the Davies people, and it is as Mr. Fox said this morning, because we are buying in competitive markets with them.

Q. Just at that point in connection with the purchasing of butter, have you any arrangements between the different packing houses by which certain territory will be limited to the operations of one company as against the other?—A. No, I do not know what the system is, I do not know the details of the system in Manitoba, but I think we buy our butter largely from the creameries in the country and from the wholesale grocers. In the east, the value of butter is fixed at Montreal by the official auction.

Q. The official officer?—A. The official auction, which is held on Mondays and Fridays.

By Mr. Stevens:

Q. What is the official auction?—A. The eastern townships is the premier butter of Canada, the best butter that is produced in Canada, and the creameries send it in to the co-operative society to be put up at auction and sold twice a week, and that official price named there is the governing price paid to the creameries all over the country.

By Mr. Nesbitt:

Q. Is it on the same plan as cheese?—A. No, the cheese is auctioned in different places.

By Mr. Stevens:

Q. Is that the only auction place in Canada?—A. The only one I know of.

Q. And do they sell large quantities there?—A. Not very large, 1,200 or 1,500 boxes at each sale.

Q. Is that held once a week?—A. No, twice a week.

By the Chairman:

Q. And you say that is the basis for the general butter market of Canada?—A. Yes, in this way it is: we may have arrangements with creameries down there in the eastern townships for the supply of butter during the entire season and the price we are to settle at is the price of the auction for the week in which they ship the butter. Although we do not buy at the auction, we pay the official price.

Q. What class of buyers attend the auction?—A. We go, Hudson goes, Lobell and Christmas and the big butter men.

Q. How many would there be?—A. Perhaps 20.

Q. Is there any arrangement between them regarding prices?—A. Not any.

Q. It is a perfectly clear and straight auction?—A. Absolutely.

Q. Have you any figures, Mr. Matthews, with regard to the prices for delivery of butter during the early months of this year, January, February and March?—A. We have all our documents, but we have not got them here, and they are not filed in the way in which the telegram called for them, but we have to get them down from Winnipeg. We have five plants and the head office is in Toronto, and we have to collect those documents and get the information together and reduce them down to the point where they will give the information you ask for. I can easily get them for you, and within a few days.

Q. You cannot give us any information with regard to the butter market, the way it has been ranging in connection with your business this year?—A. Well, it ranged this way, that last summer we bought butter and we got perhaps two-thirds of our ordinary supply; you understand that in this country you have to buy your butter away in the summer for the winter, we had about two-thirds of our quantity in when the Government commandeered the October make and that left us short.

By Mr Douglas:

Q. The Dominion commandeered all the butter?—A. No, they commandeered the factories, and the butter we had on hand we had to sell on the market set by the Food Board.

By Mr. Nesbitt:

Q. You would have the price of the market at your head office?—A. Oh yes, all these figures and weekly statements of all our branches, Montreal, Toronto, Winnipeg, Brantford, Peterboro, and Ottawa, all these statements are filed at the head office with Dr. McFall who was here the other day and who had them.

By the Chairman:

Q. Then we really could get from Dr. McFall all the information you can give us with regard to the quantities of butter put into storage last year and the price at which it was put in?—A. Yes, and the price we sold at, and the stock on hand each week. I believe you can get all the information you want in the returns that were made to him at the time.

Q. Then it is unnecessary, gentleman, that we proceed any further with regard to this branch. I was just going to ask you one question; what was the effect on the general butter trade of the action of the Government in commandeering October and one-half of November, six weeks or so butter was it not?—A. Five weeks.

Q. What was the effect on the Canadian trade or on the butter situation in Canada and the result with regard to price?—A. It had no immediate effect because the stocks we had on hand were limited. We had to sell our butter at a profit of four per cent wholesale and 10 per cent retail, and no matter what the butter cost we could not charge more, and we had to send in our affidavit each week showing what we had sold, so that it made no difference what butter we had on hand. In the United States they took over 50 per cent of the stocks on hand, and that jogged the market up about 20 cents a pound, and we tried to ship the stock we had on hand to the United States.

By Mr. Stevens:

Q. Regarding the 4 per cent and 10 per cent could you give us briefly what you include in the cost besides the actual price you paid? You paid a certain price from time to time?—A. Before we figure the 4 per cent we figure the freight we pay and the cash to get the butter in, and in the storage, at the rate fixed by the Commission and allowed by Mr. McFall.

Q. Two-sevenths of a cent?—A. No, I do not think it is. Dr. McFall fixed his own rate. They had a system of their own which they stuck to.

Q. It was practically the same?—A. Yes.

Q. It would not amount to over a third of a cent a month?—A. No, it would not amount to that.

By the Chairman:

Q. Your additional charges are for the cost of handling?—A. Yes, and selling.

Q. You have to send travellers out?—A. Yes.

Q. And your margin on wholesale prices—four per cent was to cover all that?—A. Yes

By Mr. Stevens:

Q. Was that gross?—A. Yes.

Q. You added four per cent on your freight?—A. Yes.

By the Chairman:

Q. In the retail trade you were allowed 10 per cent?—A. Yes, selling to the retail trade.

Q. In addition to selling wholesale and retail, you conducted a chain of retail stores?—A. Yes.

Q. Approximately what is the margin between the prices you charged in the retail stores and the price charged to the wholesale trade for butter?—A. Well, the cost of operating our retail stores ran about sixteen to eighteen per cent, and we endeavoured to make a little profit out of that.

By Mr. Stevens:

Q. If your patrons were to carry the articles home, and there was no delivery, how much would that reduce the cost of operation?—A. With regard to that, I may say we had a strike last week among our men, and that question would depend on whether you could do it or not. The large volume of trade would not do it. I think we have the best retail trade in Ottawa and serve the best people. Take the Premier for instance, he would not carry his parcels home, and would not send anybody for them, and would have to have them delivered.

Mr. W. E. Matthews.]

By the Chairman:

Q. Getting away from the question as to whether they will do it or not, it would be interesting to get your opinion on what the result would be if it were adopted?—A. I think that would make a difference of about 5 to 6 per cent.

Q. The distribution charges you would say would be 5 or 6 per cent.

By Mr. Reid:

Q. Do you say it is necessary for you to have travellers?—A. That is the wholesale trade.

Q. Do you really think that is necessary in the trade?—A. Well, competition makes it necessary. The way conditions are to-day, if you did not have travellers you could not sell your goods.

Q. Supposing all the firms took their travellers off the road, would not that reduce the cost of goods?—A. Probably it would.

Q. Would it not be possible, if all the travellers were withdrawn from the road, to conduct your business without them?—A. You mean for all trades?

Q. Take your own trade.—A. Well, I suppose you would get along the best you could, but it would be pretty hard sledding. You would not sell your goods.

Q. Why?—A. How would you sell them?

Q. How does Eaton sell his goods?—A. He is not selling perishable stuff. Running a packing house is different from running other businesses.

Bp Mr. Mackie (Renfrew):

Q. In the Ottawa Valley how often does your traveller visit each town?—A. Once a week.

Q. And he calls on the different butchers of the town?—A. Yes.

By Mr. Reid:

Q. Could you not give them the price over the phone or by telegraph?—A. There are always changes taking place in the trade and new men are opening up and old men are quitting. You could not do it.

Q. Is it not a fact that it is competition which compels you to put travellers on the road?—A. In the wholesale way. The selling charge I think runs about one and a half to two per cent.

Q. That is the percentage you charge for the traveller?—A. Yes, his salary and expenses.

Q. It could not be done for less?—A. I should not think so.

By Mr. Stevens:

Q. Do you think it would have a tendency to lower the cost of living in the articles you deal in, meat and produce, if at your stores through the city you put on a low price, the lowest possible price you could, and adopted the cash and carry system, and charged for the delivery if you had to deliver it; that is any person who wished the service of delivery should pay for it. Supposing you made a discrimination between the two?—A. The person who paid for delivery would have to pay more in order to make up for those who carry goods home, would they not?

Q. Yes, that is what I am getting at.—A. And unless everybody did the same thing you could not do it.

Q. Of course the person who carries to-day has to pay for the person who gets it delivered?—A. Yes.

Q. Would not the just method be to make the person who received the service pay for it.—A. Undoubtedly.

Q. Do you think it would be possible to work that out?—A. No, I do not think so.

[Mr. W. E. Matthews.

Q. Do you think it would be a feasible proposition to put into a large centre such as Ottawa, Montreal, Toronto, and other places, stores that would have nothing but cash and carry system, butter, cheese, meats, etc., at the lowest possible price you could deliver to them as a packer at the wholesale?—A. All things are possible, but there would be a certain amount of trade attracted to it.

Q. You can go into a cafeteria, and get served with a meal in the quickest possible way, and go away, and they sell at lower prices than an ordinary restaurant. Could that not be worked in a butcher shop?—A. You could not cut beef that way. you might sell packaged goods.

Q. It is the idea of selling to the people at the lowest possible cost, if they forego the service and pay cash?—A. Undoubtedly it might reduce it 5 or 6 per cent.

Q. Not any more than that?—A. No. You see your total costs are 16 to 18 per cent. That includes rent and help and telephone service and stationery and wrapping paper and all the costs incidental to the store. They all have to be paid for.

Q. And delivery?—A. Yes.

Q. Can you give an idea of the percentage that rents bear to your expenses?—A. No, I could not do that.

Q. It is pretty substantial?—A. I do not think so. I think perhaps 4 per cent.

Q. For instance, you say it costs you 16 per cent to sell in a retail store. Do you mean that one quarter of that is rent?—A. Yes, pretty near, rent and taxes and license. You see in Ottawa they charge everybody who retails meat for a license.

Q. How much?—A. A dollar a week for each store.

By the Chairman:

Q. You have a retail store in Ottawa?—A. Yes.

Q. Can you give us the retail price of your butter in Ottawa to-day?—A. The best creamery butter is selling at 60 cents in Ottawa.

By Mr. Devlin:

Q. I was in an interesting case this morning, where I telephoned to the local grocer and asked him the price of butter, and he gave me the price as 55 and 58 cents for print butter.—A. Dairy butter.

Q. 66 and 68 for cream butter, 8 cents over your price. Have you any explanation of that?—A. You can have a variety of explanations of a thing like that, because butter has gone down two or three cents the last week, and he may have had some butter on hand he was trying to work out to get some money.

By Mr. Nesbitt:

Q. Why was there so big a difference between the two classes of butter.

Mr. DOUGLAS: Different butter.

By the Chairman:

Q. Your firm handles a large quantity of eggs?—A. No, not very many. We handle some.

By Mr. Nesbitt:

Q. As a rule in the retail store what is the cost of running it?—A. We make it about 18 per cent. We have 14 stores in Ottawa, and it costs us anywhere from 16 to 18½ per cent, and in midsummer when trade is quiet and people away, it costs us 20 per cent.

By Mr. Stevens:

Q. In your total business, which pays the best, the retail or wholesale?—A. Retailing is a regular thing. There is not much money in it, and the wholesale is largely speculative.

Q. Export?—A. It is a speculative business. Some years you make a lot of money, and some years you lose money. There is no price guaranteed. In the retail trade you are master of your own business.

By Mr. Douglas:

Q. When you speak about the cost of doing business in the retail stores here, do you take them individually or as a whole?—A. We take them individually.

Q. About what turnover does your retail store do?—A. I think perhaps $160,000 a year.

Q. Do you mean to say a store doing $160,000 a year costs you 18 per cent?—A. Yes.

Q. I quite understand that on a $40,000 business your costs would be high, but when you get up to $150,000 or $160,000 it would impress me as a very heavy cost of doing business?—A. We give a very good service. We give the best service in the town.

By the Chairman:

Q. Has the increase of salaries affected the cost of doing business?—A. Oh yes, we used to do business at 12 and 13 per cent but it has increased since then.

Q. You say you do not handle very many eggs?—A. No, we do not handle very many.

Q. I was under the impression that you handled the lot? Have you any figures as to the prevailing prices of eggs going into your warehouses for 1918?—A. No, I have not.

Q. Have you any for the early months of this year?—A. I know the cost. We bought eggs at 44 and 45 cents from the country.

Q. This year?—A. Yes. I think they were worth fifty cents at the country store.

Q. Did you buy them from the country merchant, or had you buyers going through the country?—A. Both.

Q. In that connection, is there any agreement, any gentleman's agreement to use the term, between the different buyers, by which one buyer will take a certain territory, and the other will keep out of it?—A. Not that I know of.

Q. Do you meet with competition in the purchasing of eggs?—A. We have to, or we would lose our trade.

Q. I think you misunderstand me? What I mean is, do you find that you have competitors?—A. Oh my, yes, all the time, everywhere.

Q. What are eggs retailing at in your stores to-day?—A. I do not know.

Mr. DEVLIN: Is it not 55 cents?

The CHAIRMAN: And costing in the country fifty cents.

By Mr. Nesbitt:

Q. That get us to the question of buying up eggs in the spring and holding them over to the winter. There is a good deal of feeling in the country that you buy eggs at 35 cents or 45 cents in April or May, and hold them over until the fall. Can you give us any idea as to what the spread is on eggs held until the fall?—A. Since the O'Connor and Dr. McFall Department was formed, we could not charge over a certain per cent. We adhered to that. Before the war there was a speculative chance about putting stock away in a flush season to take care of the winter time. Some years we made money; some years we lost money.

By Mr. Stevens:

Q. There is no limit to the profit on your export trade?—A. No, but during the war time we could not sell for export at all.

[Mr. W. E. Matthews.

By Mr. Devlin:

Q. Are you not somewhat different from most packers? Have you not a set of customers of your own amongst the farmers who supply from time to time with eggs?—A. We try to cultivate that, especially here in Ottawa. But it is a very small per cent; it is not three or four per cent of what we handle.

By Mr. Mackie:

Q. Are your travellers on salary or commission, or salary and commission?—A. On salary.

Q. Straight salary?—A. Straight salary.

By the Chairman:

Q. In connection with your wholesale trade, what would you estimate your selling cost through your travellers?—A. From one and a half to two per cent.

Q. Provided then that the efficiency was as great, that the customer got as good a service, and that you had as much business, the saving on travellers, if they were taken off would range from one and a half to two per cent?—A. Yes, sir.

Mr. STEPHENS: But you have the telephone service, correspondence and so on to take into account.

The CHAIRMAN: I take Mr. Matthews answer to mean that the cost of selling through the medium of the commercial traveller was one and a half to two per cent.

By Mr. Nesbitt:

Q. Does that include their expenses?—A. Yes, sir.

Mr. REID (*Mackenzie*): I am of the opinion that the traveller could be cut off and the cost reduced.

By Mr. Douglas:

Q. Is it not a fact that there was at one time during the war a period when you withdrew all your travellers?—A. No, I do not think so.

Q. I have a recollection that in Western Canada the travellers were withdrawn for a certain time.

The CHAIRMAN: You mean by order of the Federal Government?

Mr. DOUGLAS: They were withdrawn and it was a great hardship on the jobbers in the trade.

Mr. STEVENS: That was the travellers in hardware, that withdrawal would not affect Mr. Matthews.

By Mr. Douglas:

Q. It might not have affected you?—A. I never heard of it.

By Mr. Reid:

Q. Can you sell orders to individuals outside of the trade?—A. At our retail stores.

Q. No, in your wholesale house?—A. No.

Q. Not even where you do not have a retail store of your own?—A. No.

Q. In any line of goods that you handle?—A. No, sir. Well, when I say no I would modify that somewhat because we sometimes have orders coming in from parties who are going fishing or hunting or something of that kind and we sometimes put up an order for them, but in a general way you cannot run a wholesale and a retail store, you cannot do that.

By Mr. Nesbitt:

Q. Do you ever run at a loss?—A. Yes.

Q. What would be the percentage of your loss?—A. Oh, very small, I think one tenth of one per cent.

By Mr. Douglas:

Q. Is that in the retail?—A. Yes.

Q. You do a cash business?—A. Yes.

Q. Have you any idea of what your profit is?—A. Yes, we run from two to three per cent on our turnovers.

By Mr. Stevens:

Q. In your cold storage system do you store cured bacon and ham?—A. For our own trade?

Q. Yes. To what extent do you do so?—A. Well, sufficient to take care of our trade.

Q. For what period?—A. Well, of course, different food takes different time to cure.

Q. I do not mean while they are being cured?—A. You mean after they are cured?

Q. Yes.—A. I suppose we carry two months' supply.

Q. I suppose you file a statement showing how much you have in from time to time?—A. Yes.

Q. You will, of course, have noted the statement that the cold storage companies are carrying large stocks of bacon, ham, etc.—A. Yes.

Q. What have you to say about that?—A. Well, I think it is largely exaggerated and, very often, misunderstood. When Mr. O'Connor reported, at that time the Canadian packers were short of hogs and we could not keep our plants running and to take care of the overhead we were bringing in American meat which we cured in bond and shipped out again, and got a rebate of 99 per cent duty on what we were shipping out. In that way our cellars were full and all these quantities that came into the country gave an exaggerated idea of what there was in Canada.

Q. Can you show for the last six months the total quantity which there was in storage?—A. For ourselves?

Q. Yes. By the month?—A. Yes.

By the Chairman:

Q. Has the statement been continued?—A. I do not think it has. I think they have stopped that now, but I can give that if you wish.

By Mr. Stevens:

Q. I would like Mr. Matthews to file such statement.—A. That is our own stock?

Mr. Stevens: Yes, for 6 months.

By Mr. Nesbitt:

Q. You mean altogether in the cold storage, no matter who it is for?

Mr. Stevens: Yes, for the past six months.

By the Chairman:

Q. Do you store meat and meat products and provisions for other than your own business?—A. No, only very small quantities in our packing houses.

Q. Have you any custom store houses?—A. Well, we have in Winnipeg where we store for other people.

[Mr. W. E. Matthews.

Q. For individual customers which might be trading in stuff kept there as well as storing it for yourselves?—A. Yes.

Q. Do you use the same warehouse for the two purposes?—A. Yes.

Q. What is your charge for storage for custom warehouse?—A. It depends upon the temperature, freezing temperature is usually three-eighths of a cent per pound per month and one-quarter of a cent afterwards. Ordinary storage is, of course, less.

Q. Have you any experience operating customs storehouses apart from trading? —A. No.

Q. You have not?—A. No, I don't want it either.

By Mr. Nesbitt:

Q. I understood you to say, when talking about butter and eggs the Department Dr. McFall has charge of and requires you to file statements of the amount you have in stock and the prices you are selling it at and that sort of thing, but I understood from what Dr. McFall said that that sort of thing is past.—A. I think it expired about two months ago, it continued up to about March. It kept up till about March.

By the Chairman:

Q. During 1917-18 you imported very considerable quantities of hogs from the United States, cured them in Canada and exported meat products?—A. Yes.

Q. Do you produce bacon for the British market—you do, of course, from Canadian hogs?—A. Yes.

Q. When you get down to the point where the British market absorbs more than the available supply of hogs, do you ship out the bacon produced from the Canadian hogs, and bring American hogs into Canada, and put the meat from these hogs on the market, plus the duty added?—A. Sometimes, not often. Sometimes we want a barrel of pork for stock and we have not got it.

Q. When you buy United States hogs and bring them here and export the pork to England do you get a remission of duty?—A. Yes, 99 per cent.

By Mr. Sutherland:

Q. Is it put on the old country market as Canadian or American pork?—A. American.

By Mr. Stevens:

Q. You get it fresh?—A. Yes.

Q. By refrigerator car?—A. Yes.

Q. Do you store many carcasses not cured?—A. No.

By Mr. Reid:

Q. What grade of hogs do you use for export bacon?—A. We like hogs from 140 to 200 pounds.

Q. For one thing?—A. Yes.

Q. That is for your export trade?—A. Yes.

Q. Does that mean that your export trade is from your high class stock that you produce?—A. Well, it does not. We get those hogs for our best Canadian trade too—same quality.

Q. You heard Mr. Fox's evidence this morning. For the Wiltshire bacon it is not necessary that you should have a 140 pound hog?—A. Well, it is to get the best price. There is a difference in price between the best weight in England and light weight. If you get a light weight you get a cut in the price on the other side.

By the Chairman:

Q. The bacon you get the best price for in Canada is made from No. 1 hogs?—A. Yes.

Q. Mr. Devlin asked a question this morning and I am not quite clear on it. The bacon that goes to England is the Wiltshire side, which includes practically the whole half of the hog. As that same hog goes on to the Canadian market it is divided into four different cuts, the shoulders, the backs, the hams and the bellies?—A. Yes.

Q. What would be the difference in the cost of preparing that for the market? Take the hog and prepare him for the market in two pieces, two sides of which are bacon, or in eight pieces, two hams, two shoulders, two backs, and two bellies?—A. Well, a Wiltshire bacon side has the bones left in, has the rib in, and Canadian trade calls for boneless bacon, with the bones all taken out. Mr. Fox did not make that clear this morning.

By Mr. Stevens:

Q. That makes a big difference?—A. Yes.

By Mr. Devlin:

Q. In one case you sell without the bone and in the other with it?—A. Yes.

Q. But in weighing, do you not weigh with the bone?—A. No, sir, we take the bone out when it is fresh, selling it in our retail stores.

Q. Spare ribs?—A. Yes, and we try to get about 15 cents a pound, and the additional cost has to go on the bacon.

By the Chairman:

Q. A very great deal has been said as to the Canadian bacon being sold on the English market at a certain price and the Canadian bacon sold on the Canadian market at another price, and there is a wide spread between the two, what is the reason for that? You bring out the point that the Canadian product is boneless. Just give us your opinion, I do not ask you to give us a concrete figure, but your opinion as to about what that would mean in money value?—A. Well, from my observation——

Q. Your percentages?—A. The trade there is done differently. It depends where you go to buy things. If you go down to a big market in London, you can buy a cut of bacon very cheaply, cash and carry, a sort of rough and ready trade, but if you go into the best retail store in London, you pay a higher price than you pay here for the same bacon.

By Mr. Devlin:

Q. Because as a matter of fact the breakfast bacon that I buy from your store—and I was able to buy a great deal before the cost of living went up—is just as good a bacon as any that is sold in England?—A. Just as good, best brand.

By Mr. Douglas:

Q. We have great difficulty in getting anyone to see just why the British consumer buys his bacon cheaper than the consumer in Canada buys his bacon?—A. I do not believe they do. I can turn up our books in Ottawa any time and our returns for the stuff we sell to England will bring us back more money than the stock we sell here.

Mr. Stevens: Perhaps the public got the quotation of the Wiltshire sides wholesale in England and compared it with the wholesale price of the cured bacon in Canada, which is not a fair comparison, but if we could get a fair report on retail prices in England under the same condition as the goods are retailed here in a first-class store, and also the lowest possible market sale of the cash and carry here and the

[Mr. W. E. Matthews.

cash and carry there, of cured bacon in both cases, we might have a comparison. Your comparisons I am afraid are not fair. I do not know whether Mr. Matthews can enlighten us on it.

WITNESS: We do not sell that bacon here. We have tried to sell Wiltshire bacon in Canada, but the Canadian public do not take to it.

By the Chairman:

Q. The Canadian public want the boneless bacon and the shoulder?—A. Yes.

By Mr. Douglas:

Q. Take the bacon you do sell on both sides of the water. You sell the Wiltshire bacon in Canada?—A. No, sir.

By Mr. Reid:

Q. Would it be cheaper for the consumer here to buy the Wiltshire bacon, or the boneless bacon?—A. It depends on the use they make of the bone. Our people here are extravagant people. They are not looking for bone.

By Mr. Davis:

Q. Is Wiltshire bacon taken to the United States?—A. I do not think so.

Q. I was in Niagara Falls, New York, a few years ago. I went into a grocery store and I was offered a pound of bacon at 36 cents. They said that it was the best prime bacon. I was in Manitoba two weeks before that, and I asked the butcher what he was selling bacon at. He said fifty cents a pound. I asked what he had paid for it. He turned up his invoices and he said he had paid thirty-nine cents. Why should there be that difference?—A. I do not know anything about the cut.

Q. It was the best breakfast bacon?—A. The butchers have a reputation for charging high prices, you know.

By Mr. Mackie:

Q. The lumbermen buy in large long boxes long clear bacon. Can you sell that class of bacon on the market here?—A. Yes, we do.

Q. But the best families will not buy it.—A. No, it is a country service. It is long clear bacon that is sold to the lumbermen, at harvest time, or something like that.

Q. What would be the price of that compared with smoked bacon, the Rose brand? —A. I suppose five or six cents a pound less.

By Mr. Reid:

Q. What do you consider a fair business profit in the spread between you as the packing house and the consumer?—A. Well, you have got to take a lot of things into consideration because the offal and the fertilizer and the grease market and the lard market all reflect in the bacon price.

By Mr. Devlin:

Q. You have already taken these into consideration?—A. They fluctuate.

Q. You have already taken these different articles into consideration in establishing the price?—A. We do.

By Mr. Reid:

Q. You do a retail business yourself, so that you should know what would be a fair spread as between you, as a packer, and the consumer?—A. Between the packer and the consumer; that means you take in the retail gross profit and the manufacturers' gross profit.

Mr. W. E. Matthews.]

The CHAIRMAN: I think that what Mr. Reid wants to get at is the price at which you sell to the retailer.

Mr. REID: I want to get the spread between what it costs the packer and what it costs the consumer. Mr. Matthews conducts a retail business and should know.

The CHAIRMAN: You want the gross profits of the whole thing?

WITNESS: I would say thirty per cent.

Q. That is the actual cost?—A. Between the price at the packing house door, as it leaves the packing house, and the price delivered to the consumer by delivery waggon.

Q. Thirty per cent?—A. Thirty per cent.

By Mr. Stevens:

Q. Do you not think that is high? I do not mean that your estimate is high, but ought it not to be possible to reduce it by improving the system of distribution?—A. We would be very glad to co-operate in any cheapening of our expenses.

By Mr. Devlin:

Q. In case that statement might be misunderstood, you would, I suppose, take away from the thirty per cent the cost of running the retail store?—A. Oh, yes.

Q. And you have got a plant?—A. A plant.

Q. Then you have delivery waggons?

The CHAIRMAN: It covers all the cost, doing the whole job; that is the gross profit. Mr. Matthew's statement is that for a dollar's worth of profit that goes into the packing house, the consumer must untimately pay $1.30, that is as his business is carried on today.

By Mr. Douglas:

Q. Can you reconcile this statement in the report of Mr. O'Connor, dealing with the cold storage situation in Canada? He gives a quotation of the total amount of bacon in store in the ten different packing plants in Canada, and he sums it up thus: There were 125,000,000 pounds at an average cost of 15·76, and the average margin was 4·38. That is thirty per cent, before it reached the retailer. I presume your own store would be included in this?—A. Yes, but I think that that report was framed just at the time when all commodities were lifting up every week in price. That really was the call for that report. In 1916 we were buying pork at twelve cents a pound, and as the war progressed everything was going up, and the stocks on hand naturally went up in value with the advance in all commodities.

Q. Would that explain the margin of profit?—A. Yes, sir

Q. Then this was a very exceptional rate of profit?—A. Yes, never attained before.

Q. And not since?—A. Nor since.

By Mr. Devlin:

Q. Do you find that in the eastern portions of the country there is a greater production of hogs?—A. I think about ten or fifteen per cent.

By Mr. Mackie:

Q. Have you had anything to do with supplying the militia camps?—A. Yes.

Q. How does the price of meat sold to the militia camps compare with that sold to the retailer?—A. It would be a lot cheaper.

Q. Why?—A. Because there is one delivery. If we could put down beef at Petawawa each morning it would be all right, but it is a different proposition sending it to Ottawa and then sending it all over.

Q. Once a week you run a car to Sudbury, and you have regular customers in Pembroke. What difference would there be between that cold storage car and the car shipping to Petawawa twice a week?—A. You are mixing the wholesale trade with the retail. It depends on what they call for.

Q. The reason I mention this is that I was officer in charge of the Petawawa Camp ground, and they sent my order to Shepherd in Pembroke, and I had a very big saving on it?—A. You were buying meat that was not inspected by the Government authorities.

By Mr. Stevens:

Q. Is all your meat inspected?—A. Yes.

By Mr. Mackie:

Q. Do you say that that meat was not inspected?—A. No.

Q. It is a good thing we did not know that?—A. You took all the risk of giving your men tubercular meat.

By Mr. Stevens:

Q. What do you lose by inspection?—A. Do you mean what per cent?

Q. Yes?—A. I do not know off hand.

By Mr. Douglas:

Q. That is provided for in a certain insurance which they carry. You say that the meat was not inspected that went to the military forces in Canada?—A. The meat they bought outside of the regular packers was not inspected.

Mr. NESBITT: He means meat bought from the local butcher.

By Mr. Mackie:

Q. Oh, no, these carcasses were sent in by Swifts and Matthews?—A. You asked about Shepherd in Pembroke. He was buying cattle all through that country and killing them himself.

Q. No, I think last year they bought from Swifts. The Swifts were supplying Shepherd of Pembroke and he was supplying Petawawa Camp, so that the Pembroke meat would be inspected.—A. So would the other.

Q. There was a very great difference in the prices?—A. Swifts manager is here and you had better talk to him.

Q. You did not supply Petawawa Camp?—A. No, not last year.

By Mr. Nesbitt:

Q. By arriving at your cost in the slaughter house, do you make an allowance for your offal?—A. Yes, sir.

By the Chairman:

Q. Taking the beef question, approximately, was not the value of the by-product in your abattoirs in the butchering of meat that would be waste? Could not this by-product be made use of, as a fertilizer product, or that sort of thing?—A. I would have to look that up.

Q. It is a very considerable amount, is it not?—A. Oh, yes, quite considerable.

By Mr. Reid:

Q. What do you reckon as the average of the by-product of say a 1,200 pound steer?—A. What amount of beef, you mean? I cannot tell you. I could tell you from our books, but not off hand.

Q. You handle a large quantity of meat?—A. Not much. We do in Montreal and Toronto, but here in Ottawa—I live in Ottawa, and our Ottawa business, so far as we are concerned is a retail proposition.

Q. You deal in fish?—A. Yes.

Q. Where do you get your supply?—A. Everywhere.

Q. East?—A. East and West.

Q. Do you buy from the fishermen or fish dealers?—A. Through the Ontario Government and dealers in the west and buy from local fishermen.

By the Chairman:

Q. Has the Ontario Government still maintained a fixed price for fish?—A. Yes.

Q. What was the result on the Canadian market on the fixing of the price?—A. I think increased consumption.

By Mr. Stevens:

Q. And did not debar you from making a fair profit?—A. No. It is another case where the thing is likely to be misrepresented. The price they fixed was for the whole fish, not cleaned. People do not want it that way. They want it cleaned in the store.

By Mr. Douglas:

Q. Has it not increased in price to the retailer?—A. It has gone down.

Q. How do you account for the exorbitant price of 21 cents?—A. Increased cost of getting the fish in.

Q. For what reason?—A. Higher cost of labour.

Q. But when the fixed price was put on, the fishermen got a return for his fish, and the intermediate man got a margin, and then it came to your place and you got a margin, and then you sold to the retailer, and he got a margin, and there were about four margins?—A. You have it wrong. We do not wholesale, we retail.

Q. As I understand it, the position was this. The Ontario Government, who have the giving of licenses, only issued a license to the fishermen conditional on their turning in a portion of their fish at what the fishermen said was less than cost price, and they had to do that to get their license, and that fish was advertised and sold as Government fish, and when the fishermen had to pay higher wages the price went up.

Q. When the restriction was put on the price of fish went up?—A. For some time.

Q. And you say the action of the Government in fixing the price led to an increased consumption?—A. Yes.

Q. The restriction has led to a higher price, and naturally a decreased consumption?—A. Yes.

By the Chairman:

Q. Do you buy very much fish from the Georgian Bay and Lake Superior District?—A. We buy a good deal from Nipigon.

Q. Do you find that the Ontario fixed price was very much below what was looked upon as the over market price?—A. Yes, for the reasons I have given you.

Q. At the time the fixed price was in force last season, have you any knowledge of the difference between the Ontario Goevrnment fixed price and the export price to the United States?—A. No, I have not. I would be very glad to send our fish man up here. He buys our fish and could tell you it a thousand times better than I could.

By Mr. Stevens:

Q. Compared with the years prior to the war, how is the price fixed now?—Is it lower or higher?—A. Higher.

[Mr. W. E. Matthews.

Q. Very much?—A. Considerable.

Q. You might have your fishman prepared to answer these questions?—A. Yes.

By Mr. Mackie (North Renfrew):

Q. Is there much loss in spoilage in your local plants, in retail stores in fish?—A. No, not a great deal.

Q. We find in some of the small towns that by the time the fish reaches them from Toronto and is distributed, it is pretty close to the spoiling point and must be marketed immediately?—A. Yes.

Q. But you do not experience much loss in your retail store?—A. No.

By the Chairman:

Q. Did you find, as a result of the fixing of the price by the Ontario Government, that there is any difficulty in getting the necessary supply at the fixed price? Was the export of fish making it difficult for you to get all the fish you could use?—A. No, I do not think so. The difficulty about the fish was the uncertain amount. We get fish from the Atlantic, and we would get a wire that a storm was on and we could not get them.

Q. I speak of Georgian Bay, Lake Superior and Nipigon fish.

Q. We had a statement made to the Committee that, as a result of the Ontario Government fixing the price, it became difficult to get a supply because the fishermen were selling to the export market everything except what they were compelled to sell to the Ontario Government?—A. I have not heard of it.

By Mr. Devlin:

Q. You must have a personal knowledge of what I am going to ask you. You have noticed that in Rockliffe stores there seems to be an increasing demand for Western beef in preference to eastern beef?

By the Chairman:

Q. What is meant by Western beef?—A. Western Ontario.

By Mr. Reid:

Q. I would have thought that Western beef was the beef of the prairies.—A. No, sir.

By Mr. Devlin:

Q. It is a good deal more expensive?—A. So it is, it is better beef.

Q. One of the witnesses said that the Eastern beef was just as good, every bit of it, as the best Western beef you can buy?

Mr. Stevens: He meant Western prairie beef, as compared with the best Ontario beef.

The Chairman: You are referring to the statement of Professor Toole. He had reference to a two year old steer, stall fed, raised in Oxford County, 1,200 pounds, compared with the range steer.

By Mr. Devlin:

Q. What would be the cause of the increased price of that beef for our own eastern people? Would it be on account of transportation, or a higher price?—A. They pay more money for it. The east is a dairying country and at certain times of the year there is always a good quantity of beef to be had from the good farmers, but you cannot depend on buying it here?—A. You buy on the Toronto market. To get the best beef you have to go there to get it. They buy largely in competition with Buffalo.

APPENDIX No. 7

By the Chairman:

Q. Give us your opinion, Mr. Matthews, as frankly as you can, as to whether any price fixing might be put into effect in connection with meat products, butter, eggs, or the general produce of the farm that you handle. What effect would it likely have, in so far as the man who is actually producing is concerned?—A. I do not think it is practicable.

By Mr. Stevens:

Q. Take an individual case. Suppose we fix by an Act of Parliament, or the Government fix by an Order in Council the price of hogs what effect would that have? —A. It would mean that the packers would have to pay that price until a time when they could not sell their product, and then they would not buy.

Q. Do you think a minimum price could be put into effect? Suppose we said that for the coming year the price would be sixteen cents as the minimum and as much more as you like?—A. That is all very well, but when the price is made in the United States, you as an administration undertake to take the product and give the manufacturers a certain price. The Government fixed the price.

By Mr. Douglas:

Q. In your judgment, if there is a fixed price to the producer, there must also be a guarantee to the packer that his product would be taken care of?—A. Somebody would have to take it. Suppose you fixed the price to meet the world competition in England and the price began to drop to twenty shillings a hundred. What could you do?

By Mr. McCoig:

Q. What would your suggestion be? What course do you suggest should be pursued to increase the production? What would you suggest would give sufficient security to the farmer to go into the raising of hogs more extensively than in the past? —A. I do not know. It is a matter of very deep concern to us to know how to keep our plants going.

Q. I think the members of this Committee are all anxious to get some information, some idea or suggestion by which to recommend to the Government any action that might be thought advisable or feasible, and by which we could increase the production of hogs in the country without creating any great hardship. I do not think the Committee wish to see any hardships imposed on any person?—A. If twenty-one cents a pound, live weight, is not an inducement——

Q. You do not pretend that hogs are going to remain at twenty-one cents a pound? —A. No, but supply and demand take care of all these things.

By Mr. Nesbitt:

Q. Suppose we fixed the price to the farmer at eighteen cents, the Government would have to be responsible for any loss?—A. Somebody would.

Q. They would be perfectly willing to buy so long as they could sell at a profit, but as soon as they could not get a profit they would stop?—A. Surely.

The CHAIRMAN: There is the reverse of that. The clamor throughout the country, to use that word, is against present prices, and we are faced with the question of endeavoring to make some suggestion. It is only necessary to read the daily press to see the variety of suggestions that the Government should do something, that the Government should fix a price that would have the effect of reducing the price by legislation or enactment of some description. Take butter for instance. Your butter fat is fifty cents a pound. Live hogs to the farmer are twenty cents. If the Government, by legislation, said you must sell your butter fat at forty cents, and your live hogs at sixteen cents——

[Mr. W. E. Matthews.

Mr. NESBITT: Then the farmer would stop.

Mr. McCOIG: Then you would have to say that the manufacturer of agricultural implements should supply them with the necessary articles to produce the stuff at a much less cost than they are producing it at the present time.

The CHAIRMAN: I want to get from Mr. Matthews his opinion as to what the effect of that would be.

WITNESS: I do not think it is practicable, and I do not think it is wise. Take eggs. Next fall the British buyers are coming over here to clean up every egg in the country. By next November, or next winter, there will not be any eggs left in the country. That is the condition to-day. We have sold thousands of cases of eggs for shipment next November, and they will all be lifted out, and there won't be any left.

Q. What would your position be if the Government put an embargo on your eggs? —A. Well, there you are. What would the farmers say?

By Mr. Devlin:

Q. We are here as a Committee to inquire into the increased cost of living. Can you give the Committee any idea which would enable them to tell the Government that by adopting certain measures the consumers might get their food stuffs cheaper. Take your chief items, eggs, pork, and beef, is there any system in your mind by which the consumer might be able to get them cheaper than they are getting them to-day?—A. I do not know.

Q. You get into a vicious circle; everything contributes?—A. You cannot do it so long as Europe is hungry and willing to pay the price. Put cattle on the Toronto market, and the drovers take them to Buffalo. It is the same with the hogs raised in Western Ontario. You cannot get the price down here.

By Mr. Stevens:

Q. And if you keep the price down, they will stop producing?—A. Yes.

Mr. McCOIG: It all goes back to more production.

By Mr. Douglas:

Q. That is your answer, increased production?—A. Yes.

By the Chairman:

Q. We have evidence before us to show that the farmers cannot produce at a price less than they are producing to-day?—A. It is all a question of when Europe will let up on buying. If Europe stopped buying to-morrow, the price would come down four or five cents a pound.

By Mr. McCoig:

Q. It is a kind of gambling game?—A. Always.

Q. All the way through?—A. All the way through.

Witness retired.

Mr. O. W. WALLER: Called, sworn and examined.

By the Chairman:

Q. Your position is that of General Manager of the Swift Canadian Company?—A. Yes.

By Mr. Douglas:

Q. In Ottawa?—A. My home is in Toronto.

By the Chairman:

Q. Your head office for Canada is in Toronto?—A. Yes, sir.

Q. And as General Manager you have a general knowledge of the business?—A. Yes. It is somewhat superficial; I do not know the details of it.

Q. But you have a general knowledge of the manner in which the business is conducted?—A. I think I have.

Q. And you exercise general control?—A. Yes, I think so.

Q. You are engaged in a general packing and food producing business?—A. Yes.

Q. Wholesale?—A. Wholesale, yes.

Q. Have you any retail stores?—A. I think we have about three in British Columbia. We bought out the Prince Rupert Meat Company about a year and a half or two years ago, and they had seven or eight retail stores. We are disposing of these, and the last time I checked it, I think we had two or three left. But we are not retailers, and would not be retailers so long as we can dispose of the stores.

By Mr. Douglas:

Q. Are you the General Manager for the whole of Canada?—A. I am Vice-President and General Manager for the Swift Canadian Company.

By Mr. Stevens:

Q. You say you have a few retail stores in Western Canada?—A. We were forced into it in that way. We had some retail stores in Western Canada and we disposed of some of them. The others will be as soon as they are sold. They will be sold now. The last time I checked it, we had two or three.

By Mr. McCoig:

Q. There is a press report that a number of American and Canadian packers are combining and amalgamating?—A. I saw that in the papers.

Q. Would that large amalgamation further affect the prices of foodstuffs in this country?—A. I do not know, I am not sure what it will do. There is a combination of the smaller companies that they have reached in Canada. I do not see that it would affect anything very much.

By the Chairman:

Q. Does it affect your company in any way?—A. No, sir, my company is not a party to it.

By Mr. Douglas:

Q. Your firm is a large dealer in fresh meats?—A. We handle beef, pork, mutton.

Q. Can you tell the Committee the practice that prevails say in Toronto, the methods of conducting a butcher business in the City of Toronto?—A. You mean a retail butcher?

Q. Yes?—A. I am not competent to say that.

Q. Put it in another way. The majority of the retail butchers in Toronto buy their meat from an abattoir or packer, rather than slaughter their own meat?—A. The majority do, yes.

Q. And you, as one of the big packing concerns, naturally sell to the retail trade in Toronto a large amount of their stuff?—A. Yes, sir.

Q. Have you any knowledge of the prices you are charging at the present time through the retail butcher in Toronto for front and hind quarters of prime beef?—A. No, sir.

Q. Then we cannot get very much information as to the spread in beef from you, can we?

By Mr. Nesbitt:

Q. You do not know what you are charging to-day for beef?—A. I cannot tell you exactly.

Q. That is strange; you are the manager?—A. I know that we lost two dollars a hundred last week. I cannot tell you at what price it was sold because that covers a good deal of territory. Some one sells at a little more, and the combination showed two dollars minus.

By Mr. Stevens:

Q. Do I understand you to say that you lost money?—A. Lost money on last week's sales, yes.

By Mr. Douglas:

Q. I was taking Toronto?—A. Toronto, Montreal and other places.

Q. I was taking Toronto?—A. I think we lost money in the City of Toronto, but that is an estimate that I tried to draw out of my memory.

By Mr. McCoig:

Q. Did not the cattle market drop fifty cents or a dollar last week?—A. Yes, it dropped.

Q. You would not drop your retail price before the market dropped?—A. Did you ever try to sell retail goods on a dropping market I think the cattleman bucks up immediately if there is a decline.

By Mr. Douglas:

Q. What would be the effect of our present system of merchandizing, whereby the retail butcher does not slaughter his own animals but sends them to the abattoir? Is that conducive to lower prices?—A. You mean does the abattoir slaughtering bring lower prices?

Q. Does the fact of the butcher dealing entirely with the abattoir conduce to lower prices?—A. Yes, that is the evolution that has taken place in the last forty years. It prevents the waste created by the local butcher in doing his slaughtering, and has made it impossible for him to compete in the business. If he paid the same price for cattle on the hook that we do, his beef would cost him more on the hook than we would have to pay for our beef.

Q. Even allowing for a profit for you handling?—A. Yes.

Q. Why should he?—A. Because in the first place he has a great deal of waste He has all the products that he gets, that he cannot handle, because you have to have a volume of it in order to handle it. He takes his hides off. He is liable to have to sell them as cut hides, because they are cut and scarred, and you as a tanner want to buy smooth leather, because you have got to sell smooth leather to the customer. So the retail man does not know how to take off hides, so that his hides represent a loss right there.

Q. Your men become highly expert?—A. They have to be highly expert. Cut and scarred hides do not sell well, and there is a loss in hides to the small man enough to pay the freight on the slaughtered hides to the market point alone.

By Mr. Douglas:

Q. The value of the by-product and the enhanced value of the hides the way you take them off more than compensates you for the killing charges?—A. Yes.

Q. And you have your profit as a handler or jobber on that meat before it reaches the retail butcher?—A. Yes.

[Mr. O. W. Waller.]

Q. And your contention is that by the time it reaches the butcher, the butcher is buying cheaper than if he slaughtered his own animals?—A. Yes.

Q. No question about that?—A. No question about it. That is the evolution upon which the business has been built in forty years from absolutely nothing to what it has got to. Swift and Company have developed a business of $1,250,000,000 distribution sales last year.

By Mr. Stevens:

Q. Cold storage plays an important part?—A. Not in the beef business.

Q. Cold storage does not affect the beef seriously?—A. No.

Q. Do you herd beef to any large extent?—A. There is a period about the fall market, about October, starting maybe September, October, November and the early part of December, in which they clean up the herds, the breeding herds and the feeding herds, etc., and there is a considerable quantity of older cattle or cattle that are not feeding well, etc., that come to market. Some of these prime cattle come down, but they are not always the best fed cattle. They have to be marketed. Those cattle are bought and are cut into most desirable cuts whenever the market will absorb it and wherever it will absorb it.

Q. Take a few classes of beef, take a prime steer, and some of these rather rough, not highly developed animals—you sell them to the retail man at a different price? A. Yes.

Q. He does not make much discrimination in the price he sells them?—A. I would not be competent to speak for the retailer. I may be quite competent to talk for myself, but I would not talk for the other fellow.

Q. As a matter of fact, that is where the consumer gets it?—A. There are some forty or fifty different grades of meat.

By Mr. Reid:

Q. Is the butcher in the country able to ship in his cattle and get the beef back and make it pay?—A. It is done all over the country. There are always some people who do their local shipping and ship the stuff to market, because they have done it before, the same as they keep hogs. You find hogs brought into Ottawa here. I have seen plenty of them on the market. The man would sell the dressed hog for the same price as he would get for live hogs because his product would be before him; still if the hog would only dress 72 or 73 per cent, he has lost that difference, besides the labour.

By Mr. Stevens:

Q. If a man has four or five hogs it is a simple thing for him to kill them and put them on the sleigh. He would not have a car-load?—A. But he always has a neighbour who has perhaps four more, and perhaps a bunch of neighbours, and there is always some drover in the country who is specializing on that sort of thing.

By Mr. Douglas:

Q. The more farmers we have, the better it would be for the consumer. First of all, if this man sells his hog dressed at the same price as live-weight, somebody must get the benefit of that?—A. That may be true.

Q. Speaking of the wholesale marketing of beef, what you say I have no doubt is absolutely right, as to the economic value of the abattoir selling beef to the butcher. Has it any effect in restricting the competition at all? The fact that the whole retail supply of beef in Toronto, we will say, is in the hands of three or four firms. I am just taking that proposition. Supposing that were the case, would it have any effect in keeping up the price to the butcher, who would be forced to buy from one of these four firms?—A. The first answer to that is that this is a perishable food product. It is

[Mr. O. W. Waller.]

not like bar or pig iron. It has a limited number of days in which it can be marketed, and if you undertake to establish a trust in beef, you would have it hanging on your hooks, and the flies would get at it, and you would lose about three cents a day, and you have to put it in the tank. Therefore, anything that would undertake to restrict the price of fresh meat would be rather a hazardous undertaking.

Q. I do not understand your plant in Toronto, but I can speak with some knowledge of your plant in Edmonton, and from what I have seen of that plant, you could keep fresh, clean beef there six months without injuring the quality—A. You mean frozen.

Q. Yes.—A. Yes, I know, but you do not market frozen beef.

Q. You have an ammonia plant there that freezes the beef in this weather?—A. This is a simple matter. Any body can freeze beef, because that is not very difficult.

By Mr. McCoig:

Q. The price that they were paying in some sections on foot, would that not pick up Mr. Douglas' point, that if we had more markets throughout the cold season of the year, the farmers would be ready to sell out their light beef and hogs without any restrictions. Last year there were restrictions by the Food Board, compelling every farmer to procure a license to dress and sell on the market any cattle that were not produced or grown by himself. If these restrictions were removed, and the markets were more numerous throughout the country, so that a small class of cattle could be slaughtered and sold by the ordinary butcher, I means the man who would know enough to dress and sell by the quarter, there would be more competition, and the consumer would get the benefit of it. If these restrictions were removed—they may be removed now, but they were in existence last winter—it might lead to more competition from that source?—A. I do not think there is anything to prevent him doing it.

Mr. Nesbitt: There are no restrictions now. So far as our part of the country is concerned, the local butchers never stopped killing.

By Mr. Douglas:

Q. While you think you lost two cents a pound last week, it does not follow that that is your regular method of doing business. You make money?—A. We do not run a charitable institution.

Q. You make money as a general rule?—A. We try to.

Q. And yet your belief is that you are selling to the retail butcher at as close a margin as he could buy it if he went into the open market and slaughtered his own beef?—A. We are selling it cheaper.

Q. So that there is any undue profit, it must be after it leaves your hands?—A. We certainly do not feel that we are making an undue profit. We undertake to manipulate all the by-products to the highest possible market in the most scientific way, and to get everything out of it we can. Then we have to sell the beef on whatever market it created by competition. The point I think you had in mind was that there was no competition.

Q. I was asking whether you thought it had had that effect?—A. I do not know that. If you really want competition that is the kind of business to go into. I can endorse it fully from that sandpoint. You will get all you want.

Q. Take the City of Ottawa; you have a manager here?—Yes, sir.

Q. I notice in some of the invoices for the meats that we purchase for the restaurant where they deal with the Swift Canadian people, there is a price of forty-two cents a pound for a loin of beef, wholesale. Would you, in your judgment, take that as a high price, or as a moderate price?—A. I think that for some lines it would be mighty high, and I think that for other lines it would be low. There are about forty or fifty varieties of meat. For some you would pay higher; for some lower.

[Mr. O. W. Waller.]

Q. Do you buy the whole fifty lines?—A. We buy everything that walks on feet, and we have to handle it to the point where we can get the most for it, where to deal. We try to find the highest possible market for that particular commodity.

By the Chairman:

Q. There is one point which I think is worth bringing out clearly, in connection with the packing business and the abattoir business, as it is carried on today. Your position is that the ordinary butcher cannot go out into the country and buy a steer from a farmer for the same price on the hoof as you would pay, that he can take that steer to his private slaughter house, slaughter him and do the best he can with him, and you can still beat him out and make a profit?—A. Yes, sir.

Mr. McCoig: That argument is alright provided the Swift people sell to the retailer at a fair price. He cannot buy a steer and take it into his slaughter house and sell it the same as this gentleman's company can; but if the company puts on more profit, that is where the consumer gets the worst of it.

By the Chairman:

Q. The price that the butcher is paying to the abattoirs is less, is it not, than it would cost him, provided he bought the steer at the same price as you buy, and killed it himself, and made the best he could out of it?—A. Yes, not allowing anything for his labour or bother, he would be in the hole against the proposition every time.

By Mr. McCoig:

Q. Do you sell on that basis?

By Mr. Nesbitt:

Q. You all sell to the retailer?—A. Yes, sir.

Q. Then there is competition between them?—A. I think so, it is a man's game.

By Mr. Stevens:

Q. Do you meet and fix prices on beef?—A. I never did in my life.

Q. The packers do not meet and fix prices?—A. No, sir. We tell our salesmen of the branch houses what we would like to get for it, but we cannot fix a price. To fix a price you would have to tank your stuff, and we never do it.

Q. In selling to the retailer, do the packers all quote the same price?—A. I do not know what the other packers quote, I only know what my own men can sell at.

Q. Do you ever have a conference to agree on a price on prime bacon or beef today or next week?—A. Let me answer that clearly. We never have a conference for that. I sometimes see a competitor, the same as I might see him on the market, and I say to him; I see you are giving away beef in certain localities and making it hard for a man to make money. I may pass a man in the cattle market and say that to him, and tell him that his salesmen are giving it away. With reference to a conference on prices, or agreeing, it is not done, I do not know anybody who does it.

Q. It has not been done during the last three or four years?—A. No. sir.

By Mr. Sutherland:

Q. How many retailers are handling your goods?—A. I cannot tell you.

By Mr. Stevens:

Q. Twenty, thirty, forty or fifty?—A. I would have to get my manager here.

By the Chairman:

Q. Have you a manager here in Ottawa?—A. Yes, sir, for our Ottawa branch.

[Mr. O. W. Waller.]

Q. And if we wish to call him, we can get him?—A. He will tell you anything he is able to tell you. There is no secret in the business, and I do not want to seem to try to withhold anything, because I have not that in my mind at all.

Q. You manufacture oleomargarine?—A. Yes, sir.

By Mr. McCoig:

Q. Before you leave the beef situation, you stated that you have not had any conferences. How do you strike the prices at the week-ends?—A. From the European markets, sometimes from the experience of last week. Sometimes our prices in competition are considerably higher than the market would indicate, and you have to keep your packing houses running. You cannot stop them unless you want to go out of business. That is not my ambition. So you have to walk out over the bridge, and hope for better conditions? Sometimes there is a profit in the hogs you are buying and everybody wants the last hog he can get. Then you wipe the profit out by competition. Sometimes the market on the other side drops five shillings or ten shillings and then you can see you are up against a stone wall and you back up.

Q. A question was asked of Mr. Fox as to the rule in the months of November and December as to whether at the time when the farmers have their obligations to meet, the price of hogs goes down. Have you any explanation in regard to that?—A. There are season runs on live stock that sometimes affect the receipts, and there are seasons on the market when a certain class of product is taking a little more than others.

Q. You would not think that the producer was right in surmising that you were taking advantage of him about the time he has his obligations to meet?—A. I think he is. I would like to say that the packer's position is rather a peculiar one. Sometimes even respectable gentlemen are seriously criticized because they are connected with it, due to the fact that we stand between the producer and the consumers, two very vital sides of it, to perform a very vital function. We have our side of it, and we do it fairly well, but both sides of the deal in this three-cornered business are absolutely vital. We cannot do business without the producer, or without the consumer. We must have production in order to maintain the volume, because without volume we would get lost on small margins. We must have a market for that product. We are just as vitally interested in paying to the producer the last dollar of value that we can see in it in order to get him to produce, and we are anxious to sell it to the consumer at a price that will encourage consumption, because without demand you are up a tree; you cannot do anything. Of course, naturally, this is where we get a lot of criticism. I think you get it in your territory, and I get it, too. The traveller goes into a territory to buy live stock. He dickers with a man selling the live stock. He thoroughly figures. He says: I would be glad to give it to you, but these packers, they wont pay me the price. He blames the packers, regardless of what he may make. The retailer is in the same box, and they blame it on the packers. Geographically, physically, mentally and morally, we are rather in a delicate position and get blamed by both sides. My conscience is clear that there is no commercial business done, no manufacturing commercial business in the world that is done on a smaller margin of profit than the packing business, and no business—and I spent twenty-two years in the iron and steel business—no business takes as much risk in its operations as the packing industry. It will run for months in a hole.

By Mr. Nesbitt:

Q. That is to say, the profit on the turn-over is smaller?—A. Smaller, yes.

By Mr. Stevens:

Q. Do you import Australian or New Zealand mutton?—A. No, we do not import. We have bought a few cars this year. That was because there was a reasonable demand for it. Somebody wanted a little different from the Canadian mutton, so we bought a few cars.

[Mr. O. W. Waller.]

Q. Your Vancouver house does not handle any?—A. I think our branch house in Vancouver handled a few.

Q. But not imported direct?—A. No, sir, we bought it from the importers who brought it in. There were a few.

Q. Who were they, can you tell us?—A. I cannot tell you from my memory.

By Mr. Reid:

Q. Do you buy live stock in the Winnipeg market?—A. Yes, sir.

Q. And do you say there is no agreement between the packers as to price?—A. Not to my knowledge. We have a manager at Winnipeg and we have one at Edmonton. The local condition in these markets is taken care of largely by the local manager. My office is the head of the company where the general policy and the details of the eastern business are taken care of, and not to my knowledge have we ever done anything like that.

Q. You tell us that so far as you know, your company never agree with other companies buying stock in the Winnipeg market, as to price?—A. I have no knowledge.

Q. I can tell you there is. I can tell you of a certain dealer, William Duncan; I have sold him cattle for years. He went to Winnipeg with a train load of as fine steers as were ever on the Winnipeg market for sale. He could not get his price. He had sufficient money to take the cattle there. He refused the offer which he got on the Winnipeg market. Then he shipped them to Toronto, but before the cattle reached Toronto, the offer which he had refused at Winnipeg was wired to Toronto, and it was bid on the Toronto market at the price he had refused at Winnipeg. He was a Scotsman. He met a buyer from New York in the Toronto market. This buyer asked him what he wanted. He told him his price. The buyer said: Your cattle are worth it, and the cattle were shipped to the States. There certainly is a combine there?—A. I think it would sound that way. I have no knowledge of it at all.

Q. I can get the facts of the case. I can produce the man before this Committee?—A. I can say to you that my man will buy cattle on the Toronto market at what he considers a fair price for them, that we can use them regardless of what might be the price in Kalamazoo or Egypt or any place else, and any bill that would be placed in Winnipeg would not govern him in any way or shape. Regardless of how it might look as a general principle, it would not govern. With reference to the New York situation, those of you who are familiar with the market conditions that we have been up against in the past or the past year and a half know that the British Government discriminated against Canadian beef, a dollar a hundred as against the States' beef. After a long and bitter struggle we did get it down to thirty-six differential, and got the support of the Government officials here. Last month we got it still down to a flat basis with the United States' market, and then the business stopped. That is that much for the difference between the States' values and the Canadian values. There is New York, or ference between the States' values and the Canadian values. There is in New York, or the Jewish people who must live according to the Bible records, and so forth. The meat has to be killed and blessed in a certain way, and they only eat the fore-quarters. New York City is not made up of Americans; it is largely made up of foreigners and there is a fine market there for prime beef. We buy, sell and ship a great quantity of prime beef to go to New York because we cannot find in Canada an export market that would be equal to it. So, anything we cannot use in Canada we can ship to markets in the States. Sometimes other people can see more in a bunch of cattle than we can. The different buyers on the market will vary fifty cents a hundred on the same drove. One fellow thinks he can see more than the other fellow and when he gets the hide off and on the hooks he sometimes finds he is light. So that your theory might sound as though there were some arrangements of that kind. I do not think there was. There was a criticism of information being passed. No information of that kind came to us but if there was any information sent, it would come after the cattle would come,

[Mr. O. W. Waller.]

but it would have absolutely no effect whatever on the price we would pay for the load of cattle on our market.

Q. This case is one of actual facts, and the information went by wire—preceded the cattle. There was an effort made to squeeze that man out of business?—A. That is so far from the general policy of our company that I could not believe it. We have no disposition whatever to squeeze anybody out of business, and never have, because the whole theory of the business is greater production and greater distribution.

The CHAIRMAN: Was it the Canadian Swift Company that sent this wire?

Mr NESBITT: Your man could not actually prove the facts. He would suspect these things.

The CHAIRMAN: Could he come before us and give his evidence and state that this wire was sent, because it is very vital.

Mr. REID: He could make the statements I have made.

The CHAIRMAN: Was there any more money paid for similar cattle in Winnipeg and Toronto at the time to anyone else?

Mr. REID: That I do not know.

WITNESS: The price may have fluctuated, and it may have been lower or higher. Ordinarily cattle shipped to the eastern market average a little higher than the western market.

Mr. REID: His cattle went to New York.

WITNESS: I have tried to explain that. There is a large amount of cattle that ordinarily would go to Toronto markets that have gone to Buffalo, because for a year and a half, or nearly a year and a half, the British Buying Commission paid a dollar hundred more for frozen beef at the seaboard in the United States than they would pay to the Canadian packer.

By Mr. Devlin:

Q. Why was that?—A. I would like to have you tell me. I think I am a pretty fair salesman, and I could not accomplish anything, and we finally, after a long time, got a differential. You could ship down Canadian cattle, slaughter them in the States and freeze them, and get a dollar more than the Canadian cattle would bring.

Q. Was there some reason for this difference in price?—A. The reason was they had received some very bad beef from Canada, and did not consider the Canadian beef as good as the States beef, and so they would not pay as much for it.

Mr. STEVENS: That has been adjusted in the last three months. The last cattle they bought was the December cattle, and since then we have been sweating blood——

By Mr. Stevens:

Q. Did not the Canadian Government send some representative to take this matter up?—A. Yes. We in Canada had put away for the British Government, and for the war proposition, and restricted consumption here in Canada, we had put away about 40,000,000 pounds of beef, and that was held for the armies on the other side. They stopped buying.

By Mr. Sutherland:

Q. The British Government were anxious to buy in large quantities and make it as uniform as possible. Would they not be able to purchase a larger quantity of a certain grade of beef there than you could in Canada?—A. Well, we could give them a pretty large amount of it.

Q. You could not supply them regularly, could you?—A. We could sell ten, fifteen or twenty million pounds a month. You would think that was a pretty large quantity.

[Mr. O. W. Waller.]

By Mr. Devlin:

Q. You could not pull the wool over their eyes as the Yankee could?—A. Well, I am a Yankee myself.

Q. But you spent some time in Canada?—A. I do not think that slowed me up any. I have learned a whole lot since I came to Canada.

Q. And yet you could not find the reason?—A. No, I could not find the reason, only prejudice against the situation.

Q. Please state what is the gross amount of produce you had in the western storage house when the recent strike broke out.—A. I would not be able to tell you. You mean the amount of butter, eggs, cheese and poultry?

Q. And meat?—A. Yes. You mean when the labour trouble recently arose?

Q. Yes.—A. Yes, that would be available.

Q. How much?—A. If you take into account all the meat we have sold to the British Ministry of Food and to the Italian Government—we have been working night and day on that—and they are under contract with them now in Canada to supply probably 28 to 30 million pounds.

Q. Are there many cold storages in Canada?—A. I do not know of any.

Q. Have you ever heard of one called the Manitoba Cold Storage Company?—A. Yes.

Q. Are you associated with that company at all?—A. We do a lot of business with them.

Q. But you are not a shareholder and know nothing about their business?—A. I would have to go to my secretary to see whether there was anything in regard to that.

Q. I do not think you are?—A. Sometimes we have two dollars and a half in a thing that I do not know anything about or do not remember about.

Mr. Devlin: I would be very glad if we had summoned here the General Manager of the Manitoba Cold Storage Company, Limited, of Manitoba. The Vice-President and Managing Director is Mr. W. A. Black, of Montreal. We might be able to get him. Then there is Mr. J. D. Murray, of Hampstead, London, who is put down as manager.

By Mr. Reid:

Q. How do you account for the increasing number of fat cattle that are going over to the States every year; the number is on the increase?—A. It did decrease for a short time, did it not? The increase commenced when the discrimination was made against Canadian beef as against the States beef.

Q. Last fall, according to the reports, there were large quantities sent over?—A. This discrinmation started back of that. Then they have a market in the United States where they take a better grade of cattle than the Canadian trade will take. The best breed of cattle were formerly exported out of Canada as live cattle. The heavy prime cattle were exported alive. When the export market did not warrant it and the duty was taken off for live cattle into the States, it furnished a market in the eastern States for the prime cattle on the basis I have tried to describe.

Q. Are we to infer that the American buyer buys bigger numbers than the Canadian buyer?—A. It is a market for this prime cattle.

By Mr. Nesbitt:

Q. For a few people?—A. It is pretty large. The kosher trade buys the fore-quarters of the beef. They do not buy the hind quarters, and they pay a much higher price for the fore-quarters than you could sell them at in Canada, or anywhere else except for the Jewish rites trade. It is a market that is peculiarly local. They have a trade of that kind in Chicago and in every large city, and you have a small trade in Montreal. Wherever you find that market, the buyer who is serving that trade has a

[Mr. O. W. Waller.]

little bit the better of you in selling straight carcasses. For that reason he can buy and pay a higher price for this prime cattle.

Mr. Reid: I am inclined to doubt that the Jews eat all the front quarters of our cattle that go to the States. If they do, it would be better to get the Jews here in Canada.

Q. Can you give us an idea of what would be the loss on live cattle shipped from Toronto to New York, the shrinkage and the cost of haulage?—A. That is a question that I should be able to answer, but just at this minute, I do not remember the freight. My livestock buyer would know it.

Q. Give us it approximately?—A. I should think off-hand, it would cost $1.25 to $1.50.

Q. A hundred?—A. Yes.

By Mr. Hocken:

Q. Is your company interested in the P. Burns Company in the West?—A. No, sir.

Q. Not at all?—A. No, sir. We have troubles enough of our own under our own name. There is one point that I wanted to clear up with reference to this storage proposition. You have heard that there were 40,000,000 pounds of beef in storage. When we put that away, a great part of it was inspected by the British Minister of Foods' Inspector. We burlapped it under their instructions, and that was held. Feeling that we had a moral obligation, it was finally admitted by the English Government that they must buy that stuff or find a market for it. We naturally have felt that that was the place to market it and that we could get probably the nearest cost of it by forcing that situation, and it has proven that we were right. But it has taken four months of strenuous work on everybody's part, and we have not sold it all yet. There are probably seven and a half million pounds yet to be sold. That beef is all over Canada wherever there was cold storage plant available to take it.

By the Chairman:

Q. There are just two questions I would like to ask Mr. Waller. The first is, apart from the quantities of beef or meats held for the British Government, in accordance with the statement you have just made, were there at any time, or are there now, very large quantities of meat products held in storage in Canada to your knowledge?—A. No, sir, not in our warehouse. Of course, I have no knowledge of the other warehouses.

Q. The next point is that to sum up, in your judgment, while you say that the margin of net profit between what the producer is getting for meat and meat products, butter and so on, and what the consumer is paying, is as close as it can be brought under the present system of distribution?—A. So far as our products are concerned, that is the part of the buyer and the manufacturer and the general distributor, so far as my part of it is concerned, and so far as the margin of profit is concerned, it cannot be done and maintained at less than we do it. It cannot be done. If by any change or revolution you can reduce the cost of competition—well, there are no secrets in the packing business, because part of the game is to watch your competitor and if he has got anything you find that you haven't got you are pretty sure to get it, and that reduction, whatever it may be, is immediately represented in the price you pay for live stock or the price at which you sell your products.

Q. So that in a general way you say that this business has been carried on as near to cost price as it can be?—A. Yes, I am talking about the retail distribution and about the methods of reducing the cost of delivering your products on the market.

Q. You are not dealing with the farmer?—A. Not with the producer or the retailer, but with the manufacturer and the distributor.

[Mr. O. W. Waller.]

By Mr. Devlin:

Q. When you speak of the meat held in cold storage for export purposes, would it be such meat or any great part of it that can be sold at a very small margin of profit on the Canadian market for food for the Canadian people?—A. I think any of that that we have in store now if you were to put that on the Canadian market against the Canadian sale that we have made you would have a loss of anywhere from $5 to $7 on that.

Q. That is in proportion to the profits you get on selling it on the British market? —A. I would like that statement not to be published because we still have from 7,000,000 to 8,000,000 pounds of beef to sell through the same channel.

Q. Can that 7,000,000 or 8,000,000 pounds be sold to the Canadian public?—A. Not without very serious loss.

Q. Not without a very serious loss as compared with the price you could get for it in England?—A. Yes.

Q. But as compared with the producing price could it be a serious loss?—A. The present producing price of live cattle?

Q. Yes, or the charge at which it went into cold storage, with the added cost of one and a half per cent?—A. It would be a loss at the figures I have stated.

Q. It would be a loss anyway, you stated?—A. Yes.

Q. How long has it been in cold storage?—A. Some of it went in in October. There was a complaint about the accumulation, but it was for the Government we had accumulated so that we could ship some surplus to them in January, February, March and April, and it was in that way the stock accumulated.

Q. Did any of that meat go bad at all?—A. A very small quantity.

Q. And did you lose any of it?—A. No, we have not lost anything. I had a report that some of it was mouldy, but it was in an outside storage, and I have sent a man to investigate. None of it has gone bad in our own warehouse.

Q. Is not your company the only big company that makes oleomargerine in Canada?—A. No, we have competitors.

Q. The Harris Abattoir Company is your competitor?—A. Yes.

Q. But I understand that you make more than all the rest put together?—A. I do not think so.

By Mr. Sutherland:

Q. What percentage of butter do you use in oleomargerine?—A. That depends upon the grade.

Q. What percentage do you use on the highest grade?—A. In the highest grade of butter we put on the market you should have about 15 per cent of prime creamery butter.

Q. You think that is about the highest percentage?—A. Yes.

Committee adjourned.

WEDNESDAY, June 11, 1919.

The Committee appointed to inquire into the cost of foodstuffs and other necessities of living met at 11 o'clock this morning in the House of Commons Chamber, Mr. Nicholson, the Chairman, presiding.

Members Present:. Messieurs Davidson, Davis, Douglas (Strathcona), Euler, Hocken, McCoig, Nesbitt, Nicholson (Chairman), Sinclair (Queens, P.E.I.), Stevens, Sutherland, and Vien.

The following communication was read and ordered to be placed on record.

Petition from St. Andrews Church, Vancouver, B.C.

Whereas: The unusual conditions prevailing throughout Canada caused by the world war have led to intense suffering amongst the people due to the high cost of staple commodities.

And whereas: Prices are increasing continually without any apparent warrant.

And whereas there is a widespread conviction that these conditions exist owing to the control of markets by certain business interests.

And whereas these conditions are creating a situation that seriously menaces the peace of all our communities.

We the undersigned, members and adherents of the Presbyterian Church and the Presbytery of Westminister, British Columbia, respectfully petition the Government of Canada as follows:

(1) To appoint a board with powers similar to the Railway Board to look into the whole question of the high cost of living with a view to alleviating the present distress and

(2) That a substantial reduction in the price of staples be ordered at once pending adjustments by you later as a result of the investigation above requested.

P.O. Box 385
Montreal, June 9, 1919.

GEO. B. NICHOLSON, Esq., M.P.
Ottawa.

Dear Sir,—Apropos "cost of living" inquiry now in session. Permit me to call attention to a case that came under my own observation. On 26 April last, The Montreal Dairy Company was selling butter to shopkeepers in Montreal at 61 cents a pound. The shopkeepers were retailing same butter at 75 cents a pound, a profit of 14 cents. In the case referred to the storekeeper purchased only 10 pounds.

Believe me,

Yours faithfully,

(Sgd.) M. M. CAMPBELL.

The CHAIRMAN: I have taken the leave to writing to Mr. Campbell to ask him if he would be prepared to give information before the Committee.

Mr. STEVENS: The first clause of the conclusions in the petition is one that I wish to bring more strongly to the attention of the Committee at the first suitable opportunity. It is simply following the lines suggesed by Mr. O'Connor. I also suggested that we should appoint a sub-committee to go into Mr. O'Connor's suggested court. I do not think we have treated the question with the degree of attention that it really merits.

Mr. DOUGLAS: I think we should have a secretary and an accountant appointed at once.

The CHAIRMAN: I have secured Mr. Bolton from the Department of Labour. I am advised that Mr. Cloutier will be ready to give his whole time to the Committee if it is desired. I have given to Mr. Bolton copies of the evidence of the first four days.

The following letter was read from H. Black, the mayor of Regina.

Regina, June 10.

Public meeting held here to-night unanimously desires to co-operate with committee of Parliament appointed to investigate the high cost of necessaries of life. Resolution passed directing me to wire you for complete information as to provisions of orders in council, now in force for making investigations. In particular, who has authority to investigate? What is the extent of authority? Who bears expense? Citizens anxious to have investigations conducted in such manner as will enable your committee to recommend prompt action by Parliament to relieve impossible situation now felt by heads of families with small salaries. One meeting indicated ample evidence forthcoming. Give assurance of speedy action.

(Sgd.) H. BLACK,
Mayor.

Mr. DOUGLAS: What has been done in connection with the telegram?

The CHAIRMAN: Nothing has been done. The telegram has just come and is for the consideration of the Committee.

Mr. NESBITT: I would suggest that you get Dr. McFall to instruct them as to that Order in Council and what steps his investigating commission takes. He certainly is investigating and apparently has got a lot of information together.

Mr. DAVIS: And the machinery was provided by the Order in Council which allowed a committee to be appointed in every community to take up the question of the cost of living.

Mr. DAVIDSON: I don't see how these people can proceed under that.

Mr. DAVIS: Why not?

Mr. NESBITT: They can appoint a commission of their own.

The CHAIRMAN: We cannot give them any authority to proceed unless they can proceed under the Order in Council.

Mr. DAVIS: If the Order in Council gives them authority, they can get sworn evidence under it.

Mr. DOUGLAS: They can do the same thing that the municipality of Fort William is doing, collect sworn evidence under the Order in Council. I should think Mr. Black would know that.

Mr. DAVIS: Evidently he does not from the terms of his message.

The CHAIRMAN: We will get Dr. McFall to give him full information.

The CHAIRMAN: There is also a petition handed to us from Mr. Green from the Trail Reconstruction Board, very much along the lines of the others.

Mr. Davis: Before calling my witnesses—I don't know whether I speak for anybody but myself—but I rather feel that we are wasting our time in this: That we have not anybody who is preparing any evidence along the lines that will be followed with witnesses. The Committee here is asking questions at large and not heading to any particular point. Now, we asked to have Mr. O'Connor brought here to cross-examine. It seems to me that some such preparation is necessary and that the members of the committee are not making that preparation. Indeed with our other work it is almost impossible, unless one or two of us are especially appointed and prepare our examinations as a lawyer would prepare them. If we had some one here charged to take up each witness and after consultation with the Committee, determine what was to be got out of him and prepare to shape up the evidence, then the members of the Committee would note anything that arises and add any questions. We would get our work in better shape. That is the criticism I would make of the work of the committee so far.

The Chairman: The Department of Justice has advised that they cannot release Mr. O'Connor as he is engaged in the preparation of legislation to come before the House. At the suggestion of the Committee, I got into touch with Mr. Kelly and we cannot get him before next Monday. That is Mr. Kelly, of Kelly and Ball, Accountants and Investigators.

Mr. Douglas: Will the accountant be in a position to cross-examine?

The Chairman: Not to cross-examine. I think what Mr. Davis has in mind is to co-relate the evidence and to point out to the Committee the necessary facts to be brought out in cross-examination and in the examination of subsequent witnesses on the same subject.

Mr. Davis: The point is rather this. Our aim is to find where the trouble is. Now, we are asking the witnesses questions at large as things occur to us but without adequate preparation. Somebody should prepare in advance what we are going to aim at with each witness, and be prepared to ask a series of questions to disclose that aim. Other things will arise which the Committee would ask at the end. But I think that the three or four lawyers on the Committee and the business men here know that with preparation we could get to the point more quickly.

Mr. Davidson: I have already put that forward. Mr. Chairman, I mentioned it at the initial meeting. If we had counsel, charged with the preliminary responsibility of examining witnesses, in a scientific and consecutive manner, it would be conductive to getting out the facts. Another difficulty of this haphazard way is that everyone throws in questions as they may occur to him. The result is a lack of method in examination.

Mr. Douglas: Is there anything further in regard to Mr. O'Connor?

The Chairman: The Department of Justice advises that it is impossible to release Mr. O'Connor except occasionally.

Mr. Davis: That is useless to the Committee. We want someone who is here all the time.

Mr. Stevens: In view of the fact that we have very little longer to proceed, I don't think it would be possible to get a lawyer at this time. It would take him a week to get some knowledge of what we are driving at. I think the Committee itself can improve matters very much by each of us asking simple, straight questions without any elaboration and limiting the investigation to one point at a time, such for instance, as dairying matters and at other times, clothing and so forth.

The Chairman: I am not a lawyer and if it is thought wise in order to get the best out of the witnesses to engage counsel, I would have no hesitation in engaging counsel.

Mr Nesbitt: After all, Mr. Chairman, we are trying to get at the truth of the charges. I think so far as the witnesses have appeared before us, we have got the facts pretty well, in so far as their different businesses are concerned. The evidence of the meat packers and the report of Dr. McFall were very similar. The object in getting manufacturers here is to find out what they charge to wholesalers and retailers and then what the retailer charges for the same goods. We are quite capable of judging what the spread should be ourselves, I think.

Mr. DAVIDSON: I think we are proceeding more satisfactorily than I thought would be possible without the adoption of the method I suggested.

Mr. DAVIS: To bring matters to a head I would move that we employ counsel.

The CHAIRMAN: The order of reference gives us power so far as we are concerned. If it is the wish of the Committee to employ counsel, the Committee is authorized to "engage accountants and other necessary assistants."

Mr. STEVENS: I don't think you will ever get going again if you get a lawyer. It would take him a week to prepare.

Mr. DAVIS: I certainly would not interrupt the sittings of the Committee.

Mr. SUTHERLAND: There are three or four lawyers on the Committee.

Mr. DAVIS: We have all got other interests and other work and our own business. I know so far as I am concerned, I am unable to make any preparations before coming here. It is just because we ask things as they occur to us that we have this haphazard method.

Mr. NESBITT: I have been on many committees and once or twice we had solicitors. I am quite sure we had the expense of solicitors for nothing.

Mr. DOUGLAS: There is one question I would like to raise here. Yesterday, in his evidence, Mr. Matthews stated that the cost of operating retail stores was from 16 to 18 per cent on the turnover. The best store had a turnover of $160,000. To take his lowest figure of 16 per cent that makes an expenditure of doing business of $25,600. I confess it strikes me as a most outrageous cost. To get that evidence does not I think require a lawyer. We ought to get the manager of that store with a turnover of $160,000, and have him here with his books to show why the expenses are $25,600. I think if the committee would work in this way and nothing were interjected, we should proceed better. You will find our records loaded up with interjections of different characters.

The CHAIRMAN: There is simply this point. If we were in a position to take the Matthews-Blackwell firm and to go through them to the ultimate conclusion, from the process of their securing raw products through to the retail stores, and then go back to the next man, your idea is pretty correct. But the way we have started is to get the producing end of the vital food products, meat products, butter, and eggs, and after we have found out, from a variety of witnesses, what these things are costing, we go to the retail trade. So far as that is concerned, I don't believe where you had a lawyer or any-one else you would proceed on sounder lines.

Mr. DOUGLAS: I think you are right. We have got a lot of information and up to this point we have done as well as we could do. I think perhaps in examining witnesses in the retail trade, we ought to bring in witnesses of a different character. For instance, while examining witnesses for the retail stores, we might bring in representatives of the Consumers League if there is such an institution in Ottawa, and to get their views as to the prices paid. Then you could have information from another retailer, perhaps, to follow up the lines of cross-examination.

Motion by Mr. Davis, seconded by Mr. Sinclair, that the Committee should procure counsel, then submitted and declared lost.

Mr. W. C. Good, called, sworn and examined.

By the Chairman:

Q. Mr. Good, what we are endeavouring to ascertain if we can——

Mr. Nesbitt: What is Mr. Good's official position?

By the Chairman:

Q. Have you any official position?—A. I have no official position at the present time. At the meeting of the United Farmers——

By Mr. Stevens:

Q. Then you are only representing yourself to-day?—A. No, I was asked by the board to come instead of the president. Mr. Drury and myself are both official appointees of the board.

Q. Then you are officially representing the United Farmers of Ontario?—A. Yes.

By the Chairman:

Q. Now, Mr. Good, what we are endeavouring to ascertain is the present price of vital food products, such as butter, eggs, beef, pork, pork products and cheese. I think that is the range of food products of which we are endeavouring to ascertain the price—the price that is at which the raw product is going into the hands of the wholesaler, what the farmer is getting for his produce, the relative value of that to-day as against what it was in pre-war days or in 1914 and 1915 before the sharp advance was taken, together with any suggestions we can get from you as to the means by which these prices can be reduced. That, I think, is a brief outline of what we are aiming at. Now, taking up first the question of butter—I think that is the line we have started with in each case—can you give the committee any information as to the present prices prevailing throughout the country to the farmer for his butter or butter fats?—A. I am not in the dairying business, neither producing milk or butter, nor selling either and I am not in a position to give you these figures off-hand. I presume they vary from time to time and from place to place.

By Mr. Davidson:

Q. Do you produce butter yourself?—A. No, I have not produced butter for a good many years. I did at one time.

Q. You do not farm yourself?—A. Oh, yes.

Q. What line?—A. I am in mixed farming, producing grain, beef, pork, and fruit. I used to produce milk or butter but the labour problem got so acute that I had to cut that out and the calves are milking the cows themselves.

By the Chairman:

Q. This now is a vital point in my judgment. You say to the committee that you, yourself, were in the business of producing butter or, in other words, of dairy farming, and that you ceased owing to labour difficulties?—A. That is the absolute truth.

By Mr. Stevens:

Q. That is, it does not pay to produce butter on the farm with labour at the present cost?

The Chairman: And the butter at its present value.

The Witness: I would not do it again. I don't think, gentlemen, it is possible to consider wholly the financial aspect. There are a great many farmers so placed that the hiring of help means an extra burden on the women in the house and the farmer, even if he does think that a particular line on the farm is proving advantageous to him, may forego it for the purpose of relieving his wife and family.

[Mr. W. C. Good.]

By Mr. Nesbitt:

Q. We appreciate that. What we want to get is the financial end. We don't want the sentimental?—A. It would be very difficult in view of the combination of motives to find that out.

By Mr. Davidson:

Q. Do you find beef producing more profitable?—A. I do not know that it is financially more profitable. But it is certainly more desirable from my point of view.

By Mr. McCoig:

Q. What is a veal calf worth at six months old?—A. I don't know at six months. It would hardly be veal at that age.

By Mr. Douglas:

Q. Do you make any butter for your own use?—A. No.

By the Chairman:

Q. How long is it since you gave up dairy farming?—A. About five years.

Q. Before then you did have a knowledge of dairy farming?—A. Yes.

Q. Then with that personal knowledge of costs on the farm, would you say that dairy farming was or was not a profitable business with butter fats ranging at say fifty cents a pound?—A. I don't think there is anything in it. I would not be at all tempted to go into it under present conditions. I don't think I would do it at 75 cents a pound,

By Mr. Douglas:

Q. You are quite satisfied to pay 60 or 65 cents a pound for your own butter?—A. We don't kick at all. Perhaps we use a little less of it. It is certainly more desirable from my own point of view. So far as the price of butter production goes, I think more can be got from the official investigations as conducted by the Ontario Department of Agriculture.

Q. We have had that. We want to get the practical farmers point of view.

The CHAIRMAN: We want to get information from the man who is nearest to the producer. We want to get information as to whether producing butter at present prices is a profitable or unprofitable business.—A. You cannot get any more than a guess because few men keep very accurate accounts of labour employed in a particular line. Very few farmers have the time or ability to keep accurate accounts of labour cost.

By Mr. Douglas:

Q. In your neighbourhood, are farmers following your example?—A. The drift away from dairying has been very marked in my section except the few who have gone into it as a specialty for city trade and milking machines have taken the place of hand labour. There is a very marked movement in favour of specialization in the dairying line.

Q. Would you say that the majority of farmers in your locality are purchasing their butter?—A. I think so.

Q. Do you believe that is one reason why butter has gone up?—A. Undoubtedly the demand is in excess of the supply.

Q. Where do you live?—A. In the county of Brant, about three miles from Brantford.

By Mr. McCoig:

Q. What price do you pay for butter?—A. The retail price is 60 cents for creamery butter.

[Mr. W. C. Good.]

By Mr. Stevens:

Q. Do the United Farmers represent practically all the farmers of Ontario?—A. We have a membership of over 30,000 at the present time.

Q. And you have a pretty intimate knowledge of their conferences?—A. I think so, yes.

Q. Do you consider that the farmers, generally speaking, are receiving a fair return for their butter fat from the creameries and also for their milk from the cheese factories?—A. I would answer that question by placing more dependence on the result of official investigations than on any observations I have made.

Q. Your people would be quite satisfied with the reports of the official investigators?—A. I would think so judging by reports as I have read them and looked into them. I think farmers generally are quite satisfied to accept them. I am not saying they are absolutely correct in every respect. But it seems to me that some such investigation would be of more value than the haphazard observations of individual farmers. That is my impression. But it seems to me that you can infer a great deal from a general drift of a great mass of farmers from one line to another. If you find people abandoning dairying and going into grain growing, it probably indicates in a rough sort of way that grain growing is more profitable. It would be better evidence than any opinion of isolated farmers.

By Mr. Davidson:

Q. Then, in your judgment, they are going over from dairying because they don't find it so profitable?—A. I am disposed to think that what Mr. Nesbitt called sentimental reasons are also very powerful.

By Mr. McCoig:

Q. No matter what the reasons are, it makes a shortage of butter?—A. Yes, I have cut out a lot of lines on my farm in the last few years because there was no help available during war time. When war broke out, there was a sudden stoppage of the help, and a man simply could not produce.

By Mr. Douglas:

Q. When you speak of the manufacture of butter, you are largely considering the family help. You find it difficult to get help for your wife in the house, so the war would not have much to do with that?—A. I think so. You are not depending upon female help for creameries. It is a question of getting cream to the creamery sufficiently soon in the hot weather.

By Mr. Nesbitt:

Q. What are you paying for butter fat in Brantford?—A. I am not acquainted with prices at the present time. I have taken it at odd times during the last two years. They pay a little more per pound for butter fat than they get for butter. The margin they take in for the moisture the butter contains.

By Mr. Stevens:

Q. Do you think the creameries are making an undue profit?—A. I have no means of knowing it. I would not think they were. I have never made any investigation.

By Mr. Sutherland:

Q. Do you think other branches of farming more profitable so that you can afford to pay sixty cents for butter?—A. I do in my own case.

Q. What branches of farming do you follow?—A. I am selling grain, beef, pork, and fruit. I am not specializing in any one of those to the exclusion of the others. I have cut out poultry and the dairying end, and, to some extent, live stock, the pigs and the cattle.

[Mr. W C Good.]

By Mr. McCoig:

Q. Do you find it necessary to have a certain amount of milk for the raising of hogs?—A. We have it only for the house and a little extra for the pigs. But I have not been raising my own pigs even at present high prices.

By Mr. Sutherland:

Q. Do you finish your beef cattle?—A. Yes, I finish them.

By Mr. Davis.

Q. Do you see any indications of the labour situation bettering this year?—A. It is worse this year than it has ever been. I had a talk with Mr. Miller, an old friend of mine, who has a Toronto agency. He said he had seven hundred applications which he could not fill. I had an application in there for weeks and fortunately he did fill it at last with very good satisfaction to myself. But he told me he did not dare to advertise that he had any farm help at all.

By Mr. McCoig:

Q. I understood you to say a few minutes ago that it was hard on the women folks when you had hired help insufficient to do the work. Would the bill to provide Government encouragement for housing be of assistance to married men on farms?—A. I am not disposed to look on that with very much favour. Most farmers who want to borrow money for house building can get it at fairly reasonable rates in Ontario. They might be induced to take the money provided by the Government at slightly lower rates. So far as my observation goes, there is a vast number of empty houses in the country which it is impossible to get anyone to fill. The problem is to get anyone to live in the houses.

Mr. McCoig: The problem is the opposite in my section of the country. Married men would go into the country if accommodation were provided for them.

The Witness: I have an extra house myself and I find it a great advantage although I have it empty about half the time. It is not much easier to get married men than single men although, when you get him, a married man is likely to be steady and more desirable. It also relieves the household situation very much.

By Mr. Douglas:

Q. What wages are you paying?—A. I am paying on the profit sharing basis at the present time. I am probably paying about two-thirds and getting one-third myself.

Q. Do you turn the management over?—A. I give him two-thirds for the privilege of helping me out, in order to have someone to carry on.

By Mr. Nesbitt:

Q. Can't you get men on those terms?—A. It is hard enough.

By Mr. Davis:

Q. How many acres do you farm?—A. 140.

By the Chairman:

Q. Do you mean that you are giving to the workman two-thirds of the product of that farm?—A. Last year I think I paid him more than that.

By Mr. Nesbitt:

Q. And wages?—A. Yes, I paid a bonus last year too.

By Mr. Davis:

Q. How much did you pay last year?—A. $900 to a $1,000 for the year.

Q. And he was boarding himself?—A. Yes.

[Mr. W. C. Good.]

By Mr. Nesbitt:

Q. That was counting everything?—A. Yes, I paid him $600, house and supplies.

Q. I would like to know what profit the witness makes on hogs at the present price say $20 a hundred?—A. I could not say that definitely because I have never kept accurate records in each particular line. I did one year keep track of certain crop in certain fields so as to estimate the cost of production in certain field crops. But I have never been in a position to carry on experimental work such as has been done at the experimental stations. But I can perhaps, in a rough way, answer it in this way: that the inducement to extend the hog business at 20 cents a pound has not been very great to me.

Q. That is to say there is not an undue profit at 20 cents?—A. It is not such an inducement that I am anxious to expand.

By Mr. Davidson:

Q. What line do you think is the more profitable in the farming industry?—A. I could not say because the different lines work in with one another and you cannot specify.

By Mr. Douglas:

Q. You have not extended in the production of pork. Have you extended in any other branch?—A. I don't think so, except in fruit as the orchards grow larger. I have been in this position in the last few years; I have not dared to venture into any line for fear I might be paralyzed by a man quitting. One of the chief difficulties that the average farmer has been up against has been the difficulty of depending on a suitable supply of labour, and of getting labour worth its board not to speak of anything else.

By Mr. Nesbitt:

Q. Has it not been your experience or has it been your experience, that the price of stock generally rose with the price of feed?—A. Oh, yes, undoubtedly.

By the Chairman:

Q. Dealing with the question of pork as present prices are, and as present prices are for grain and hog feed, and with labour conditions as they are, can hog raising be carried on profitably at $20 a hundred?—A. The only answer to that is to see whether the farmers are extending or curtailing production.

Q. Of course there are so many reasons why a man does, or does not do a certain thing?—A. Those are the things which determine prices, I think.

By Mr. Stevens:

Q. You know what your investment is in the farm?—A. Yes.

Q. Can you tell the committee what on a year's operations is the return on your investment?—A. I have not made an accurate estimate in the last few years. I did at one time. I have made some estimates from the census figures covering Canadian agriculture as a whole. But I have not made a very accurate estimate from my own business.

Q. You don't know from your own knowledge?—A. I have my accounts, but I have not posted them up nor taken series of ten years and averaged them up. You would need an average of ten years.

Q. Have you the last five, the last two years?—A. I know in a rough way. Last year I paid a man partly cash and partly bonus. I figured out that paying overhead charges and wages and interest on the investment at 5 per cent I had not a cent left for myself as wages. Of course I have done better than that on the average. But I would say that, taking the last 10 years, my returns have been very, very small. I don't think you could attach so much importance to an individual farmer returns. There may be a reason for that. I might be a very poor farmer. I think you would get the average returns from the official investigations. Mr. Leach at Guelph has conducted them.

By Mr. McCoig:

Q. You have not had to pay much income tax?—A. I never bothered with getting the papers. I knew I was not liable.

Q. How many hogs do you raise?—A. About 20.

Q. How much beef cattle?—A. Probably about 20 or 25.

Q. If you only handled 20 hogs, you are hardly well acquainted with the profits on that business. You are not what is known, in common language, as a "hog man"? —A. No, I am not.

Q. You would not ask us to take your evidence as reliable?—A. No, I don't think I would care to give any figures from my own experience as being very significant. I think the situation generally in the country is very apparent to all farmers, and should be to others.

By Mr. Sutherland:

Q. Those 25 beef cattle, did you raise all of them?—A. No.

Q. What proportion did you purchase?—A. Probably half of them.

Q. Did you keep them a great length of time?—A. Some 6 months, some more, perhaps a year.

Q. Were they breed beef?—A. Some breed, some nondescript.

Q. What do you consider the profits on those you kept for say a year?—A. I don't know what you mean by that. I could not figure it out. There is a question of labour, deterioration of buildings, and so forth.

Q. You say you bought a number of those and kept them about a year. How much more would you ask for selling price than the purchasing price?—A. I bought in some at 8, 9, and 10 cents a pound and sold them at about probably an average of 13 cents, less than that some of them. It would be according to quality.

By Mr. Douglas:

Q. Did you put a good deal of increase on the weight?—A. Considerable, not a great quantity, it would depend upon how long they were kept.

By Mr. Sutherland:

Q. That would prove very satisfactory, would it not—an increase in price of 4 or 5 cents a pound?—A. I don't think there is much in it. It is the line of farming that a man can follow with a less suitable amount of labour.

Q. As a matter of fact, can not a man finish cattle at an increased price of 3 cents?—A. It depends a good deal on the kind.

Q. On an increase of two cents?—A. I don't know about that. It would depend on a great many factors, on the price of feed, on the price of labour, on the kind of cattle you have fleshed up. It would be rather rash to venture any conclusion. But it seems to me, if you will allow me to turn adrift from the line of thought, that this particular line of inquiry really does not get us anywhere in regard to the cost of living. Farmers generally are not in a position—I can state this with great confidence—are not in a position to extend their business and they are still being forced in a great many ways to curtail their production. Now, under the circumstances, scarcity of food products is inevitable.

[Mr. W. C. Good.]

By the Chairman:

Q. We will come to that possibly in a few minutes. But this committee, and this Government, are being deluged with recommendations from all over the country that something should be done to reduce basic values, for the Government to do something forcibly to reduce present prices, and our aim is to get information that will lead us to a conclusion as to what effect that would have, for instance on the output. You have given us definite information as to the production of butter. Under present conditions, whether they are ideal or not, and with the present prices, I take it from you that your opinion is that the hog business is not very attractive?—A. No, I don't think it is. There is nothing of special attraction in it.

Q. That is from the financial standpoint. Coming to the question of beef, is the raising of beef cattle financially profitable or is it not at present prices?—A. This is one line of farming which has possibly witnessed some little expansion in Ontario particularly in some sections owing to the small amount of skilled labour which it is necessary to employ in that particular line. Some sections are given over now almost entirely to grassing. If a man can get a bunch of cheap cattle in the spring, he does not have to employ much labour. I take it that is one reason why that particular line of farming is expanding.

By Mr. Stevens:

Q. You don't produce very much beef or pork. Do you sell much grain?—A. I have been selling quite a little. I sold some seed oats, oats and wheat. I was selling most of my wheat. It just depends on circumstances.

Q. Do you consider it better to sell grain than to feed it?—A. It would depend

Q. Do you sell fruit also?—A. Yes.

Q. Do you consider that gives a good revenue?—A. It has not been. Just odd years I have done fairly well but, so far, the trees being young, it has not been a paying line.

By Mr. Douglas:

Q. Is that apples?—A. Yes.

Q. For what reason has it not been a paying line?—A. Largely because the trees are not bearing as yet.

By Mr. Nesbitt:

Q. You have told us you raise a certain amount of cattle. Can you tell us what it costs to raise a steer up to two years old?—A. No, I could not. There would be a different amount for different animals.

Q. But on the average?—A. It depends on the price of grain. It varies from time to time.

Q. But within the last two years, the price of grain has run along the same level. This year rough grains are a little cheaper, but for two years there has not been much variation. Do you know what it costs to raise a steer within that period?—A. No, I don't keep track of that.

By the Chairman:

Q. How do present day prices to the farmer for beef on the hoof and hogs on the hoof compare with prices prevailing five years ago?—A. I suppose they are practically double. I would think so, speaking off-hand. According to my recollection they are about double. Perhaps hogs are a little more than double.

By Mr. Sutherland:

Q. Could you give us any idea as to what your returns were from fruit last year? and grain?—A. I could by referring to my books, but I could not now because I have not my books with me.

By Mr. Douglas:

Q. Have you any rough idea?—A. I have. I sold apples. The gross income was between $600 and $700.

Q. How much a barrel?—A. Varying amounts according to the variety and grade, and with that I would have to give the cost of attention to orchards, picking and packing and shipping and so on.

Q. How much do you get for your best apples?—A. I got about $5.50 a barrel for the number one Spies.

Q. In the orchard?—A. No, f.o.b. Brantford. That includes the barrel and everything after the apples have been picked and packed. That was about the price prevailing for number one Spies last year.

Q. What do your barrels cost now?—A. They cost last year about 90 cents apiece.

Q. What was the previous price?—A. We used to get them a few years ago for about 40 to 50 cents.

Q. That is an increase of over one hundred per cent?—A. Yes.

Q. In picking these apples do you have to hire help to put them into the barrels? —A. Yes. I hired practically all the help. I had to board it in the house, too.

Q. What do you estimate the cost of picking, per barrel?—A. I think it runs about 50 cents.

Q. That is $1.40 for barrel and picking, leaving $4.10 for the apples. Would you consider that profitable?—A. On number one Spies it would be very satisfactory.

Q. What was the lowest price you got for apples?—A. I think between $2 and $3. That would be for some of number twos of varieties not so popular, something like number two Ontario Bell Flower.

Q. Is your percentage of number two and three very small?—A. It has varied very much from year to year.

Q. What was it last year?—A. I think the percentage of number one was probably about one-half.

By Mr. Stevens:

Q. How many acres of orchard have you got?—A. About five.

By Mr. Nesbitt:

Q. You say it cost 50 cents for packing and picking?—A. No, for picking alone.

By Mr. McCoig:

Q. If you had five acres of orchard, and you got something like $600 altogether, you would get about $100 an acre on your land?—A. Yes, or six acres. But some of the trees are just coming into bearing.

By Mr. Nesbitt:

Q. You don't mean to say that it cost 50 cents a barrel. How many barrels can a man pick a day?—A. I have forgotten how many a man picked. Last year I had two men working, and they picked twenty or thirty a day.

By Mr. Douglas:

Q. That would be $5 a day for each of them?—A. $4 a day, I think, each of them had with their board.

Q. What is your theory as to how conditions may be improved?—A. There is one very definite suggestion which I think everybody should bear in mind, that is the development of a co-operative movement as one of the great means whereby the cost of living can be cut down. There is one organization in Sydney Mines, Cape Breton, which is in the retail business and has reduced the costs of distribution so much by economical methods of handling that they are doing business on a large scale. They

[Mr. W. C. Good.]

have cut down the cost of living twelve per cent. Anyway they are giving that amount of rebate in purchasers' dividends.

Q. What does it cost them to do busisess?

Mr. NESBITT: We can get them here.

The WITNESS: Speaking with some knowledge of the facts in Great Britain, from the development of the co-operative movement there I am satisfied that it is one of the great means whereby the cost of living can be reduced.

By Mr. Euler:

Q. Is there any sort of descrimination by wholesalers against the co-operative movement?—A. There has been from time to time.

By Mr. Stevens:

Q. Have you any personal knowledge of the co-operative movement?—A. Yes, I have been connected with it several years.

Q. Can you give the committee any personal, accurate information?—A. It would take a long time.

Q. What I mean is this. You have mentioned the case in Cape Breton but we can get that. What we would like to know is your own definite information?—A. I am connected with a farmers' co-operative society in the County of Brant. We have been operating only a little more than a year, doing business on a small scale. The business is very encouraging, so far, but we are not making anything like the dividend these people are making in Cape Breton. Our business is on a small scale.

By Mr. Sutherland:

Q. Is that in purchasing or selling?—A. Both.

By Mr. Euler:

Q. You said there was some discrimination by wholesalers.—A. I am not prepared to specify but I have noticed one case. I was engaged some years ago in the farmers co-operative company's headquarters in Toronto. I know we had trouble from time to time in making connections with several parties. There was an antagonism on the part of mercantile classes against the co-operative movement.

By Mr. Stevens:

Q. As a man of experience in the co-operative movement would you consider the establishment of a court of commerce on lines similar to the Railway Commission to hear complaints as desirable?—A. I have not considered that question. Whether or not it would be a good thing, I am not prepared to say.

Q. In your experience, do you ever feel you would like to have some authority to appeal to get justice?

Mr. McCOIG: Suppose you wanted to buy a quantity of something from some manufacturers and they refused, on account of your belonging to the United Farmers, to let you have it, you could bring a grievance before that body which could order the sale on the same prices as to anyone else.

The WITNESS: There should be somebody to whom matters of that kind can be referred. Whether it should be a separate court, I am not prepared to say. I have been under the impression that there is such a body at the present time. If they were disposed to act, probably the department of Justice could secure justice.

By Mr. Douglas:

Q. In the case of the Co-operative Institution you are connected with, what do you handle?—A. A good many different kinds of farming supplies.

Q. Feed supplies?—A. Yes.

[Mr. W. C. Good.]

Q. In bulk?—A. In bulk.

Q. In broken packages?—A. Not to any great extent.

By Mr. Nesbitt:

Q. Do you buy feeds?—A. Yes.

By Mr. Douglas:

Q. You find it is to your advantage to buy that way?—A. Yes.

Q. How much?—A. I don't think our saving at the present time is very much except that we have been buying at a little better prices than we have been paying at the ordinary retail store. We have been meeting the expenses of management and also putting a little to the kit each year.

By Mr. Stevens:

Q. Have you any statement?—A. Yes, we have a balance sheet every six months.

Q. Would you file the statement?—A. Yes, I would be very glad to, but I think, if you want any statements as to the benefits of co-operation it would be better to apply to the Secretary of the Co-operative Union of Canada.

Q. Who is he?—A. Mr. George Keen of Brantford. If you were to ask him for information on that particular point, he would be able to supply you with all information available.

By Mr. Sutherland:

Q. Do you dispose of farm produce to wholesalers or retailers?—A. It goes variously according to circumstances. Some goes to retailers. Some is shipped out. I have been selling quite a little bit of stuff through our own co-operative society in the way of grain. All our seed oats were shipped out West through the co-operative society.

By the Chairman:

Q. Do you sell cattle and hogs through the co-operative society?—A. No, not myself. But it is done. In Ontario our supply is largely taken by local traders.

By Mr. Nesbitt:

Q. As a matter of fact you have a representative on the Toronto stock yards?—A. Yes.

Q. And you have a balance sheet of your own special company?—A. Yes.

By Mr. Sinclair:

Q. You were referring to your crops. You said you had kept an account of producing grains?—A. I kept an account of production for three years.

Q. What was the cost a bushel?—A. I think the labour cost was 17 cents a bushel for oats.

Q. Are you able to give the total cost?—A. No, that would have to include overhead, rent on land and so on. That was a good many years ago, before the war. One other point in addition to the co-operative movement and that is in connection with the tariff. The farmers feel very much convinced that the imposition of customs duties is one of the great causes of the high cost of living. Of course it affects our business in increasing our cost of production, hindering us in every way. It also directly affects the retail cost of foods.

By Mr. Sutherland:

Q. Have you had any experience of oleomargarine?—A. We have used a little of it in the house, not very much.

Q. Has it proved satisfactory?—A. No, I don't care for it.

Q. Do you favour permitting it to come into the country?—A. Yes, I do personally, if it comes under its own name.

[Mr. W. C. Good.]

Q. And suppose you have butter used in the manufacture of it and it is put on the market?—A. My own feeling has been this: Providing you can prevent any fraud in connection with the sale of oleomargarine, it ought to be permitted.

Q. Do you consider it is legitimate business to take cotton seed oil and tallow and butter and turn it over to deceive the palate of the public. Do you consider that legitimate?—A. I consider it is legitimate, so long as they know what it is.

Mr. E. C. DRURY, called, sworn and examined.

By the Chairman:

Q. Are you a practical farmer yourself?—A. I do nothing else.

Q. In what line? A. I am what you would call a general farmer. I produce beef, cream, pork, and ship the products and some wheat.

Q. You are in the dairy business then?—A. I produce cream, yes.

Q. You sell it to the dairies?—A. I sell it to the Farmers' Dairy Company, Toronto.

Q. What are the present prices of butter fats?—A. 66 cents for the winter, I think, 62 cents for the summer. That is sweet cream.

By Mr. Nesbitt:

Q. Is that laid down, or do you pay express?—A. They pay express both ways.

By Mr. Stevens:

Q. That is sold fresh?—A. It is not made into butter. The price is a little higher than the sour cream price. It is a special contract. It is used for the table and ice cream. It requires special care.

Q. Is it bottled?—A. No, I send it in 8 gallon cans.

By the Chairman:

Q. Your present price is about 60 cents?—A. 62 cents. I could not say definitely, I have not yet had the first cheque.

Q. With this price prevailing, is the production of cream a profitable business?—A. Well, I think there is a profit, not a very large profit.

By Mr. Douglas:

Q. What does the Farmer's Dairy Company do with it?—A. They sell it to the city trade and sell it to the restaurants for ice cream.

Q. In a wholesale way?—A. Wholesale and retail.

Q. Do they not manufacture butter?—A. Not from the cream I am sending, from sour cream.

By the Chairman:

Q. Do you know at what they are selling that butter?—A. You had better get that from a city consumer, I don't know. I don't buy it.

By Mr. Nesbitt:

Q. Do you know what that cream costs you to produce?—A. No, you would require an expert to figure it out. It would be very difficult to figure out except on the farm. One line works in another. For your information of costs you had better go to agricultural experts.

By Mr. Stevens:

Q. You have confidence in their figures?—A. Yes.

By the Chairman:

Q. We have had them here. We are anxious to get information from a practical man such as you are?—A. If a farmer did that he would not have time to do much else.

Q. Producing cream at the price you have given would be a reasonably profitable business?—A. If I were figuring on profit alone I don't know that I would produce cream.

By Mr. Nesbitt:

Q. You have skim milk and you have manure from the feed and you put your farm into a first class state?—A. Those factors are I think, the ones that determine the need to keep on supplying. It was the primary factor of the cream, if I may so express it, but the secondary factor.

Q. You mean it was the immediate profit from the selling of cream with all the surrounding factors?—A. Yes.

By the Chairman:

Q. What is the purchase price today for butter fats as compared with 1914?—A. I cannot tell you definitely.

Q. Approximately, what has been the increase?—A. The price has been going up for a number of years, I think ante-dating 1914 and 1915. We did ship I think for 32 cents summer price and there was a gradual rise to present prices. I think in 1915 we were getting about 40 cents.

Q. It is up to 62 cents now?—A. Yes.

Q. Was the statement made by Mr. Good that labour costs had advanced about 100 per cent approximately right?—A. It is approximately right.

By Mr. Sutherland:

Q. Do you contract with the Dairy Company for six months' purchase?—A. There is no formal contract, but it is understood what the prices will be.

By the Chairman:

Q. What method could you suggest for reducing production costs? Can it be done with the present price of labour?—A. I don't think so.

Q. How does the present price of labour compare with what it was prior to the war?—A. I am paying now, I think, two men—one a day man, not a first class man—I am paying $2.50 a day to him and to the other $55 a month. I am also keeping a horse for him.

Q. For his disposal?—A. It is his own horse. I feed him. Before the war a man was paid I think about $33 a month, an equally good man.

By Mr. Stevens:

Q. Does the man at $2.50 a day board himself?—A. He boards himself.

Q. Supposing there were prices fixed on milk and cream, lower than present prices, would you continue in the business?—A. I don't think I would. I don't think I could unless I took out some other department.

Q. That is an important point in my mind. Do you think it would be of advantage in a country, in the way of continuing production and lowering the cost of living, to have a reduced fixed price?—A. No, I know that what Mr. Good said is pretty true, that men are going out of the dairy business because it does not pay—some who were specialists.

Q. And the present prices are absolutely necessary to maintain production?—A. I don't think they are enough to maintain production.

[Mr. E. C. Drury.]

By Mr. McCoig:

Q. What would you suggest could be done in this matter?—A. I would start with the vicious circle at the other end and lower the tariff. For instance, take a man with a gross income of $2,000. I think——

Mr. Davidson: You don't think you are in a position to decide on costs of production, but you think you are in a position to decide the application of the tariff.

By Mr. Stevens:

Q. Would you favour the removal of the tariff on butter and dairy products so that we could import large quantities?—A. That is the attitude of our farmers' organizations. They don't ask others to do what they are not willing to do themselves.

By Mr. Davidson:

Q. Would the price of butter be affected?—A. I don't think it would be affected at all. We are still exporting.

Q. Do you think a reduction of duty on other things would not affect the prices?—A. No, the situation is entirely different.

Mr. Sutherland: The conditions are not normal.

By Mr. Davidson:

Q. You know the butter business but you don't know other businesses.—A. I know some of them. I read that the Dominion Textile Company was making large profits; and it was stated in a Parliamentary Blue Book that the stock was ten per cent solids and ninety per cent water.

By Mr. McCoig:

Q. What do you read?—A. That their dividends were fifty-four per cent for last year.

Q. Thirty-two per cent?—A. Thirty-two, was it.

Q. Where did you read that?—A. In the Farm and Dairy.

By the Chairman:

Q. In regard to beef on the hoof and hogs, would your opinion be same respecting prices in this connection as it is in regard to cream and butter fats?—Yes, I think you could not safely reduce any prices. My proof of it would be this: That in spite of the present high prices, our help is leaving us and the farm population is leaving us. We are not holding our own.

By Mr. Stevens:

Q. Another point linking up with what I asked a moment ago about fixing prices. There is a widespread clamour for the Government to prohibit export of dairy products and meats. Do you favour that?—A. Absolutely no.

Q. Do you think it is in the best interests of the country to maintain our export trade?—A. I don't see how you are going to live six months if you prohibit it. If you place the farming population at the mercy of the consuming public in this country—nobody will perhaps—

Q. It would be disastrous in your opinion?—A. Disastrous absolutely.

By Mr. Nesbitt:

Q. In other words, we want more production and that would discourage it?—A. Yes.

Q. Do you know the cost of raising a steer or heifer to two years?—A. Only approximately.

Q. Roughly?—A. I would not like to depend on my memory. I could if I had had the material prepared. I got very short notice. I had no material except such as

[Mr. E. C. Drury.]

I had in my head. I think the official estimate is pretty correct. I think the official estimate is that it costs about 12 cents a pound at the present prices.

By Mr. Sinclair:

Q. What, in your opinion is the reason why farm labour goes to other occupations? Is it on account of wages?—A. On account of wages, yes.

Q. Why is the farmer not able to pay wages?—A. Because he would not have nothing left for himself with the present prices.

By Mr. Nesbitt:

Q. That is a new idea which Mr. Good suggested as a division of profits. Have you tried it?—A. I have never tried it. I prefer to keep my own business more closely in touch than that.

By Mr. Douglas:

Q. How many hours does a man at $2.50 work?—A. 10 hours.

Q. That is 25 cents an hour?—A. Yes.

Mr. Davis: In my own town I cannot get a choreman at 40 cents an hour.

Mr. Nesbitt: And there is the temptation of the town, white lights, moving pictures, getting off at certain hours.

The Witness: Shorter hours and I think the attractions have something to do with it. Last winter just before the annual convention of the United Farmers, I was preparing a speech and I talked with the two men working with me. I asked one of them why he was on the farm and he said to me "Well, I guess it is because I like the work." My impression is that men remain because they have a special liking for the work and will take less for it.

By Mr. Sutherland:

Q. This man at $2.50, is he a fairly good workman?—A. He is not skilled in all the work.

Q. What nationality is he?—A. A Canadian of English extraction.

Q. Was he always accustomed to farm work?—A. No. He had been a tinsmith in town.

Q. Is the ten hour day, a rule?—A. It is not for the farmer himself by any means. As for the man, it depends on the man. Some men accept it and some don't.

By Mr. Davis:

Q. What lines are you in besides dairying?—A. I raise a certain amount of pork I raise beef.

Q. Do you do any grain farming?—A. Wheat only.

Q. How many acres?—A. I have 250. About 130 are under the plough. The rest are under pasture.

By the Chairman:

Q. What would be the gross value of the products of your farm for 1918?—A. I sold $5,600 of farm produce last year. That is roughly. I speak from memory.

By Mr. Nesbitt:

Q. What, roughly, are the expenses of operation?—A. My expenses roughly including maintenance, management, the wages of two men and what you would call the running expenses of the farm brought my income down to $3,000.

Q. Without counting any charge for yourself?—A. Without counting any charge for myself at all. That does not include insurance, business risks and taxes. I figure they would bring it down to about $2,300 for myself. It did not include domestic

[Mr. E. C. Drury.]

help, just farm help. I think putting it modestly the farm would sell for $18,000. I have about $7,500 worth of stock. That would be about $25,000 invested. Put that at 5 per cent and $2,300 is what I got for wages.

By Mr. Sutherland:

Q. You put in all your time?—A. Yes, I worked myself, as hard as I could go.

Mr. SUTHERLAND: I guess you are about right.

By the Chairman:

Q. Now coming to the question of tariff, in the cost of producing that $5,600 worth of farm produce, how much would you charge against tariff?—A. That is very hard to say. My own impression is that the tariff charge would work in on my retail prices, on what I paid for what I bought because it is increasing the cost of living of everybody, including my own cost of living. Families are taxed—the salary of our minister—it works in on everything.

By Mr. Nesbitt:

Q. But the tariff has nothing to do with the salary of a parson?—A. I think it has. I want free trade on the manufactured goods.

By Mr. Sutherland:

Q. Do you think you can reduce the salary of a parson with free trade?—A. Undoubtedly, I think. I suppose our parson probably spends $130 a year on shoes. The duty on shoes—

By Mr. Nesbitt:

Q. How many of a family has he?—A. He has five of a family.

By Mr. Stevens:

Q. $130 is too much altogether. What salary does he get?—A. About $1,300.

Q. Your opinion is that the American manufacturer could bring in goods here and undersell the Canadian manufacturer?—A. And the English manufacturer.

Q. And that would result in a large number of manufacturing industries in Toronto say, going out of business?—A. I am not prepared always to admit that.

Q. It is a pretty fair assumption?—A. I made this statement at Brantford the other day, that I would like to see a thorough-going investigation such as was conducted in 1909 for the Dominion Textile Company.

By Mr. Davidson:

Q. You think that should precede a tariff change?—A. I think it would bring about a tariff change. If we had an investigation, the tariff would not have a leg to stand on.

By Mr. Stevens:

Q. As a matter of fact the question of an investigation is before Parliament. Announcement has been made by the Finance Minister that investigations will be held. You are getting 62 cents to-day for cream. Is it not due to the fact that large numbers of people in Toronto are demanding cream?—A. I don't think so particularly. I know that the cream supply of Toronto has been affected by the shipping of cream across the line. I might not sell sweet cream but I would sell it in some form.

By Mr. Nesbitt:

Q. If you followed out the argument to its ultimate conclusion and the removal of tariffs did involve the destruction of industries, then you would have to ship your cream to the other side of the line and build up their cities?—A. There is a big "if".

[Mr. E. C. Drury.]

By Mr. Stevens:

Q. You say the abolition of the tariff would mean a reduction in the cost of living?—A. Absolutely.

Q. Then you would imply in the reduction of the price of farm produce?—A. I think you would find that the price would automatically be reduced. The farmer does not have his income increased by the tariff system because he finds his markets in the world market and the prices are set in the world market. At the same time the farmer finds two conditions against him. The tariff increases the cost of what he himself buys because it gets after him as a consumer as it gets after the lawyer, the baker and everybody else; and it gets after him as a purchaser of machinery and supplies and he cannot levy it on the other classes.

By the Chairman:

Q. Why does it not affect other purchasers of supplies?—A. Because they get out on the other end.

Q. You say that the price of your produce is ruled by the export price?—A. Not of my lines.

Q. And not by the cost of production?—A. That is right.

Q. The cost of production does not regulate the price of farm produce?—A. Not to a very large extent.

Q. How would reduction in the tariff result in reducing the cost of farm produce to the Canadian consumer?—A. I think it would affect you in two ways. You would have a much larger volume of farm produce perhaps and that would naturally tend to keep the market lower.

By Mr. Douglas:

Q. Would that tend to keep the export market lower?—A. It would ultimately. If you examine world conditions at the present time you will find that the same conditions prevail in the United States and perhaps in some of the European countries.

By Mr. Davidson:

Q. In England?—A. In England. There you put the landlord in place of the tariff and you have got the source of the trouble.

By Mr. Nesbitt:

Q. If you are taxed so much for a cart, or a horse, or a plough and so much for everything else, would it not amount to a tariff?—A. What do you mean by a tax?

Q. That is the way they tax you over there. That is what they call free trade?

The WITNESS: No I don't think it is the same way by any means. I don't think I would object to paying a tariff tax if it went into the Dominion Treasury, but I object to paying if it goes into the pockets of the other fellow.

By Mr. Nesbitt:

Q. Would it not be fair for you to estimate how much you pay on a plough, the life of the plough, how much on a binder, the life of the binder, and how much on your clothing, your boots and shoes and what your additional cost is as the result of the tariff?—A. I think that could be done.

Q. You could do it; and it would be fair to give that as the additional cost to the farmer?—A. I think so.

The CHAIRMAN: I am anxious to find out just how much the cost of producing $5,600 worth of farm produce is chargeable against the tariff. I think we can get the information.

Mr. GOOD (the previous witness): I would like to know whether in this inquiry you are going to look into the speculative advance in real estate.

[Mr. E. C. Drury.]

Mr. DAVIDSON: We intend to go into that. That is one of the big questions which ought to be investigated.

The Committee then adjourned until four o'clock this afternoon.

The Committee resumed at 4.25 p.m., the Chairman, Mr. Nicholson, presiding.

Mr. DRURY, examination continued.

By Mr. Stevens:

Q. Have you any idea of the average assessed value of the farms in the country, say a hundred-acre or a hundred and fifty-acre farm?—A. I have not.

Q. What is the assessment locally, by way of illustration?—A. In my own neighbourhood you mean? The assessment as to the total value or the proportion of the assessment as compared with the total value?

Q. No, the assessment of your farm?—A. In our township by tacit consent for years they have been practising the single tax, assessing the land value. My own farm is assessed at $8,600 on 250 acres.

By Mr. Nesbitt:

Q. You are assessed very low?—A. There is a very low assessment. There is a tacit agreement to ignore the improved value among the people in my own township.

By Mr. Stevens:

Q. That is less than $30 per acre. What is the value of your farm?—A. The selling value?

Q. You told us it was $18,000?—A. That was arrived at in this way that that was the value of a neighbour's farm which was sold last year, a two hundred-acre farm just across the road from mine.

Q. In making up your statement of earnings do you allow yourself interest, and do you allow it on the assessed value or on the valuation you have made?—A. I do not allow interest in that statement I gave you this morning at all, but the $2,300 I did not give it to include interest on investment or my own wages. There was no investment on that.

Q. That is the total you would give as a business man, wages too?—A. Yes.

Q. Then there is just one more question, in regard to taxation. Would you favour the imposition of a straight land tax throughout the whole country?—A. I would favour the imposition of a tax on unimproved land value. At present the tendency is to tax the man on his improvements. We not only tax him municipally but we showed that the local Government taxes him. At the present time the man who escapes taxation is the man that does nothing.

Q. Taking your farm as a typical case do you object to a one per cent separate land tax?—A. I would not if I were relieved of the other ordinary tax.

Q. Have you any knowledge of that being generally acceptable?—A. It is part of the platform of the United Farmers of Ontario, which was adopted unanimously at the last convention. I think that is the general acceptance of the term at the present time.

By the Chairman:

Q. All other taxes being eliminated except the direct tax on land?—A. That is the ultimate object.

Q. There would be no other tax than that?—A. No, no. I think you misunderstood the platform of the United Farmers, and the Council of Agriculture. It is not anticipated that there will be any sudden change even in the ordinary taxes, there will be a substantial reduction, but it will be gradual. It also includes besides the land tax indicated a heritage tax, the idea being actually to stop taxing production and taxing the results of production.

By Mr. Nesbitt:

Q. That platform is to tax unoccupied land?—A. No, beg pardon, to tax the unimproved value of land.

By Mr. Douglas:

Q. That is the way it is worded?—A. Have you our copy or have you a copy that is being circulated by the Canadian Manufacturers' Association, because there is a difference.

Q. No, the report of the Farmers' Meeting in the West, and it is a tax on unimproved land value.

By Mr. Douglas:

Q. Your interpretation of unimproved land value would be to impose a tax on the land?—A. No, for instance, take the cost of my own farm, it would have a certain annual value, what it would sell for without improvement if it were lying in its natural state.

Q. As bushland?—A. No, no, bushland means the bush.

Q. You mean clear land, without artificial improvements?—A. I mean clear land, without artificial improvements, the unimproved land value. It takes into account the situation of the land.

By Mr. Stevens:

Q. Out West "Unimproved Land" has a different interpretation?—A. Mr. Crerar was taking that up when I left the Chamber. I think his interpretation agrees with mine—not a tax on unimproved land, but a tax on unimproved land value.

By the Chairman:

Q. You said that the total value of goods purchased on your farm was $6,500?—A. Yes, that was last year.

Q. You also stated to the Committee that in your judgment a very marked decrease in the cost of living would result from the removal of the tariff, the customs tax on goods imported into Canada?—A. Yes.

Q. And that is the point we want to get at. You stated that the value of the land was $18,000, and stock and equipment $7,000?—A. Yes.

Q. What would be the value of the equipment?—A. I have it in my inventory which I take once a year, but I think about $2,300 manufactured goods, implements, etc. More than that, I did not include in that a tractor which would raise it another thousand dollars.

By Mr. Nesbitt:

Q. You did not have to pay any duty on that?—A. No, that is right enough.

By the Chairman:

Q. The value of the equipment would be about $2,300?—A. Yes. I would have to verify that.

Q. That would be made up of agricultural implements, ploughs, harrows, binders, wagons, harness, etc.?—A. Yes.

Q. What rate of duty do those goods carry?—A. They vary. I cannot tell you, I think about 17 per cent.

Mr. McCoig: Binders and mowers are placed at a lower rate than drills.

[Mr. E. C. Drury.]

By the Chairman:

Q. The average would not be more than 25 per cent?—A. I cannot tell you.

Mr. DOUGLAS: I do not think the average would be quite 27 per cent. Mowers, horse-rakes and binders $12\frac{1}{2}$ per cent. Prior to the change in the budget a wagon was at the rate of $32\frac{1}{2}$ per cent. Seed drills and other implements of that kind carried a tax of $27\frac{1}{2}$ per cent. They reduced it to 20 per cent. The war tax was taken off, and 5 per cent taken off. That would bring it down to 15 per cent. I think your average would be around 18 per cent under present conditions, but not when you bought it.

By the Chairman:

Q. Assuming it was 20 per cent?—A. I always figure on depreciation in 10 years. Some go under and some over, though they will not run ten years without repairs.

Q. What would the repairs cost annually?—A. I cannot tell you. I think my bill for repairs was something over a hundred dollars.

By Mr. Douglas:

Q. Five per cent?—A. That is just a guess.

By the Chairman:

Q. Assuming the full duty was paid, and that the Canadian manufacturer added the full duty and went to the limit of what he was able to go and charged to the full 20 per cent over and above the cost of manufacturing the machine ordinarily, and the usual profit, you would pay $460 on that equipment, and it will be spread over a period of 10 years, or in other words $46 a year would be applied against the production of $5,600, or four-fifths of one per cent. Is that a correct estimate?—A. I think so.

Q. Then on that basis, the effect on the foodstuffs that you produce is that the tariff would mean an increase of four-fifths of one per cent on the cost of production?—A. That is as far as implements and machinery are concerned. Beyond that, you could figure as to the cost, for instance, of building material, drainage material, and fence wire, and a whole lot of things I could not tell you.

Q. All of these things enter into the cost of producing your goods. What would be the annual outlay for building materials?—A. What is the average life of a building——

Q. What class of building do you refer to now?—A. The farm buildings are usually of wood. My own are of wood chiefly.

Q. There is no duty on lumber?—A. There is on things that are used along with it, tools, nails, roofing materials, etc.

Mr. DOUGLAS: There is a duty on dressed lumber.

Mr. NESBITT: Dressed on both sides.

By the Chairman:

Q. Lumber dressed on one side can come in free?—A. I do not think it hurts the lumber, because lumber is produced from the farm itself.

The CHAIRMAN: Assuming it is not produced on the farm and that you have to go to the market and purchase it, there is no duty on lumber and I am ready to prove at any minute that whether there was or not it would not make any difference in the price, because I know something about lumber.

By the Chairman:

Q. If a manufacturer is establishing a manufacturing plant, and he started in by charging the total cost of plant against the implements he sold the first year, the man who bought them would pay an exorbitant price or else the manufacturer would not sell them? (No answer.)

Mr. Nesbitt: Mr. Drury makes a very definite statement, that in his judgment the only way the cost of living can be reduced is by a reduction of the tariff.

Mr. Douglas: He says an elimination of the tariff.

Witness: No, I do not think I have gone that far. I think ultimately it will come to that.

By the Chairman:

Q. In this computation, we are eliminating the tariff. If we do eliminate the tariff, assuming that on the basis figured by Mr. Nesbitt it is two and a half per cent of the cost of production to the farmer, if we eliminate the tariff we will have to find out in some other way——A. Have you counted everything in that the tariff affects? You have counted clothing and implements only.

Mr. McCoig: We had a pretty fair illustration of the effect in the case of the tractors. The Government wisely announced that it would let in tractors free to any farmer who was enterprising enough to comply with the request to produce more foodstuffs, and a lot of tractors were sold to the farmers. There was a real campaign for increased production on at that time, and we can all share the blame for not keeping that campaign going. I think that one of the reasons why we have not sufficient foodstuffs in the country is because we are not keeping up the campaign for increased production. It was shown that by allowing the tractors in free, many were purchased that would not have been purchased, and much more land was worked.

Witness: That is absolutely true.

The Chairman: If we eliminate the tariff, which this involves, and effect as a result a reduction of two and a half per cent in the cost of production of foodstuffs, and turn around and distribute a tax of $140,000,000 in some other way amongst the 8,000,000 people of Canada——

Mr. Nesbitt: If the farmer got the whole two and a half per cent, he would be out of pocket if he had to pay one cent land tax.

The Witness: I do not think you are by any means eliminating the tariff when you count clothing and implements only. The direct implement tax is one of the small items.

By Mr. Nesbitt:

Q. What others are there?—A. In the improvement of the farm, wire fencing, tiling, and not only that, but when it comes down to a fine point it is absolutely correct to say that the top six inches of the soil are paying the whole of the tariff tax. Trace up what happens to the merchant, taking him as an example. Does he pay the tariff tax? No. He pays it on his living. But he takes his profit on the increased cost of the goods he is handling, and that is handed back to the consumer. Does the workman in the towns and cities pay it? No. He gets his living wage, and he gets a little more, because he is sharing the spoils of the product of the industries. It is paid by the top six inches of the soil. Analyze the thing through, and you find it is only the industries that are taking the natural wealth of the country, agriculture, mining, fishing and lumbering, and the lumberman gets it back by paying less for his raw material than he would do otherwise. In the final analysis I think you will find that they pay the whole of the tariff tax.

Q. What else besides implements and clothing do you pay the tariff on?—A. Fencing, tile, boots and shoes.

Q. Boots and shoes are really clothing.

By Mr. Davis:

Q. I think you stated that in the towns and cities the workmen get higher wages?—A. They have to, because their cost of living is increased. I do not say that they get more than they should.

Q. Do these higher wages compensate them for the higher prices they have to pay?—A. If they do it is much of a bargain. It has to compensate them in some measure.

Q. What is your opinion as to how the workmen come out; does he gain as much as he loses?—A. I have not figured on that. I put an Englishman on my farm a few years ago, and he said he was getting double the wages he had been getting in England—he was a very intelligent farmer and thinker, as some of them are—and he told me that he was not very much better off because of the increase.

By Mr. Stevens:

Q. Was he any better off?—A. He saved more money.

By Mr. Davis:

Q. If he could have gone back to England he would have been better off, but he was not anxious to go back to England; he was quite satisfied with Canada.

Mr. NESBITT: The ordinary Englishman I know of would not be satisfied if you gave him your whole farm.

WITNESS: My experience is different. I have had some very fine English farm help, although I have had some who were no good. My experience with the English farmer is that he is good mostly.

By Mr. Nesbitt:

Q. That is if he has been accustomed to farming in England?—A. Yes. The sum of the whole thing, so far as the tariff is concerned, is that while one end of the farmer's business, the selling end operates under proper conditions, the buying end operates under high protective conditions.

By Mr. Stevens:

Q. Is the home market not worth something?—A. Not in price.

Q. Can you get more for your cream shipping it to the United States than to Toronto?—A. Not situated as I am, but along the St. Lawrence River they can.

Q. Take Ontario, that section from Georgian Bay east, do you think the farmers can get more by shipping their produce to the United States than by shipping to the cities?—A. I think the produce is regulated by the price they can get. The cream market is a special market because it is limited in area and is affected by local conditions.

Q. The very fact that you have that special market gives you bigger prices than you could get from the creameries?—A. A little, yes.

Q. Then the fact that you have that special market is due to the further fact that there is a large industrial centre.—A. It is a logical conclusion.

Q. The fact is that owing to the proximity to the Toronto market it gives you a special market for your cream?—A. For that one product; a few cents per pound butter fat, on one small product.

By Mr. McCoig:

Q. We put the same question to packers who were before us yesterday, that during the months of February and March when we were shipping our hogs in the city of Detroit, the Windsor people found that across the river meat products were being sold far cheaper at Detroit than they were in Windsor. What is the explanation of that?—A. I am not prepared to give that, I am not conversant with that end of the business, the meat end.

[Mr. E. C. Drury.]

By Mr. Hocken:

Q. How many cattle are kept on your farm?—A. I have now 42.

Q. How many are you milking?—A. I am milking 13.

Q. Milking with a mechanical milker?—A. No.

By Mr. McCoig:

Q. Have you had any experience with a milking machine?—A. I have had none.

By the Chairman:

Q. Have you any idea what a mechanical milker would do in the way of saving labour cost on the farm?—A. I have had talks with some who have used it and the report seems favourable where there is a large number of cows, but where there is a small number the trouble of keeping it clean offsets the advantage of using the mechanical milker.

By Mr. Stevens:

Q. In that regard are you prepared to take the result of the experience at the Experimental Farm?—A. I have not seen their report, I do not know what their conclusions are.

Q. A witness this morning, I think it was Mr. Good, stated that he preferred to take that. A. Yes, I think so, they are in a position to know which I am not.

By the Chairman:

Q. Mr. Drury, you are experienced in and know the facts of this question in regard to the marketing of farm produce. Have you found anything in the nature of an effort on the part of the packers to corner the market in certain districts or to enter into an agreement on their own account by which hog products, cattle products, sheep, eggs, butter, etc., in any one particular district would be assigned to one buyer and that the producer in that respect would be compelled to take the price that that particular buyer wanted to give him.—A. I have not found that.

Q. You have not?—A. Not in my experience.

Q. You have found there has been competition and that you can sell your goods?—A. Nearly all my own stuff has been sold on the Toronto market.

Q. What has been your experience in regard to selling to the Toronto market? Have you ever been allowed to see that there is an effort made to depress the prices to the farmer?—A. At certain periods we have felt that there has been a reduction of prices are what is called seasonable reduction which occurs on account of the excessive number of hogs coming in the spring and the fall, and the other thing that seems to happen, that is the general feeling of the farmers that there is the other thing that seems to happen a sudden shortage of hogs which brings about an unwarranted increase in the price of hogs one week, and has the effect of bringing in a large quantity of hogs the next week and then the price goes down.

By Mr. McCoig:

Q. In the months of November and December when most of the farmers want to market their hogs in order to meet their obligations, then the prices generally go down?—A. Yes.

Q. That naturally has a discouraging effect on the producer? I have heard that opinion expressed a good many times and when we ask the farmer why do you not raise more hogs, he replies when we have them ready to sell they put it over us by bringing down the price.—A. There is a feeling of instability.

Q. The farmers feel that they get short changed?—A. That is a very real sentiment among the farmers.

By Mr. Stevens:

Q. Do you believe this state of affairs is simply the ordinary result of the law of supply and demand being applied or is it a deliberate attempt on the part of the packers to manipulate the market?—A. In the case of the seasonable reduction I cannot say whether it is one or the other, I do not know. In the case of the variations from week to week I have a strong feeling that it is manipulation, that is that the higher price is offered one week to bring out more hogs the next week.

Q. Has your association, which is largely represented, ever made any investigation into that question on your own behalf?—A. No, we have not.

Q. You have no definite evidence to give that it is so?—A. We have a live stock branch, but we have never investigated that phase of the question.

By Mr. Nesbitt:

Q. I understand that recently you—and when I say you I do not mean you personally, but your Farmers' Club—got the privilege of putting a man on the Toronto market?—A. Yes.

Q. For the purpose of selling?—A. Yes.

Q. What was the result of that investigation? Just a moment ago you stated that you thought possibly the weak links might be owing to manipulation. Since that man was there, did you find a more stabilized market, or were the changes just the same as they were before?—A. I think we gained to the extent that the club shipping throughout the country got inside information as to when to ship and when to hold back and that has been of a great deal of value to the members.

Q. That does not quite answer my question. Your seller might be able to judge when there would be a likely increase in the number of hogs, and for that reason he gives you information not to ship.—A. Yes.

Q. But did he find that that variation in prices was caused by manipulation by the packers, that is what I want to know?—A. I cannot tell you that, I have not heard it explained at all in that regard.

Q. I quite appreciate he could give you information being on the spot when to ship and when not to ship?—A. That is one of the valuable services we get.

The CHAIRMAN: Is there any further information to be obtained from Mr. Drury?

WITNESS: I thought it was suggested this morning that you wanted some information as to this co-operative company. I am a director of that company and have been since its start.

Mr. McCOIG: We wanted his opinion as to how it would do to appoint a board, such as the Railway Board, to look after any grievance the Co-operative Society might have.

Mr. NESBITT: His suggestion is that they appoint a board with authority to govern prices—to look into the question of prices.

Mr. STEVENS: I have before me a draft of this proposal which we will consider before the Committee rises. I may say that, briefly, it is dealing with restraint of trade, combines, trusts, monopolies and mergers and withholding from sale, and enhancements of the prices of the necessaries of life. That is virtually the basis of it; in other words, that if the producer or dealer in any article is conspiring to interfere with the freedom of trade, to the detriment of the public generally, the consumer shall have the privilege of bringing such an offender before this court, and such court shall have the power to deal with the case. Do you think a court or commission of that kind, permanently located, with a law dealing with every phase of the situation, would be a good thing?—A. Yes, in the experience of our company I decidedly think it would. We have been confronted right from the beginning with two conditions. In the first place, manufacturers or wholesalers who are selling to us, but who fear being boycotted by the regular retail trade because of dealing with us. The other condition is not being able to buy because we have not the standing with the wholesalers. In fact we got a partial standing as wholesalers before we could buy. We had to buy wholesale business. We found that a decided handicap.

By Mr. Stevens:

Q. You found a tendency occasionnally to boycott?—A. Yes, undoubtedly.

By Mr. McCoig:

Q. Any trouble in getting credit?—A. No.

Q. Did the bank refuse you?—A. No, they did splendidly. I hardly could tell you what they did. There is no kick coming.

By Mr. Stevens:

Q. What commercial interest did you buy?—A. I cannot tell you.

Mr. Euler: You said the court should be permanently located.

Mr. Stevens: Permanently organized I meant to say.

The Chairman: I would like the Committee to consider this, because to my mind it is exceedingly vital, and Mr. Drury might give the Committee his opinion. In establishing a court of that description, would it be better to establish a new court or commission or whatever you please to term it? Suppose there was one established in each Province, if the central establishment were not sufficient? Or could the same result be achieved by placing the power in the hands of district court judges.

Mr. Stevens: Would you ask Mr. Drury that? That is a point we should debate at length.

Mr. Nesbitt: He is asking the witness's opinion.

Witness: I do not know. I think anything that is handy and could be reached quickly should be part of the scheme. I may say our company has done a large business. The last year it ran up to a business for the farmers of nearly a million and three-quarters, and it was only in its infancy. The prospects are this year that it will run up to four or five million, because we are just getting it on its feet. And I cannot tell you what the selling business in produce was, but we run up very high in cattle, and our object is to make distribution just as simple as possible, and to cut out as many links in between as possible. We have plans for the establishment of distributing points throughout the country.

By Mr. Stevens:

Q. Retail?—A. I do not know whether they would be retail or not—something in that line. We have found a tendency to resent any interference with the regular trade channels.

By Mr. Nesbitt:

Q. By the trade?—A. Yes, in all lines.

Q. That is human?—A. Yes.

By Mr. Stevens:

Q. The suggestion is that it should be a court of the same character as the Railway Commission, more or less informal, where, for instance, the farmer can go, or a private citizen and he will not need highly technical counsel.—A. I am inclined to think that is the right kind of court—as informal as possible.

By Mr. Douglas:

Q. You said that you had had a little difficulty in your co-operative operations with the various branches of trade in getting supplies.—A. Yes.

[Mr. E. C. Drury.]

Q. Did it apply to wholesale grocers?—A. Yes.

Q. You found certain of them did not want to sell to you.—A. Well, We had to buy a wholesale grocery in order to maintain ourselves.

Q. You were boycotted to that extent?—A. Yes.

Q. In buying for your co-operative stores, or co-operative depot, did you ever try to purchase direct from the manufacturer or any line of articles?—A. Yes, we have in some cases.

Q. What was your experience in that?—A. We have bought from manufacturers. In many cases they sold to us on the quiet and put another mark on their goods.

By Mr. Stevens:

Q. But the tendency was not to sell you direct, but through jobbers?—A. Yes.

By Mr. Douglas:

Q. When you were able to go direct to the manufacturer and buy, what was the difference in the cost?—A. I could give you the case of a cream separator we had in the early days of our business. Later on we did not handle it, because the concern we got it from went into the manufacture of shells and we could not get it. We handled the cream separator retailed through the ordinary channels for ninety or ninety five dollars—ninety I think. We got it from the manufacturer for forty-eight, and gave it to our customers for fifty-two.

Q. What was the price of it?—A. They all sold at the same price. The manufacturer told us in dealing with them that they were all at the same rate. We bought them at a flat rate. The statement was made by the maker to the directors that they were getting as much out of that by selling to us at that rate as he was selling to his agent.

Q. Had you dealings with the Dominion Canners?—A. Yes.

Q. Did you ever try to buy from the Dominion Canners?—A. That is handled by the Manager. I do not know about it.

Q. You have no knowledge?—A. The next I have knowledge of is where there were figures brought before the Board of Directors.

By Mr. Euler:

Q. Can you specify some other case were you did have difficulty?—A. I might if I had time.

By Mr. Douglas:

Q. Ever try to buy boots and shoes?—A. We have not handled boots and shoes.

Q. Clothing?—A. No. We have handled mill feeds, cattle feeds, of all sorts, groceries and bulk sugar and canned goods.

By Mr. Euler:

Q. Did you buy sugar from the manufacturer?—A. I cannot tell you directly the history of that. It runs in my mind there was a little difficulty at one time.

Mr. Good: It was impossible to get sugar, except through one of the wholesalers.

The Chairman: When was that?—

Mr. Good: A couple of years ago that I remember, and I know that in connection with soap it was not possible to buy direct from the manufacturer.

Mr. Stevens: Was that before you received your rating as wholesaler?

Mr. Good: I do not think the Farmers' Co-operative Society in Toronto is rated as a wholesaler.

Witness: We have wholesale connections that give us the goods.

Mr. Good: At that time the Society was not so rated and the regulations were pretty strict.

[Mr. E. C. Drury.]

By the Chairman:

Q. What percentage do you figure your patrons save on the purchase of their goods through the Co-operative Society?—A. I had a statement made to me two or three weeks ago by the secretary of a club in our neighbourhood, who had kept track during the year of the prices and compared them with the local retail prices and he claims the saving was 13 per cent. We have our store in Toronto, which deals in this farm produce, butter, eggs and potatoes. We have a large egg business in Toronto, butter, eggs, potatoes and poultry.

Q. Assuming that your society increased in size sufficiently to locate stores in different parts of a city; would that be a feasible proposition?—A. If we did the work, I do not see why we should not charge the ordinary retail prices. I may say that part of the high cost of living is due to the fact that the city people will not co-operate with us. At the beginning of our movement, we made a proposition to the labour men in Toronto that if they would join with us in capitalizing and financing a series of distributing stores throughout Toronto, we would take as the basis of our operations the prices paid for produce to the farmer in the country, and the retail prices ordinarily paid by the city consumer in the retail stores, and split the difference between the two. But we could not get any co-operation.

Q. The labour men would not join?—A. No, they said: you establish the stores, and if you sell any cheaper we will take it up with you.

Q. Did you get any reason from them?—A. No.

Q. How long ago is it that you endeavoured to get them to co-operate?—A. Three or four years ago, perhaps five.

The CHAIRMAN: It may be a matter of enlightenment to know—I do not know whether they are the same people—that a very large number of working men around the City of Toronto with a very large number of working men throughout Canada got into a rather unfortunate situation because of an arrangement similar to that. It meant a loss of hundreds of thousands of dollars to them. I know that in the little town in which I live, fifty-seven thousand dollars of the railroad men's money went up in smoke in some kind of a general co-operative scheme that started out with very glowing prospects and ended in disaster.

Mr. GOOD: Was that not one of the bogus ones, Mr. Nicholson?

The CHAIRMAN: They did an enormous business, and so far as I know there was nothing bogus about it.

Mr. GOOD: It was not co-operative.

Mr. HOCKEN: What kind of management was there; were there mistakes, or was it stealing?

The CHAIRMAN: I do not know what it was; I am merely giving you the result.

WITNESS: I think there is a great deal in the organization of the co-operative business guarding the co-operative end of it. It is guarded by the limited amount of stock one man can have, by one man, one vote, and by a limitation of the dividends paid on capital.

By Mr. Stevens:

Q. Do you think it a feasible proposition for your producing co-operative society to market in such centres as London, Toronto and Hamilton and to retail goods to the public, cash down?—A. Yes, I think it is feasible.

Q. Could you sell at a much lower rate than the present retail rate?—A. We could, if the people would help us to finance it.

Q. Unless you were financed, you could not do much?—A. We might be able to do it; there is no reason why we should.

[Mr. E. C. Drury.]

By Mr. Nesbitt:

Q. You will sell at the highest price just like anybody else?—A. Uudoubtedly, unless the other fellow will help us.

Q. And you are going to buy at the cheapest price?—A. If the other fellow will help us, I think we can promise to co-operate with him.

By Mr. Hocken:

Q. You could split the spread?—A. Yes. We had a similar experience with a bunch of university people. Their attitude was the same. They expected us to sell cheaper than anybody else.

By Mr. Euler:

Q. You think that the producer and the consumer should become their own middlemen?—A. I think so.

Q. But if the consumer will not co-operate with you, he would not be assisted at all?—A. There is no reason why we should sell cheaper.

By Mr. Nesbitt:

Q. You are just human like the rest of us?—A. You do not expect philanthropy in a business concern.

By Mr. Hocken:

Q. I have an idea that that can be done. I was not aware that you had made these advances to the labour people in Toronto?—A. We made them at the outset before we went into the business at all.

By Mr. Euler:

Q. Would that mean that you would sell only to the labour people and your own, of course?—A. The proposition was that we would sell at ordinary retail prices and divide the profit as a purchase dividend between the producer and the consumer. We would sell to anyone, but only the members would get the benefit.

By Mr. Douglas:

Q. You would sell to anybody under these terms?—A. At ordinary prices.

By Mr. Nesbitt:

Q. You have a central organization and a management committee?—A. Yes.

Q. And you have sub-branches throughout the length and breadth of the country?—A. Yes.

Q. And these sub-branches have a manager or secretary who distributes?—A. Yes.

Q. Suppose you buy feeds and that sort of thing, how do you pay your secretaries of the sub-branches?—A. That is a matter of local arrangement. Every club makes its own arrangement as to what it pays its secretary.

By Mr. McCoig:

Q. They largely distribute their stuff from the station?—A. Yes, it does not cost much.

By Mr. Nesbitt:

Q. You have someone to look after distribution?—A. Yes, the secretary does.

Q. And in a good many instances you have warehouses to put the stuff in that you do not sell? You buy sometimes more than you have sales for, and you have a warehouse to put the goods in?—A. Yes.

[Mr. E. C. Drury.]

Q. I belong to one or two clubs myself. Have you known of any instances where the secretary wanted a commission from the man he was purchasing from?—A. Not when he dealt through the United Farmers. I have known of a case where a secretary was offered a commission by concerns that were rivalling ours to tempt business his way.

Q. Have you ever known of a secretary asking for a commission?—A. No, that has not come under my observation.

Q. I am free to say that I am very much in favour of the farmers trying to do a commercial business for themselves; that is, by buying their goods as cheaply and selling them as dearly as they can. That is their privilege, but I have known an instance of that?—A. How did the members of the club deal with him?

Mr. Nesbitt: I did not say anything about it.

By Mr. Euler:

Q. Is your saving effected chiefly by purchasing in large quantities at lower prices, or is it in the cost of distribution?—A. Both. Our concern has handled its business at from one to two per cent of the cost of the goods.

Q. How would that compare with the ordinary retailer?—A. I believe the ordinary retailer goes up to twenty-five per cent.

By the Chairman:

We have evidence before this Committee to show that it is eighteen per cent in food stuffs.

By Mr. Euler:

Q. You said a moment ago that you thought your patrons saved something like eleven per cent?—A. Thirteen per cent. The secretary told me had figured out that as the saving.

Q. Have you any idea as to how these proportions are made up?—A. No.

Q. Either in the purchase or in the distribution?—A. I think partly both, but I think mostly in distribution cost. We have not been able to purchase as advantageously as we should.

Q. Do I understand you to say that your cost of distribution was one per cent?—A. I think it is from one to two per cent.

Q. What do you do for this two per cent?—A. We buy and send it out to the club and they send their money to the central office which really receives the orders, and we buy for them and ship the goods out to the club.

Q. It is largely an office business that you do?—A. Largely, but some articles we carry in stock.

By Mr. Nesbitt:

Q. There is a small additional expense in the local club, of course?—A. Yes, a small expense.

By the Chairman:

Q. That is not a co-operative business in the sense that you would go out and buy large quantities of goods and store them for distribution?—A. Remember we have been doing business on a very small capital. We now have $100,000 in it. We did something like $100,000 worth of business one year on $5,000 capital.

Q. You have an immediate turnover?—A. We have an immediate turnover.

Q. And you have actually gained the co-operative spirit which the ordinary business man would not have.

[Mr. E. C. Drury.]

By Mr. Hocken:

Q. Do the people buying send in their money?—A. The goods are sent out with a sight draft and with a bill of lading and the local bank ordinarily has an arrangement with the local branch by which the local bank when the bill of lading comes in lifts it for the Secretary.

Q. That is a cash business?—A. A cash business, absolutely cash.

By Mr. Vien:

Q. How much money do you make?—A. We are not a profit-making concern.

Q. How did you make that two per cent of which you spoke?—A. I cannot tell you that, we handle one and three quarter million dollars of business and it took two per cent to run the business. We paid seven per cent on the capital invested.

By Mr. Hocken:

Q. What was the capital?—A. Last year it was $100,000.

By Mr. Euler:

Q. How many branches have you?—A. At present I believe there are over 1,200 clubs.

By Mr. Vien:

Q. Did you have any surplus?—A. A small surplus, I cannot tell you what, but there was a small amount written off them. I think myself a great deal can be done; I think Mr. Hannah when he was Food Controller was quite right when he said there was too great a spread in the distribution. I think a great deal of the spread between the producer and the consumer could be eliminated simply by some simple system of distribution in our case we might be able to eliminate a portion of the cost of distribution because we can capitalize the goodwill and there will be no need of advertising because we have our customers who come to us with their orders, and the commercial man will come to us for orders.

By Mr. Reid:

Q. Do you not find it necessary to have travellers on the road?—A. We do not.

By Mr. Euler:

Q. In some towns I know the working people have also operated co-operative societies and conducted retail stores and they have not run them very long, do you know any reason for their not succeeding?—A I cannot tell you that.

By the Chairman:

Q. The working man including the railway men went into the co-operative business a year ago very largely and they did it on an entirely different basis. They had stores all along the line of the C.P.R. and were doing business. The system they followed was to establish stores and stock them with goods where you could go and take your choice of the articles the same as any other retailer. When they established these co-operative stores they had the same expense as the ordinary merchant would have, and they delivered the goods in the same way.

By Mr. Stevens:

Q. In the purchase of goods ordinarily household goods, do you find that farmers, and the people in your organization, that you can buy more cheaply by sending these

[Mr. E. C. Drury.]

orders to the big departmental stores in the city, in their mail order business than you can buy in the small towns?—A. I think you will have to ask my wife about that, I never ordered from the departmental stores. We do not generally deal with them.

Q. You generally find the local towns satisfactory?—A. Yes. Of course sometimes you may find that special things are cheaper.

By Mr. Reid:

Q. You made the statement that you could not buy as advantageously as most other concerns?—A. We had difficulty and we have some yet in buying goods in quantity.

Q. What difficulty do you allude to?—A. There seems to be trade journals forcing trade on them. We have bought, for instance, from some manufacturer who would request—I would not have mentioned it unless you had asked—that the goods be marked with a different mark; they would not send out the goods with their own mark upon them, they had to be sent out by the back door for fear that it would be found out by their other customers and sometimes we could not buy at all.

By Mr. Nesbitt:

Q. Still the great bulk of the manufacturers are awakening to the fact that the farmers' clubs are there to stay.—A. Yes, we have established an outlet, and little by little it grows year after year and I think it will come alright in time.

By Mr. Sutherland:

Q. With that number of co-operative clubs in the province you would almost think the manufacturers would be glad to get the business?—A. We are growing, last year we did a million and three-quarter of business, this year we expect to have five million dollars of business.

Q. You find it of great advantage in buying your mill feed and such kind of goods?—A. Decidedly advantageous.

Q. Does this association extend to the other provinces?—A. We are in the western provinces, we are affiliated with them.

By Mr. Nesbitt:

Q. For the purpose of information I want to ask, do you find that your local club, not the city club, but your local club, can buy the mill feed cheaper than the ordinary farmer if he buys in the same quantity from the mill?—A. Not always. Our local club has sometimes bought locally at very good prices.

Q. Cheaper than I could if I bought from the same source?—A. I could not tell you, if you bought the same quantity.

Q. They might buy five or six carloads and I buy a carload?—A. Generally you can buy cheaper the larger the quantity. A group of clubs around our own town has a very advantageous arrangement for getting flour from the local mill.

Q. I mean feed?—A. Feed has been fixed in price the last year: that is bran and shorts. We can save on our concentrates, oil-cake and so on, by buying through the central. We have saved largely on buying corn.

Q. Seed corn?—A. Feed corn. We bought several hundred carloads one fall and bought it very advantageously, but I have not been able to buy bran and shorts any cheaper.

Q. Lately don't you think that is due to the fact that the price is fixed anyway by them?—A. It is not fixed now.

Q. It has been until recently (No answer).

[Mr. E. C. Drury.]

By Mr. Sutherland:

Q. Have you had any complaints from your associates with regard to poisonous seeds in the bran and shorts?—A. No, we have not had any complaints as to poisonous seeds. We have complaints as to the stink seed, and the animals will not eat it.

Mr. NESBITT: It is not one seed—it is an accumulation of seeds.

By Mr. Sutherland:

Q. If some stock is starved, so that they are forced to eat it, it may kill them?—A. I think the stuff is there in some of it. We have had complaints of them not eating it because it is distasteful.

Mr. NESBITT: The seeds are sometimes mixed in.

Mr. SUTHERLAND: Yes, and it is done deliberately, evidently.

WITNESS: Yes.

M. DAVIS: Has the witness been asked with regard to the percentage of cost of doing business?

The CHAIRMAN: Yes, it is all of record.

Mr. DAVIS: And the statement of the turnover and the total cost of operation as between one and two per cent, and he has given us the estimated saving to the customer as 13 per cent.

WITNESS: That is based on one of the secretary's figures.

By Mr. Davis:

Q. Secured from one secretary?—A. Yes.

Q. Could you give this Committee a statement from your audit office? Will they have figures to show?—A. The conditions vary. We had to face price-cutting on the part of the retail men, and some places we have not faced it.

By Mr. Stevens:

Q. Could you send us one of your annual reports?—A. I think I could send our last report.

By Mr. Euler:

Q. Have you any intention of extending your activities into other lines than the ones you have been dealing with so far?—A. I think it would be premature to say whether we have or not. We intend to extend it to serve our people as well as we can in all lines.

The CHAIRMAN: If it were agreeable to the Committee, I was going to ask Mr. Douglas and Mr. Stevens to take this report prepared by Mr. O'Connor and go into it carefully and report as to the advisability of recommending this or some similar legislation to the House.

Mr. NESBITT: The Committee can take up this report and discuss it intelligently after the evidence is closed.

The CHAIRMAN: I think we should endeavour to make an interim report on some of these things at an early stage. Retailers from Montreal and Ottawa will attend before the Committee tomorrow and retailers from Toronto on Friday.

The witness discharged.

The Committee adjourned till 11 a.m., June 12.

THURSDAY, June 12, 1919.

The Special Committee appointed to investigate the cost of foodstuffs and other necessaries of living met in the House of Commons Chamber at 11 o'clock this morning, Mr. H. H. Stevens, Vice-Chairman, presiding.

Members present,—Messieurs Devlin, Douglas (Strathcona), Euler, Fielding, Hocken, McCoig, Nesbitt, Sinclair (Queen's, P.E.I.), Stevens, Sutherland, and Vien.

The VICE-CHAIRMAN: We have a number of telegrams and communications which I will pass over to the Secretary without reading. Here is another telegram, however, which I will read, as it has a bearing on the matter which has already been before us. It is in connection with the Canadian-Australian liner *re* the alleged practice of selling space without receiving goods. Mr. Irons, manager of the Company in Vancouver, has wired stating that the practice if it was carried on, was due to the action of the Australian or New Zealand Governments, and so forth. I have dictated a wire to him to the effect that this information is required by this Committee, and we would appreciate his giving the fullest possible information to the Mayor of Vancouver, also to the Collector of Customs, and that through them the information will reach us. We need not take any further action on that for the moment. Then a large retailer in Vancouver and Victoria, a clothier, wires with regard to the textile prices, which we have noted, had some considerable publicity and he points out that he is willing to give information confidentially regarding the cost of a large retail business. I have wired him to the effect that if he would give the information as fully as possible to the Mayor in Vancouver the latter could forward it to us. Then I have received a communication from the Inspector of Customs to the effect that he will shortly lay before us a report on the cold storage business in the Australian liner.

Mr. MCCOIG: The other morning when Mr. Fox gave evidence I asked him what he would advise as the best procedure to increase the production of hog products. I assured him that in the western part of Ontario, official reports that I could get showed that there was a great shortage in the present hog output of this year. He contradicted my statement when I said that in the first week of June they had fallen short some thousands in the different markets of Canada, and he made the excuse that it was on account of the hot weather. We frankly admitted that it was one of the reasons why farmers did not market hogs that week. Looking over the official returns for the Month of May, I find there was a shortage in May of 1919 as compared with May of 1918, and that the shortage was between 4,000 and 5,000 hogs. That includes Toronto, both Montreal markets, the two Winnipeg markets, and also Calgary. It is between 4,000 and 5,000 less than in 1918. The situation is somewhat alarming.

The VICE-CHAIRMAN: It will necessitate efforts on the part of the Government regarding propaganda.

Mr. MCCOIG: Might I ask for the benefit of the Committee that the Secretary be asked to get the figures for the corresponding figures for the months of this year and last year for March, April and May. He can get that from the Department.

The Vice-Chairman here asked Mr. Bolton to get this information for four years back.

Mr. DEVLIN: I would like to have a message sent off to Mr. Geo. Shantz and in the same ask him to bring his invoices for the last two years with a list of shareholders and prices paid upon stock held by each shareholder, and I would also ask that he should communicate with the general managers of Mark Fisher and Company, Findlay

Smith and Company, Gault Brothers of Montreal, Nesbitt and Auld, Toronto, and Moneypenny Brothers of Toronto, asking for their selling lists showing advances from time to time, documents showing when the goods have been required, the actual prices paid by them and the quantities on hand, as soon as possible.

The VICE-CHAIRMAN: That would be a stocktaking proposition.

Mr. DEVLIN: As shown on their last stocktaking. These are all wholesale clothing or cloth people.

Mr. McCOIG: We should have the members' views with regard to the appointment of a commission. It seems a feasible proposition at the outset, but when you go into detail you find that in appointing another commission it would entail a large expense. It would take a judge of ten years' experience at $8,000, and two assisting commissioners at $7,000 a piece. It would be a very large expense and it is questionable if the service would be worth it to the people.

The VICE-CHAIRMAN: A day should be set aside to discuss that subject.

Mr. J. ALFRED LEDUC, M.P., called, sworn and examined.

By the Vice Chairman:

Q. Are you in the retail business?—A. Yes, in the retail and wholesale business in Montreal.

By Mr. Douglas:

Q. If Mr. Leduc would give a brief statement of the operations in his different lines, whatever he thinks would interest the committee, I think it would be a good start?—A. I do not know if it would interest the committee to hear about the way I do my business. My business is a particular business, a cash and carry business, and it has been going on for thirty years.

By Mr. McCoig:

Q. Can you give us an idea, if you conduct a cash and carry business, as to how much cheaper you can sell to the consuming public by dealing that way?—A. Yes, from 20 to 25 per cent cheaper on the scales and beef from 30 to 35 per cent.

By Mr. Hocken:

Q. Does it actually make that difference?—A. Yes.

Q. How do you explain it?—A. I have my own abattoir. I am the only man in Montreal who has the right to a private abattoir by charter. That being so, we can save on each animal from $5 to $7.

Q. On the by-products?—A. Yes, because there is no carriage. Every animal goes on foot from the stockyard. Drawing costs a lot of money. I have all the offals as well, out of which I can make money. It is therefore a difference of from $5 to $7. I do a business of from $500,000 to $600,000 a year, and we make great savings on delivery. We have only three rigs for delivery where in the ordinary business there would be twenty or twenty-two costing $1,000 each. See what the people save when dealing with a strictly cash and carry business. I cannot figure exactly my profits, or know my gains from day to day because it is from hand to hand.

By Mr. McCoig:

Q. You are satisfied with the profits?—A. Absolutely, I cannot tell you exactly what they are, but on looking at the end of the year I see how the accounts stand.

[Mr. J. Alfred Leduc, M.P.]

By Mr. Vien:

Q. If you were to separate the abattoir end from your business, how much do you think you could reduce the cost to people by a cash and carry system only?—A. On the average business we are doing there would surely be a decrease of $20,000 on this account on the basis of $500,000 worth of business.

Mr. VIEN: Ordinarily the meat seller has no abattoir. That is why I would like to divide the two elements in Mr. Leduc's business in order to see just how much can be saved by the cash and carry business. That is what I meant.

By Mr. Nesbitt:

Q. Your expenses on the abattoir were $20,000?—A. The expenses of carrying to the other house would be $20,000. If you had twenty rigs at $1,000 each, that would cost $20,000. I have not got them. That would reduce the cost of living to a further extent.

By Mr. Vien:

Q. That would be equivalent to a reduction of four per cent on the selling price? —A. Absolutely.

By Mr. Hocken:

Q. Supposing that the city of Montreal constructed an abattoir as a municipal enterprise, and that all the meat dealers could have their meat killed there or could go and kill there by renting space, would that result in any reduction in cost to the retailer?—A. Absolutely. That is what the Butchers' Association in Montreal is asking for. There is an awful lot of wasted fat and wasted tallow that the butchers do not get supposing he could go to municipal abattoir and do his own slaughtering by his men. The butcher trade is done mostly in the morning. He has employees whom he could send to the abattoirs in the afternoon to do the slaughtering he requires. His own men would do the slaughtering, and save him the tallow which is not saved by the abattoir. They have no interest in saving it for the butcher. Instead of delivering to you 60 pounds of tallow to the animal, he will give you 30 pounds of tallow at 8 cents a pound, which amounts to $2.40. The average of tallow in the abattoir is 15 to 20 pounds whether the animals are fat or not, and in our own abattoirs the average is from 30 to 35 pounds. We have had experience. We made a test recently of having animals slaughtered in the public abattoirs. Three animals were slaughtered. The test was made by dealers in cattle and myself and two of the most experienced dealers had taken three animals, sent them to outside abattoirs which were allowed then in Montreal, and had sent similar animals to the public abattoir to make a test of the rendering of tallow. We have had from the outside abattoirs 63 pounds of tallow from each of the three animals. All these animals weighed 18 pounds less than those killed in the abattoir. In the public abattoir they only gave 32 pounds of tallow. The reason for this is that the public abattoir has made a contract for the casings and they just take the rough tallow from the casings and throw the balance into the cellar so that they can take the casings afterwards, but if he uses the casings where does the tallow go? The Montreal Abattoir Company and the butcher never see more of it.

By the Vice Chairman:

Q. You said public abattoir. Explain that.—A. We have no municipal abattoir in Montreal. It is supposed to be the Montreal abattoir, but it is under the management of the Montreal Abattoir Company who are dealers in competition with the butchers.

By Mr. Vien:

Q. You called it a public abattoir, because everybody has the right to go there.—A. They are compelled to do so under the Federal Act.

By the Vice Chairman:

Q. Is that a general condition?—A. It is done in the city of Montreal under a by-law passed in 1889 whereby there could not be anything else but a municipal abattoir. They have sold their rights because they could not make any money out of it to companies, and these companies are competing against the butchers so that the butchers will all go and buy goods from them instead of slaughtering their own animals. They slaughter their own animals first. That is one of the reasons why the butchers do not buy their animals, and why they do not get all that comes from the animal. That has something to do with the high cost of living. The more you lose of the animal the more you have to charge the customer.

By Mr. Nesbitt:

Q. That stands to common sense.—A. Absolutely. I can prove that with my own abattoir. I can sell my goods 25 per cent cheaper than people who buy from the abattoir.

By Mr. Douglas:

Q. What is your business?—A. It is a retail and wholesale business on cash principles.

Q. On what lines of goods?—A. Beef, pork, lamb, calves and provisions.

Q. Any groceries?—A. No.

Q. Have you any branches?—A. No. Just a single branch. We have one store.

By Mr. Davis:

Q. Do you handle green goods?—A. Very few. We do not handle them to any extent. We have one store. It does that business I spoke of with 22 employees.

By Mr. Hocken:

Q. There must be a considerable portion of your gross business which is wholesale.—A. Pardon me, it is retail. We do not sell much wholesale. My place is in Montreal, in the St. Henri division, Green Ave. We slaughter on the premises in our own abattoir. It is a private abattoir. Nobody else has the right to do that. We slaughter all our own animals there.

By Mr. Douglas:

Q. Can you give us any information roughly about the prices you charge for beef to the customer?—A. Yes, certainly. We have not charged for our best roasts of beef yet over 30 cents a pound.

Q. Is that sirloin roast?—A. Yes, that is what everybody wants. We have not charged a cent over 28 cents a pound for three years since the war has started,—since meat began to rise for the best roasts, until this year when we charged 30 cents for a small sirloin roast. If they take a larger roast we charge 28 cents. Everybody wants the first cut of sirloin roast, but supposing you slaughter thirty animals you have only sixty first cuts. There is only one first cut to each quarter, and if a person takes only four pounds we charge more than if she asks for twelve pounds because she is taking only a small quantity and takes the best first.

By Mr. Sutherland:

Q. You say you charge more for the first cut?—A. Yes, more than we charge for the second cut. The larger it is the less we can sell it for. If they were to take a whole loin we could sell it for 26 cents a pound, and we do so. I have not charged the Khaki Club of Montreal over 25 cents for the best tenderloin roast beef.

By Mr. Hocken:

Q. And you make a profit at that?—A. I am satisfied. There was over $125,000 worth of beef sent overseas which I am told was not satisfactory when it got over.

[Mr. J. Alfred Leduc, M.P.]

I do not know really whether it was according to weight or according to the way it was chilled but anyway it was refused, and it came back to Montreal. I saw it and found that it was good enough to be bought. I bought some of that beef for $16,000. With the experience which I have in the line I could see that it was fit for consumption. I sold the hind quarters of the beef at 18 cents a pound. I am told it was sold in Montreal at 10 cents a pound, to the packer who sold me a quantity of 600 hind quarters.

By Mr. Euler:

Q. Why was it turned back from England?—A. I cannot tell. I presume it should have been of a higher weight than it was. It was supposed to be from 560 to 600 pounds and they only averaged 500 pounds.

By the Vice Chairman:

Q. Who turned it down?—A. I do not know.

By Mr. Davis:

Q. From what dealer did you buy it?—A. I got it from the firm of William Clark, canner. I bought it in March last.

Q. Was it the Government that made the shipment in the first place?—A. I cannot tell.

By the Vice Chairman:

Q. We have his prices for the best sirloin, and we know that the highest price he has charged is 30 cents for the first cut, and for the others according to the quantities purchased 28 cents and 26 cents. When do you buy?—A. In the fall of the year there is an immense quantity of beef coming to the market, which is sold generally at a very much lower price than we can buy it for in the spring. Therefore I buy the beef in the fall, and put it in cold storage so that I won't have to sell in the spring any higher than in the fall.

By Mr. Douglas:

Q. You do your business on good lines and give the customer the benefit. There are not many like you.—A. I am doing it honestly, and I want other people to live as well as myself. It would cost from 13 to 14 cents a pound on the hoof in the spring but I pay from 8 to 9 cents a pound on the hoof in the fall. That would be 13 and 14 cents dressed. In the spring the same animal, which we paid 13 or 14 cents a pound for or even as high as 15 cents this spring, would have to be sold at much higher prices if we had not bought the largest quantities in the fall. What we buy in the fall is packed in first class shape, and taken out in first class shape so that we can handle it at such a low figure.

By the Vice Chairman:

Q. Will you give the list Mr. Douglas asks for?

By Mr. Douglas:

Q. We have the best sirloin roast and the second cut. What comes next?—A. The rib roast at 25 cents a pound.

By the Vice Chairman:

Q. The next cut?—A. The shoulders at 18 cents a pound and 20 cents for a piece of the shoulder. The round steak we have not sold for over 25 cents, and the sirloin steak we sold at 27 cents.

By Mr. McCoig:

Q. Rib boiling beef?—A. What we call briskets, 15 cents.

By Mr. Douglas:

Q. Is shank next?—A. 10 to 12 cents a pound.

Q. What about liver?—A. We charge for liver 10 to 12½ cents a pound.

Q. What are hearts?—A. 12½ to 15 cents.

Q. Is there any other part of the beef?—A. Tongues have to be sold from 25 to 26 cents a pound. You should all come to Montreal and buy from me.

By Mr. Davis:

Q. These are prices for cattle you butcher. These are not prices for special purchases of yours. This is your own butchering right along?—A. We buy large quantities.

Q. I want to make a distinction between special purchases like that lot turned back from England and the general business.—A. These are our general prices. We can attend to our customers a whole year round at a great deal lower figures than anybody else, and I will prove it on butter soon.

By Mr. Douglas:

Q. On these lines of goods, how do you describe that class of beef on the market? Do you call them common butcher cattle?—A. No. We call them first class.

By the Vice Chairman:

Q. Prime?—A. Prime is not fit for retail. Prime beef is so fat that the butcher cannot make anything out of it unless he gets an awful price which will allow him to do away with that tallow which is not worth anything. We look for small animals from 900 to 1,000 pounds in weight. They are cheaper on the market and they are more profitable for the retailer as well as for the consumer, because he does not have to bring home or buy lumps of fat that are not of any use to him.

By Mr. Douglas:

Q. Do you buy many cows?—A. No, as few as possible. They have a lot of fat that is wasted. We handle heifers and steers as many as possible. We buy at the Grand Trunk yards generally.

By Mr. Nesbitt:

Q. You don't go to the country and buy them yourself?—A. No, there is nothing in it.

By Mr. Sutherland:

Q. You purchase light-weight, grass fed cattle in the fall of the year, no cattle of choice quality?—A. We do not want them, and they are no use to us. I am speaking from my own point of view. Those who can handle them, let them do it.

By Mr. Douglas:

Q. What type of customers have you?—A. All classes. We have the labouring classes, and millionaires who are still willing to save money, come in their cars.

By Mr. Vien:

Q. I would like to ask Mr. Leduc how these prices compare with the same class of meat sold by other retailers in Montreal. Take, for instance, roast beef. How do these prices compare with the prices prevailing on the market?—A. The butchers are bound to buy only special class of goods that they can sell. They cannot compete with these prices. A butcher may sell in a week just one front of beef. If he sells fronts in a small way like that he cannot come and buy his own cattle on the market. He has to buy only hind quarters. The front quarters have to be sold or put in canned goods. Therefore they have to pay higher for these hinds, and they have to sell them higher. They have paid as high as 30 to 32 cents a pound for hind quarters. When you take the cheap cuts off that beef costs them for roasts as high as from 40 to 41 cents a pound. They have to sell for from 45 to 48 cents a pound to make a profit.

Q. In a private abattoir like yours even, it costs you something like 14 and 15 cents often before you can buy hindquarters. And yet you make money.—A. Because I get sales of cheap goods as well as of the higher priced goods. I can sell straight cattle whereas in the other stores they cannot do it.

Q. The Montreal abattoir has a mixed trade also, has it not?—A. It has a trade for front quarters, but at a good deal lower rate than it should be sold according to the cost. Take an animal costing 14 cents a pound. It has to be well fed to dress 50 lbs. to the hundred weight. It is supposed to dress 52 or 53 pounds, but it has to be fattened and finished cattle. That will cost him 28 cents if it cost 14 cents on the hoof. Supposing the hindquarters sold for 27 and 24 cents, the rib roast for a little less, the cross cuts of the forequarter at 10 or 15 cents a pound, you reduce the profit to a great extent because there was less trade at 12 cents a pound on the part of the animal which is the smallest part, while selling the whole carcass of the animal at a fair price I can bring in the fore quarters into my shop and sell at about 18 cents per pound instead of selling for 15 cents per pound, that reduces the price on the hind quarter and allows me to sell cheaper.

By the Vice Chairman:

Q. It amounts to this that the custom of the people in demanding high class meat to a very much larger extent than they will purchase the second grade meat makes it much more expensive.—A. Yes. For my part one of the great reasons for the high cost of living is the telephone. For this reason. People ask for what they think is best always. They are not supposed to know of the cost of meat. They know of certain classes of meat and they will telephone, saying they want so much of that class. It has got to be delivered. Sometimes they change the order two or three times before it has gone. They will forget this or that. They will ask for a piece of meat of such a class. If you have not got it, they send for another and it goes back. The telephone has a great deal to do with the high cost of living. They only ask for what they think is best. Sometimes it is not best for their purses and tastes, but they think it has and that is why the cost of living is so high.

By Mr. Davidson:

Q. There is more requests for the higher priced than for the cheaper goods you say?—A. Certainly, everybody wants what costs the highest. They think it must be best because it costs the most. If they knew better they would know they could get as good a cut for 18 cents as for 25 cents.

Q. Did people look for the best goods as much before the war as they do now?—A. Not so much. They have been making a great deal of money, and they have taken to buying the best because they had full purses. Formerly they used to buy what was cheap, and were satisfied as well. You cannot make them believe that they can have a good roast from the forequarter and the quality be as good, as from the hindquarter.

By the Vice Chairman:

Q. You consider that the cash and carry and personal purchase system would very largely solve the question?—A. Absolutely. The customer comes to the store, picks what she wants and then she is satisfied with what she has purchased. Otherwise we send them meat which they think is too fat, and they send it back. It may be that a driver picks it out, or it may be a clerk who is fond of fat himself and thinks he is sending a good piece, but when she gets it it is not lean enough for her. She does not want it and she sends it back. When we get it back it has travelled to

[Mr. J. Alfred Leduc, M.P.]

her house and back and it has been cut. It can be no longer sold with the highest price stuff in many cases, and has to be thrown in with the cheap stuff.

By Mr. Devlin:

Q. In the cash and carry system, while you save something to the consumer, if he buys a few pounds from you he has to pay five cents street car fare to come and five cents to go back. Would that make up the difference in cost?—A. Yes, that is all he has to pay. It pays him. If you come to me, Sir, and get a roast of beef that will weigh five pounds at a cost of 30 cents a pound that costs you $1.50. Go to the uptown store and buy it for 45 cents a pound. For the difference you can take a hack, and come down to my store and have a drive on what you save.

Q. Do you deal in Western Ontario beef?—A. We buy Western Ontario and Eastern Ontario beef. We buy all classes. It all depends on the season. In the spring we cannot touch it very easily. It is too expensive, being stall fed. When the spring comes I have these animals from Western Ontario that I have put away in the fall in cold storage.

By Mr. Douglas:

Q. These are grass fed?—A. They are. In the fall when the market is flooded I take them in.

By Mr. Nesbitt:

Q. Are many cattle from Western Ontario going to the Montreal market?—A. Not a great quantity. Years ago there were more than now. 17 loads of heavy steers, stall fed, were brought to Montreal to be sent overseas, they were 1,400 pounds each, and they were 16 cents a pound f.o.b. Toronto. They were bought on the Toronto market. They next after being fed and transported to Montreal cost 19 cents a pound at Montreal, and $100 a head to take them over for insurance and everything. That will bring them to 25 or 26 cents a pound overseas.

By Mr. Sutherland:

Q. Is that a shipment of Canada's to France?—A. Yes.

By Mr. Vien:

Q. Will you tell us why other butchers cannot sell as cheaply as you can, and what are the prevailing prices at Montreal on the retail market for the same goods that you have enumerated?—A. There are different qualities of meat. Some qualities cannot be sold elsewhere for less than 48 cents a pound. That is for the best.

Q. That means that they retail it at 10 cents a pound above your prices?—A. Yes.

Q. This applies to the various qualities?—A. Not so much in the cheaper goods.

By Mr. Douglas:

Q. For the best goods that you sell for 30 cents a pound, what do the others sell it for?—A. 40 cents.

Q. Loins?—A. 36 cents.

Q. Rib roasts?—A. Generally at 35 cents.

Q. Shoulders?—A. 25 cents.

Q. Round steak that you sell at 25 cents?—A. From 30 to 35 cents.

Q. A sirloin steak that you sell for 27 cents?—A. From 40 to 42 cents.

Q. The rib brisket that you sell at 15 cents?—A. They would sell it at 20 cents.

By Mr. Vien:

Q. The average butcher in Montreal has to cater to the same class of customers that you have, practically, has he not?—A. Yes. The average.

[Mr. J. Alfred Leduc, M.P.]

Q. The meat that they have for sale is about the same quality that you distribute to your own customers, is it not?—A. Yes, the same quality.

Q. The cattle going to the Montreal cattle market are mainly the same quality of cattle that you yourself buy?—A. We do.

Q. There are some extra western beef cattle but these are only for the wholesale trade and particularly for the hotels and the big shops?—A. Yes, the hotels get them, because in the hotels they buy the heaviest. There you pay for a quarter of a pound of steak $1, and therefore they can afford to pay 45 cents a pound when they charge that much for a quarter of a pound. That is why we do not try to handle these cattle for private customers.

Q. But the greatest part of the butcher trade is carried along on exactly the same line as your own trade?—A. Absolutely.

Q. If it is the case that you can arrange in your own abattoir to save money in this way and to bring down the cost to the consumer, is it true that, if the public abattoir of Montreal and other abattoirs were paying the same attention to these details, that they could bring down the cost to the customers of the various butchers of Montreal so as to enable them to distribute meat as cheaply as you do?—A. The Montreal abattoir are specially interested in preventing the butcher slaughtering his own animals. They are particularly interested as a trust, and it has been shown that the Montreal Abattoir Company did not want butchers to enter the abattoir before seven o'clock in the morning when their own steers would have to be killed and then brought in competition with other butchers on Bonsecours market who were open at six o'clock and ready for the retailer to buy when the wholesale butchers could not get their meat in. That is one reason why they are not interested in giving satisfaction to the butchers who slaughter there.

Q. I understood you to say that the Montreal Abattoir Company are in the wholesale business themselves on their own account outside of the cattle they slaughter for their clients, the butchers of Montreal, and they will kill their own cattle before they will kill the cattle of the various butchers who come so as to discourage them from buying cattle on the cattle market, having them slaughtered and bringing the meat back, so as to cause them to go to the abattoir and buy the meat from the abattoir already slaughtered by the abattoir, who is in the wholesale meat market. Now then, if the abattoir had really at heart the matter of giving satisfaction to the population of Montreal, and the butchers in particular, would it not pay the same attention to use and utilize all the various parts of the animal to the best advantage, which would reduce the cost of meat to the butchers and so to the consumers?—A. Absolutely.

By Mr. Davis:

Q. You say that you buy cattle weighing about 900 or 1,000 pounds and put them away, and sell them in the spring. How does these cattle compare with the cattle that have just come in fresh, with those that are freshly butchered?—A. As to quality they will cut just as nicely, but they will not look quite as nice. It appears worse to your sight than it appears to your taste. Often when it has been prepared it will, if anything be nicer. It has been long kept. It has been hung. A steak is not quite so nice but a roast of beef, which keeps all its juice in, there is no difference with it.

By Mr. Nesbitt:

Q. What is your capital investment?—A. The capital is $50,000.

Q. Is it all paid up?—A. Yes.

Q. You are a corporation?—A. J. A. Leduc, Ltée.

Q. You are a company. You may be capitalized at $50,000 but your investment may be $100,000.—A. The investment is not great, excepting for meats put in cold storage. The turnover must be $10,000 a week.

By Mr. Vien:

Q. What could the whole establishment be sold at on the market if you wanted to dispose of it, apart from the good will?—A. About $56,000.

Q. Not more than that?—A. No.

By Mr. Nesbitt:

Q. What does that investment include?—A. That is the plant itself.

Q. You are in a position to buy stock in the fall, and in the fall what would be the probable investment that you would make in stock over and above the value of the plant?—A. About $20,000.

Q. I wanted to see how much it would require for any person else to enter into competition with you. The ordinary butcher has not anything like the capital investment that you have.—A. The butcher line is different from anything else. You can make a grocer out of a man if he knows something about business but in the meat business it is pretty hard to get there without knowing it thoroughly.

By Mr. Sutherland:

Q. Do you handle meat besides what is in cold storage?—A. Yes, we slaughter a load a week.

Q. Government inspected?—A. City inspection. We have a city inspector every day.

By Mr. Vien:

Q. How much does the butcher generally pay the Montreal Abattoir Company or other abattoir to sell at wholesale the same quality of meat of which you have given us a list of cuts?

Mr. DOUGLAS: For instance, what would the Montreal Abattoir Company charge a competitor for a front quarter of butcher beef?—A. Fifteen or sixteen cents a pound.

Q. Hindquarters?—A. From 28 to 30 cents a pound.

By Mr. Vien:

Q. Wholesale?—A. Yes.

By Mr. Douglas:

Q. Is it the practice of Montreal butchers to buy in less than quarters? Could they come to the abattoir and buy a loin?—A. Yes. Retailers have paid as high as 42 cents, for loin.

Then you think the abattoirs make a big profit?—A. They make a fair profit, but not extravagant according to their costs. I would not take their business for mine.

Q. If they adopted the same principle that you have adopted with your own abattoir, they would realize enormous profits? Supposing that they had a man as manager with the same principles as yourself?—A. No, in a small firm like mine I can keep my eye open, and see everything. It is different altogether. I have a particular business of my own. Those surrounding me are happy and so am I.

By Mr. Devlin:

Q. As I understand your idea, you are satisfied with a small profit and a big turnover?—A. Absolutely.

The VICE CHAIRMAN: A little more than 3 per cent.

By Mr. Douglas:

Q. You do two kinds of business, a cash and carry business and an ordinary delivery business. What benefit do you give the customer on the cash and carry business?—A. About 6 per cent on the average. I have prepared this statement to cover questions that I expected to be asked, and I am prepared to swear that it is correct.

[Mr. J. Alfred Leduc, M.P.]

By Mr. Davis:

Q. You are buying in the fall these butcher cattle. The abattoirs could not do that as you do it could they? Is there a large enough quantity on the market for them to do that?—A. The Montreal Abattoir Company and the wholesale dealers in Montreal are doing so, but they take more advantage than I take from it. They sell it in the spring according to what it is worth in the spring. There is a great supply in the fall, we have enough cattle for all. The Davies people, the Matthews-Blackwell people and others put in a great quantity in the fall. They fill their storehouses and sell it in the spring at spring prices.

By Mr. Sutherland:

Q. You purchase fairly light cattle that we do not consider well finished and put them in cold storage when there is a glut on the market and sell cheaper than the man purchasing stock all the year round?—A. Absolutely. But the majority of butchers do the same thing.

By Mr. Douglas:

Q. The majority of butchers do the same thing you say. Are they able to put them in cold storage? Many butchers have not cold storage, is that not true?—A. They have not got the trade for it. It is a special trade that I have.

By Mr. Sutherland:

Q. What percentage of profit have you by the cash and carry system?—A. In the big turnover I am satisfied with a four per cent net profit.

By Mr. Nesbitt:

Q. Do you think the abattoirs make more than four per cent?—A. I do not know what they do.

By the Vice Chairman:

Q. Tell us now about butter prices?—A. As far as butter is concerned this spring I have not sold any of the first quality butter, the best, over 65 cents retail. There are one, two, and three kinds of first class creamery, and we only sell one quality, the best.

Q. When do you buy it?—A. I buy at the market every week or two weeks. In the fall I buy a quantity which will do me for three weeks. Last fall I sold butter, when butter was 49 to 50 cents a pound—I sold three cars of butter in three weeks, at 45, 46, and 47 cents a pound, cash and carry.

Q. How much profit a pound?—A. A cent and two cents a pound.

Q. In your cash and carry trade you think two cents a pound a good profit on butter?—A. I am satisfied

By Mr. Vien:

Q. What is the ordinary profit taken by the retailer under the ordinary system of distribution?—A. Six to eight cents a pound.

By Mr. Davidson:

Q. You have no waste? Does the butter spoil on your hands?—A. No, sir. When you are selling three car loads of butter in three weeks, there is not much chance.

By Mr. Nesbitt:

Q. Do you buy from the creamery?—A. No, sir, from the jobbers.

Q. They get from the creameries?—A. I don't know. I get it from the jobber. You buy this butter and take it over, then you sell it, and if you get two cents profit, that is good. It is like a theatre tax. You pay 75 cents for a theatre ticket perhaps, and the tax in addition to that represents an amount against which there are few or no

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expense charge. If they take a box of butter from me I am glad to take the two cents. I buy the butter and what I want is to see them go away with the butter. Another matter which I think is worth while speaking of. Not too much system in the business. Enough system is something, but too much system takes your profit. It is very expensive to check the loss. You must think you are bound to have mistakes in business. Place them to profit and loss. If you have a man to watch all these losses you can make, you will have to pay him $2,000 a year. Well, take a chance.

Mr. VIEN: To check the leak you would spend more than the leak itself?—A. Yes.

By Mr. Davis:

Q. What turover would a man need to do business in your line? What is the lowest figure at which you could do it?—A. I do not know. He cannot get an abattoir in Montreal. With $500 or $600 a week a man could run a business with the same plant as myself, and with a plant of $10,000.

Mr. A. DOYLE called, sworn and examined.

By the Vice Chairman:

Q. What is your business?—A. I am a grocer. The firm of W. Doyle et Frère.

Q. Hace you a meat business connection with the grocery?—A. No, sir, just bacon and ham.

By Mr. Nesbitt:

Q. Where is it located?—A. In Maisonneuve.

Q. Montreal?—A. Yes, sir.

By the Vice Chairman:

Q. The object of this inquiry is to get the spread between wholesale and retail prices, and then again from the retailer to the consumer. Also the cause for the spread, and particulars about the cost of carrying on business. You are in the hands of the committee now.

By Mr. Douglas:

Q. What was your turnover last year?—A. Around $25,000 or $30,000.

Q. You are a small grocer?—A. Yes. There was $3,000 capital invested in the business in 1904. With our turnover it costs us 15 per cent to do business.

Q. How is that made up?—A. By the expense of a clerk.

Q. How many clerks?—A. One clerk, and just a little boy to take orders.

Q. One clerk and one boy to deliver?—A. Yes, sir.

Q. How many to deliver?—A. The clerk does the delivering with a horse and wagon.

Q. Does the 15 per cent that you say it costs you to do business include rent, insurance, telephone, light and heat, taxes, and all those things?—A. Yes, it costs 15 per cent.

Q. That would be about $4,500 expenses. Does that include your own wages?—A. Yes.

Q. What wages for yourself?—A. $18. a week.

By Mr. Nesbitt:

Q. You should strike?—A. I should.

[Mr. A. Doyle.]

By Mr. Douglas:

Q. On ordinary lines of groceries handled in your shop, what is the ratio of profit that you consider you should have?—A. Around 18 per cent.

Q. That is the general average on what you charge?—A. Yes, sir.

Q. Is there any particular line of goods which you sell for less than 18 per cent profit?—A. Yes, butter and sugar. We get one or two per cent.

Q. What do you pay for butter at the present time?—A. We pay 57 cents a pound, and sell at 60 or 61 cents.

Q. That is more than one or two per cent?—A. I mean, generally.

By Mr. Devlin:

Q. What kind of butter?—A. The best creamery.

Q. What creamery do you buy it from?—A. From Portneuf, Quebec. We buy some others to a certain extent.

Q. Have you bought it lately?—A. Yes, we have bought it higher than that.

Q. With your turnover you do not want large quantities?—A. We buy a daily supply, and it is delivered to us. We pay $10 for a bag of 100 pounds of sugar. We sell it at 11 cents a pound.

By Mr. Douglas:

Q. That would be ten per cent. Take the ordinary dried fruits. What profits do you make on them?—A. On prunes we have an average of 18 per cent profit, we pay twelve cents and sell at 14½ or 15 cents a pound. Raisins the same thing. We buy for 12 cents a pound the California raisins. That is the loose Muscatel. We sell them in packages also, getting 2 or 3 cents profit on the package.

Q. What kind of bacon do you sell?—A. Both kinds of bacon. We pay from 52 to 53 cts. a pound and sell at 60 cts. That is breakfast bacon. We do not keep backs.

By Mr. Devlin:

Q. Where do you buy bacon?—A. From Swifts.

By Mr. Douglas:

Q. That is Swifts' Premium?—A. Yes.

By the Vice Chairman:

Q. You pay 52 cts. and sell for 60 cts. a pound?—A. Yes.

Mr. B. G. Crabtree called, sworn and examined.

By the Vice Chairman:

Q. The business of B. G. Crabtree, Limited, is that of general grocers, is it not?—A. Yes.

Q. Do you handle meats?—A. Only smoked and cooked hams and things of that sort.

By Mr. Douglas:

Q. What is you turnover?—A. About $200,000. It has been added to considerably in the last year and a half.

Q. What is the cost of doing business?—A. 18 per cent.

By the Vice Chairman:

Q. How long have you been in the business?—A. Eight years.

Q. Do you pay rent?—A. $1,800 rent a year.

Q. How many deliveries?—A. I have two horses and a car at the present time, and two horses on the farm. They are farmed out for their keep. In the winter time we put away our car and use the horses. I had five last winter.

Q. How much does it cost you to deliver goods?—A. It cost on a total turnover of $168,000, $5,065.

Q. What percentage is that?—A. I think about 4 per cent.

The VICE CHAIRMAN: A little more than 3 per cent.

By Mr. Douglas:

Q. You do two kinds of business, a cash and carry business and an ordinary delivery business. What benefit do you give the customer on the cash and carry business?—A. About 6 per cent on the average. I have prepared this statement to cover questions that I expected to be asked, and I am prepared to swear that it is correct. (Statement follows.):

—	Cost.	Reg.	Profit.	Groc.	Profit.
Dairy Butter	0.50	0.55	10%	0.54	8%
Star Butter	0.57	0.65	14	0.64	12⅓
Valley Creamery	0.55	0.62	12¾	0.60	9
New Cheese	0.34	0.40	17½	0.38	12 2% loss.
Old Cheese	0.38	0.45	18	0.44	16 2 "
Lard, pure	0·36	0.40	11	0.39	8⅓
Lard, KR	0.40	0.45	12½	0.44	10
Eggs, fresh	0.50	0.58	16	0.56	12
Eggs, new laid	0.53	0.60	14¼	0.58	9¼
Bread, 24 oz. loaf	0·10	0.11	10	0.11	10
Gran. Sugar	10.18 cwt,	0.11	8	0.11	6 5 lbs. for .54
Tea, Lipton's	0.59	0.70	19	0.68	15¼
Tea, bulk	0.45	0.60	33⅓	0.57	29
Soap, laundry	0.07¾	0.08⅓	7¼	0.08	3½
Flour, Standard	0.45	0.55	22	0.52	15½ 7 lb. bag.
" "	0.75 bag	0.90	20	0.85	13⅓ 12 "
" "	1.45	1.75	20	1.68	15¾ 24 "
" "	5.68	6.00	5¾	5.90	4 98 "
Rolled Oats	0.05½	0.07	27½	0.06½	18 1% loss.
"	0.35	0.45	28	42	20
Potatoes	2.10	2.40	14	2.30	9½ bag.
Potatoes, pk	0.38	0.45	18	0.40	12½
Salmon, pink	0.25	0.35	40	0.32	28
Salmon, white	0.18½	0 25	37	0.24	33
Salmon, Sockeye	0.40	0.50	25	0.48	20
Coffee, standard	0.41	0.50	22	0.48	17
Coffee, C.S	0.52	0.60	15	0.57	9¾
Vinegar, proof	0.28	0.50	78	0.45	60 5% for loss.
Molasses	1.05	1.35	28	1.25	19 3 "
Soda Biscuits	0.15	0.19	26	0.18	20
Soda Biscuits	0.28	0.35	25	0.33	17½
Fancy Biscuits	0.28	0.35	25	0·33	18 3% loss.
Raisins, seeded	0.15½	0.18	16¼	0.17	9¾
Prunes	0.18½	0.25	35	0.23	24⅓ 2% loss.
Ev. Apples	0.20	0.25	25	0.24	20 2 "
Bacon	0.50½	0.60	18⅔	0.58	14⅔
			*55	0 09	
Cooked Ham	0.60	0.70	16⅔	0.68	13⅓
Whole Ham	0.65	......	8⅓		

1 side of Ingersoll Bacon 8¾ at 0.50½	$4.41
Loss 4 oz. in paper and ½ lb. and bacon sold	4.72 or gross profit 0.31 or 7%.
1 cooked ham, Gunn's, 10 lb. 2 oz. at 0·61	6.17
Sold for	6.46 or gross profit 0·29 or 5%.

*Whole side.

With regard to eggs 1½ per cent is added on for the cost of the box, but this charge includes the delivery expenses, and the cost of wrapping paper and other accessories to deliver. It is included in the cost of doing business.

[Mr. B. G. Crabtree.]

By Mr. Devlin:

Q. Do you do a cold storage business in eggs?—A. We do not sell any except in the winter time. We put some in in the spring time if we can and we try to make a profit in the winter time.

Q. You speak of the "Star" brand creamery. What creamery is that obtained from?—A. The Winchelsea, near Windsor. They have established a big trade here, and it is a seller in all the higher class stores. People will pay a few cents a pound more for it. We pay one cent more locally to obtain it, and a cent for getting it.

By Mr. Sutherland:

Q. Windsor, Ontario?—A. Somewhere around St. Marys.

By Mr. Devlin:

Q. Are you aware that certain groceries are selling that same star brand for 38 cents a pound?—A. No, I am not aware of it. The difficulties of doing business I presume.

By Mr. Douglas:

Q. Anything in rice or tapioca?—A. Rice is usually bought at $11.40 a hundred weight, and sells for 15 cts. a pound. I have in my store the best Siam rice quoted at $9.25 a hundred weight, but I bought it for 8 cts. a pound and I am getting 12 cents.

By Mr. Davidson:

Q. By this list you lose on everything but tea and rolled oats?—A. I am selling staples and that is all that I am giving in this list. I have not said anything as to my profit on pickles, olives, and so on. I am not saying anything about the cost of carrying.

Q. You said that your cost of doing business was 18 per cent. There are only about two articles that have exceeded that.—A. No, quite a number. I am only quoting staples. I have made up a list of things which I think a newly married couple would like to know the prices of if they were starting housekeeping. They would want something of all these things. As to the cooked ham I may tell you a little demonstration which I have just made. To-day I asked the meat man when he came if he would take one side of bacon and one ham and cut them carefully. I weighed the bacon myself, and got three clerks to witness, the result was that one side of Ingersoll bacon weighing 8¾ lbs at 50½ would cost $4.41 allowing for a loss of 4 oz. in paper, when weighed, and when weighed after being cut there was half a pound of loss which we decided we could not do anything with. That bacon had been pretty well worked in by one man doing nothing else. One side was extremely fat with leaner stuff. After we sold you get a splendid return of $4.72 or a gross profit on the bacon above $4.41 of 31 cts, or 7 per cent.

Q. Does that mean that there is a loss on every side of bacon, that the weight shown on the outside of the bacon is less than that actually realized by the retailer?—A. It means that I never get a bacon said to weigh 100 lb. which weighs up to that. More probably it would be about 97 pounds.

Q. Do you ever make a claim on the packer?—A. Occasionally, but I never get anything.

By Mr. Mackie (Renfrew):

Q. What is the highest price of bacon?—A. 60 cents. I tried another kind of bacon which was being sold for less. I paid 42 cts. for it and sold it in the cash and carry store at 45 cts. a pound. I could not sell these sides, and people would not take it. It could not be cut for one thing, and, when cut, people would not take it.

[Mr. B. G. Crabtree.]

Q What kind of business do you prefer?—A. If I had the nerve, the cash and carry business.

Q. How long has the cash and carry business been in existence with you?—A. It has only been in operation a year and a half. During that time the business has grown from $168,000 a year to a monthly volume of $19,000 well over $200,000 a year, which fact I attribute to the fact that we are offering people something where there is a saving.

By Mr. Douglas:

Q. Is there much fluctation in the price of bacon during the last month?—A. It seems to be steadily going up half a cent or a cent at a time. In April we paid 47 cts.

Q. Bacon sold retail in Ottawa for a rise of 5 cts. in one day, according to a statement I saw lately. Have you any explanation of that? It was sold at 65 cts?—A. No, I am not selling it at that yet. I understand there is a grocer selling at 65 cts. He may be justified. There are the facts and figures.

By Mr. Mackie (Renfrew):

Q. Do people come from any distance to take advantage of the cash and carry system?—A. Yes, some of them, those who have cars.

Q. You are in a well-to-do section?—A. Tolerably so.

Q. In a workmen's section, would it be more successful?—A. Yes. I think those people would take advantage.

By Mr. Douglas:

Q. Last year you had a turn over of $168,000. Did you have to pay more for wages than last year?—A. Yes. We have had to raise wages.

Q. How do you stand now?—A. I am not prepared to state that, I have not taken stock. I have not the balance sheets off. I do not know just where I am at in the grocery business.

Q. What was the net profit last year?—A. Must I tell it.

Q. The reason I ask it is that another witness said his net profit was two or three per cent?—A. My net profit was one and nine-tenths per cent.

By Mr. Devlin:

Q. Do you allow anything for your own salary?—A. Oh, yes. Everything is there, including the salaries and wages.

By Mr. Davidson:

Q. Out of forty articles you only make a profit of ten per cent?—A. Yes.

Q. You lose on thirty?—A. Yes, but you have not asked me to figure on the fancy things. I would sell Mr. Devlin a bottle of olives for $1.00 and make 33⅓ per cent.

By Mr. Douglas:

Q. Have you a straight cash business?—A. No. We do a credit business, except in the groceteria. We have no interfering at all. We give an opportunity to those who want to carry stuff away to do so. I always felt there was an injustice in charging them as much as others.

Q. What are your regular terms?—A. Thirty days.

Q. Any losses?—A. One half of one per cent. We arrived at that from a consideration of what we have lost from one year to another.

By Mr. Sutherland:

Q. Two prices naturally entail extra work?—A. Yes, hard work, from seven in the morning till eleven at night.

The Committee adjourned at 1 o'clock to meet in Room 318 at 4 o'clock.

[Mr. B. G. Crabtree.]

The Committee resumed at 5 o'clock, Mr Stevens, Vice-Chairman, presiding.

Mr. THOMAS V. DION, St. Catherine Street, Montreal, called, sworn and examined.

By the Vice-Chairman:

Q. You are a retail merchant?—A. Yes.

Q. Groceries and butcher?—A. Yes.

Q. Where is your place of business?—A. Westmount, Montreal.

Q. What is your annual turnover?—A. $375,000 to $400,000.

Q. Are you an incorporated company?—A. No, a partnership.

Q. You do not know exactly what you have in the business?—A. Including property my total capital is $145,000.

By Mr. Duff:

Q. You own your place of business?—A. Yes.

Q. That is included in the figure you have given?—A. Everything is included.

By the Vice Chairman:

Q. Including real estate?—A. Including real estate.

By Mr. Devlin:

Q. What value do you put on your real estate?—A. $70,000.

By the Vice Chairman:

Q. Now, what we wish to get at is, as accurately as we can, what you pay to the wholesaler and what you charge to the consumer, and the spread of your cost of operations. Have you any idea of the cost of operation from your books account?—A. I got a telegram rather late last night and the book-keeper was not down at the office this morning but I know the cost is over 20 per cent.

Q. Your cost is over 20 per cent?—A. From 20 to 22 per cent.

Q. How many delivery wagons have you?—A. Nine.

Q. What are they?—A. Three motors and six horse wagons.

Q. Teams or single wagons?—A. Single wagons.

By Mr. Nesbitt:

Q. Where are you located?—A. In Westmount.

By Mr. Douglas:

Q. Have you any idea of what your delivery expenses are?—A. I remember the delivery expenses for last year, including drivers' wages, was over $17,000.

By Mr. Nesbitt:

Q. On a business of what?—A. $400,000 cash, $375,000 to $400,000, it will be over $400,000 this year. The delivery is the most expensive thing now, I may say.

Q. You have to keep up the delivery?—A. Yes, the people require it.

Q. Do you think it would be possible to carry on a cash and carry business in your location?—A. No, not in the position in which I am, for my trade.

Q. Do you sell for credit?—A. For credit and cash.

Q. Monthly accounts?—A. Mostly monthly accounts.

Q. What is your loss on bad accounts?—A. Some years not very much, some years it is less than $500.

[Mr. Thomas V. Dion.]

By Mr. Devlin:

Q. You have a very rich trade?—A. Yes, we have a good trade but when we do lose an account it is a big one, $400 or $500.

Q. You say your bad accounts are not heavy?—A. Not heavy, but once in a while we get tripped. I have now an account of $700 that I do not know whether I am going to collect it or not.

By Mr. Nesbitt:

Q. As a matter of fact your losses in account are nothing. You have not more than $1,000?—A. Not more than $1,000 a year, and sometimes they do not amount to that, it would not amount in some years to $200.

By the Vice-Chairman:

Q. Do your customers demand delivery?—A. Yes, they demand delivery, and there are so many C.O.D. orders it costs a lot to collect them. You can take the nine men, and these men get from $350 to $400 in amounts ranging from 10 cents up to $4 or $5. A man will have $50 or $60 in a day's collecting.

Q. Do you make any difference between goods sold for cash and those sold on credit?—A. We have only one price.

Q. Did you hear Mr. Crabtree's evidence this morning?—A. No, I was not in this morning.

Q. He has this system that part of his business is cash and carry and part of it is delivery and credit. For the cash and carry end he puts lower prices than he gives with delivery. You have never tried that?—A. No, I have never tried it.

Q. Do you think it could be worked in your business?—A. It might be worked, but it would be difficult if there is a store next door that has a delivery, say there are two customers and one wishes to take advantage of the cash and carry and the other does not; if you refuse the one delivery you are up against it; the cash and carry system needs to be separated from the other business.

Q. Can you give us any idea of the prices you pay on creamery butter?—A. I am paying now 53 cents.

Q. And what do you get for it?—A. 60 cents; I told the man to-day to reduce the price to 58 cents since it is only a couple of times we paid 53½ cents. To-day we are getting some at 53.

Q. What fixed the price of the creamery butter at 58 cents?—A. For a long time, since the month of May, we have sold at a profit of less than 5 cents a pound, we have made a special rate.

By Mr. Douglas:

Q. Do you buy your butter from the Quebec Creameries?—A. No, I buy it from the exporters and from the jobbers and I save a cent or a half cent a pound and I send down and carry it myself instead of letting them deliver it.

Q. These jobbers get it from the Quebec Creameries, do they not?—A. They buy from the Quebec Creameries at auction.

Q. But it is not Ontario butter?—A. No, most of it is eastern townships butter; the eastern townships butter is the best butter to be had.

Q. They have been taking first prize in the Toronto market?—A. Yes.

By Mr. Devlin:

Q. In order to establish a comparison, with other retail grocers who are going to give evidence, is it not a fact that your customers are principally amongst the wealthy class in Montreal?—A. Well, it is mostly property owners that we have in Westmount.

[Mr. Thomas V. Dion.]

Those who are not property owners have large offices, like C.P.R. men, but mostly property owners. We take a great deal of our trade outside of Westmount, Notre Dame de Grace.

Q. And you get down as far as Mountain and Drummond Streets?—A. Yes, there are a few customers down that way, but not many.

By the Vice Chairman:

Q. What do you pay for your new cheese?—A. I have not bought any new cheese. The last I bought was at 31 cents.

Q. What do you sell for?—A. Forty.

Q. Pure lard?—A. Thirty-five to 38.

Q. You pay that?—A. Yes.

Q. Fresh eggs?—A. The last few days we were paying 58 for some and 53 for another quality.

Q. What did you sell at?—A. Sixty-five and 60.

Q. Granulated sugar?—A. Nine cents and sell for 11.

Q. And tea—There are many different varieties of tea. Do you sell Lipton's?—A. Yes.

Q. What do you pay for it?—It is mostly Salada we sell.

Q. What do you pay for that?—A. I cannot remember. It retails at 70 and 80 cents a pound. We make about 12 cents a pound.

By Mr. Douglas:

Q. Do you sell much bulk tea?—A. Yes, a little bit.

Q. Do you sell blended tea?—A. Yes, 60, 70 and 80 cents a pound.

Q. What do you pay?—A. We pay 45 to 55.

Q. And get how much?—A. Sixty, 70 and 80.

Q. Now, as to flour; that is the standard brands like Ogilvies, Lake of the Woods and Purity. What sizes have you got?—A. Seven, 14 and 24.

Q. Seven pound bags; what do they cost you a bag?—A. I did not get those prices before I came.

Q. Do you know what the 24's cost?—A. Around 43 and 44 for the 7 pound bags.

Q. And you sell them?—A. For 50, and $1.65 we get for the 24's and a dollar for the 14's.

Q. What do you pay for the 24 pounds?—A. $1.45 or around that price.

Q. And you sell them for $1.65?—A. Yes.

Q. Rolled oats; that is a very common article of food?—A. Nearly all package stuff.

Q. Are they 7 pound bags or 6?—A. No. Quaker Oats.

Q. What do they cost you?—A. I do not know. I have a man who buys them.

Q. What do you sell them for?—A. Thirty-five cents a package for Quaker Oats.

Q. A three pound package?—A. I think it is nearly four pounds. I understand it is three pounds and some odd. We have Ogilvies in the same size package. We get 30 cents.

Q. You sell them for 30 cents. You do not know what they cost?—A. No.

Q. What about beans and peas?—A. I bought some peas a while ago for $1.25 a dozen and some $1.42½ and some $1.45.

Q. What do you sell them for?—A. Fifteen cents a tin.

Q. Straight—all of them?—A. No. That brand we bought at $1.25, I make a specialty of them, $1.50 a dozen.

Q. But one tin?—A. Fifteen cents straight.

Q. Beans?—A. Twenty cents. They are $1.90 a dozen—$1.70 to $1.90.

Q. And pork and beans? Clark's?—A. Clark's Pork and Beans are down in price; large sized tins $2.45.

Q. Is that a two-pound tin?—A. Two and a half.

[Mr. Thomas V. Dion.]

Q. And they cost you $2.45 a dozen?—A. Yes.

Q. And you sell them at 25 cents?—A. Yes.

Q. That is $3.00.

Q. What about tomatoes?—A. They cost us last fall $1.80, and we sold at $2.00. The price has advanced lately and we get $2.25.

Q. What are you paying for them?—A. They are worth $2.05.

Q. And you put the price up?—A. Yes.

Q. Did you use to sell them at 15?—A. We used to sell them at 18.

Q. Now take the salmon? Do you get the Sockeye?—A. Yes.

Q. What do you pay?—A. $3.00; 30 cents half pound tin, and 50 cents pound tin.

Q. How about the pink salmon?—A. We get 25 and 30, one pound flat, salad salmon they call it.

Q. White salmon?—A. No.

Q. Have you Chase and Sanborne's coffee?—A. Yes.

Q. What do you pay for that? About 50 cents?—A. Yes.

Q. What do you get for it?—A. We get 65. We used to get 60 a while ago, but they advanced it a couple of cents a pound.

Q. How long since they advanced it?—A. A couple of weeks ago.

Q. They would never advance coffee on account of the tariff change?—A. It advanced a few cents in a very few weeks.

By the Vice Chairman:

Q. It will come down, after the tariff changes?—A. No, they were expecting to put it up again.

Q. I got a cable from the West Indies saying you cannot buy coffee anywhere. It is very scarce. I suppose that is the reason that you cannot tell much about that?—A. I have Chase and Sanborne's.

Q. How do you sell vinegar? Bottle or bulk?—A. Bottle.

Q. Do you sell malt?—A. Yes.

Q. What does it cost?—A. Forty-five cents a gallon.

Q. Do you sell it in closed bottles?—A. Yes.

Q. It costs about 45 cents a gallon, that is for bottles?—A. Yes.

Q. You sell at what?—A. 15 cents.

Q. You put these up yourself?—A. Yes.

Q. It costs you 45 cents and you sell it for 60?—A. 60 cents for the gallon; that does not include the container.

Q. What is molasses?—A. 98 cents last week.

Q. And you sold it at what?—A. At $1.50, because we did not know what the loss would be; there are so many leaks.

Q. Every time you open the tap, there is a dribble?—A. Yes.

Q. Soda biscuits—whose do you sell, Christies'?—A. McCormicks, mostly packages. They sell for 15 cents a package. The small packages cost $1.80.

Q. A dozen?—A. Yes.

Q. And you get what?—A. 18 cents.

Q. That is 15 cents and 18 cents for the small packages?—A. Yes.

Q. Take seeded raisins?—A. We are getting 22 cents, but there has been an advance of a few cents.

Q. What do they cost you?—A. 15 and 17 cents.

Q. In 12 ounce packages?—A. 15 ounce packages. It costs 14 cents and we sold for 20.

Q. Take prunes, what do you sell them for?—A. Mostly 30 cents and a quarter.

Q. And what do you pay for them?—A. About 20 cents a pound. We get 28 and 30 cents for prunes.

Q. Do you handle any California dried fruits other than prunes?—A. Apricots.

Q. What do you pay for these?—A. For No. 1, 28 cents a pound.
Q. What do you sell them for?—A. For 35 cents.
Q. Do you sell evaporated apples?—A. Yes.
Q. What do you pay for these?—A. The last I bought I paid 17 cents a pound for. They were 20 cents.
Q. What do you sell them for?—A. 25 cents.
Q. You have not increased them?—A. Not yet.
Q. Take the best breakfast bacon, such as Swift's Premium. What do you pay for that?—A. From 42 cents to 45 cents a pound.

By Mr. Douglas:

Q. What brand is that?—A. The white packages, Swift's Premium.
Q. Do you say that you can buy Swift's Premium for 42 cents?—A. For 45 cents, I think, though that is not my department.

By Mr. Devlin:

Q. Does not Mr. Wright do the buying for your store?—A. No, I have a partner in the butcher's department; we have a butcher.

By the Vice Chairman:

Q. But you have not bought bacon recently, and you are not quite sure?—A. No.
Q. What do you get for it?—A. 60 cents a pound. For the ends we get 55 cents.

By Mr. Nesbitt:

Q. Do you slice it?—A. Everybody wants it sliced in the centre.

By the Vice Chairman:

Q. You figure that there is not very much in it at that?—A. I do not think there is very much in it. If you can sell it half sliced and the ends with it, you can sell it cheaper.

By Mr. Douglas:

Q. Do you handle only one kind of bacon?—A. No, two or three kinds.
Q. Any cheaper?—A. Nothing cheaper than breakfast bacon.

By the Vice Chairman:

Q. Have you back bacon?—A. Windsor bacon, yes.
Q. What do you pay for that?—A. I cannot swear to that. We only get five cents a pound more.

By Mr. Douglas:

Q. Do you handle the pea meal bacon?—A. No. This back bacon is pea meal bacon, of course.
Q. You say you get five cents a pound more for that?—A. Yes, for that back bacon, and it costs more, too.

By the Vice Chairman:

Q. What about hams, take the best Swift's Premium or any of these standard hams?—A. It used to cost 45 cents a pound. I do not know what it costs to-day.
Q. What are you getting for it to-day?—A. 50 cents for the whole ham. We have other bacon at 40 cents sliced; McGarry, Montreal.
Q. Now take rice; what do you pay for your rice?—A. We pay 10 cents a pound for Patna rice.
Q. And you sell it for?—A. 15 cents.

[Mr. Thomas V. Dion.]

Q. 15 cents a pound?—A. Two pounds for a quarter. We also get the Carolina rice.

Q. What do you get for that?—A. 20 cents.

Q. Is it a better rice?—A. It is a better rice.

Q. Do you sell any China rice?—A. No.

By Mr. Devlin:

Q. You do not buy through a broker?—A. No.

Q. You have no middleman; you buy direct?—A. We buy from the wholesale grocers in Montreal. We do not buy direct from the growers.

Q. You have practically got to buy it from them?—A. Yes.

By Mr. Douglas:

Q. You say you buy from the wholesale grocers?—A. Yes, sir.

Q. Altogether?—A. Nearly altogether; except what we get from the farmers, and some vegetables we get around the city.

Q. You would not buy bacon from the wholesalers?—A. We buy it from the packers.

Q. And the same with butter?—A. I buy my butter from the jobbing houses, the exporting houses.

Q. Take canned goods, tomatoes, molasses, and so on, do you purchase your requirements for the whole winter?—A. That is what I have always done.

Q. What was the price of your vegetables last year?—A. $1.80.

Q. Peas and corn?—A. Peas, $1.45 and corn $2 a dozen.

Q. What is the price of that?—A. About $1.25.

Q. That is a special brand?—A. Special brand that is supposed to be superior.

Q. Does your experience go to prove that it pays you to lay in winter supplies at these prices?—A. I found it a big mistake, you should not do that.

Q. Is there any other line of groceries that you could buy in quantities taking for granted that you have the capital to lay it in, that will effect a saving to you in the retail price?—A. Yes, we can save money in buying in quantities.

Q. In what particular thing?—A. In things like tea.

Q. Do you give your customers the benefit of any good buying you make?—A. Yes, we always do.

Q. Is that part of your policy?—A. I always sell my butter, eggs and sugar, I make them my three leaders, and I sell them as low as they can be sold in the neighbourhood.

Q. And if you were to make an exceptionally good purchase of rice, rice has advanced materially, would you give your customers the benefit of your buy?—A. Extend the benefit for a certain time and then at the end of that time I would have to put it up.

Q. But you would like to divide with them?—A. I like to divide, I don't want to lose altogether. Supposing I bought 200 cases of navels cheap, and sold 100 cases at the low price, I would like to get the larger price for the rest.

Q. When you mention 21 per cent is that the actual figures you took off the balance sheet for last year?—A. Yes.

Q. And your expenses including wages, insurance. light, heat, rent, cost of delivery and taxes all came to 21 per cent?—A. Yes.

Q. Is there any way of cutting that schedule down, do you think?—A. No way; it is increasing, we have to pay our men more salary.

Q. You cannot possibly start to deliver your goods, to make any money on them until you have made 21 per cent?—A. We have to get 20 or 21 per cent before we can make a cent.

Q. Then it is difficult to sell any cheaper than you are doing, in fact you cannot do it?—A. Oh, no, it is not possible to sell cheaper, but if we get away from the delivery we could.

[Mr. Thomas V. Dion.]

By the Vice Chairman:

Q. For your delivery you say it cost you $17,000 for the nine rigs. Do you think that covers the full cost of delivery?—A. As far as I can remember.

Q. How many clerks are there in your stores?—A. 40 girls and boys.

By Mr. Devlin:

Q. It cost you an awful lot more money to do business for $370,000 than it would have cost two years ago, in some way it has doubled?—A. Yes.

Q. In your business you have not got any ordinary wage-earners to buy in your shop as a rule; you have not got the labouring classes buying in your store?—A. Not very much, sometimes when we make a reduction in prices they come up from down below, and they find they can buy cheaper uptown sometimes than downtown among similar stores.

Q. So that you cannot very well reduce that 21 per cent and make a profit for yourself?—A. Not very well.

Q. With the class of customers you have?—A. No, after we have taken our salary there is hardly anything left after the salary.

By Mr. Douglas:

Q. You allow yourself a salary as manager?—A. We allow ourselves a salary.

By Mr. Devlin:

Q. You require that number of staff?—A. We could do with less but since the 1st of May, summer coming on we have more; we have had lots of help since the 1st of May.

Q. Could you tell me who the agents that are going through the country are, take for instance those going right along from Montreal up through Sault du Recollet, Terrebonne, Mascouche and all that territory surrounding Montreal, who are they buying for, the retail merchants? They are buying up the farmers' butter?—A. I do not know.

Q. They do not buy for the retailers?—A. They do not buy for the retailers.

Q. Who do they buy for?—A. The people who are buying around those places are mostly pedlars and a few wholesale jobbers buy from these pedlars, the goods are brought to their stores on the market.

Q. What do these pedlars do when they buy a whole year's supply of eggs and butter on the farm, a whole year's supply of meat, what do they do with that?—A. I didn't know that they did that very much, they might be able to get it outside Montreal district but around Montreal they cannot buy the whole thing, the farmers know too well the market prices for them to get a price for the whole year.

Q. Yes, but you know that the farmers around Montreal in order to have their place at the market in Montreal have to start from their homes, a great many of them, at midnight which means a drive till 5 o'clock in the morning, and it means that they have to get there at 5 o'clock in the morning in a great many cases in order to get places upon the market at all and in order to save that long drive they prefer to sell to these dealers that go around.—A. It is not very many who do that. There are not very many farmers around Montreal that I know of who sell their goods that way.

Q. They bring their goods right to the market?—A. Yes, and get the full benefit of the market prices.

By the Vice Chairman:

Q. In buying your canned goods do you buy them direct from the manufacturers or through the jobbers or wholesalers?—A. I do not know whether we could buy this year direct or not, but we have never been able to buy direct from the Dominion Canners because of the agreement between them that the retailer will have to go to the wholesale grocers association. Before they were amalgamated I used to buy car lots from them.

Q. You would buy direct from the canners if you had the opportunity?—A. Sure.

[Mr. Thomas V. Dion.]

By Mr. Douglas:

Q. You cannot buy direct?—A. I do not believe I can.

Q. You never did?—A. Not from the Dominion Canners but I did from the British Canners when they first started.

By Mr. Devlin:

Q. If you wanted to buy from the Dominion Canners without refusing the goods, they would set their price so high I presume that it would be impossible for you to buy from them and make a profit. Is not that the way they proceed?—A. I suppose that is what they do, I would get no rebate like the wholesale grocers would get.

By Mr. Nesbitt:

Q. They would simply refer you to the wholesale grocers?—A. Yes.

By the Vice Chairman:

Q. About two years ago there was a sharp advance in canned goods, was there not? —A. I do not know.

Q. There was a sharp advance in the retail price anyway?—A. Yes.

Q. Prior to that time did you have an opportunity of buying direct from the canners?—A. Not since the war started.

Q. How long has this practice about buying from the wholesaler or the jobber been prevalent?—A. Right along, sometimes we could do better with the wholesaler than we could do with the canner.

Q. Have you any idea why there should be a sharp advance in the cost of canned goods during the last two years?—A. The only thing I know is that there has been higher cost, higher wages, and everything has been higher except that there was no difference in production.

By Mr. Nesbitt:

Q. Some seasons the crop in certain fields may be a failure. Up in our section of the country we have a number of independent canners, as well as the Dominion Canners, who would be very glad to sell to you, I have no doubt?—A. The Dominion Canners set their price and there will be no reduction.

By the Vice Chairman:

Q. Have you on any of your goods—taking canned goods for an example—a price fixed at which you must sell them?—A. No, there is no fixed price.

Q. Nobody puts any selling price on you?—A. No.

Q. You buy at the regular list price, and sell at whatever price you choose?—A. Yes, we might put them up or down.

Q. And you have absolute freedom to fix your own price?—A. Yes.

Q. Does that apply to anything in your store?—A. Yes, except package tea has a fixed price.

By Mr. Devlin:

Q. Matches?—A. There is no fixed price on matches.

By Mr. Douglas:

Q. About the package price on tea? Is there any penalty if you break that price? —A. No.

[Mr. Thomas V. Dion.]

Q. The Salada Company do not say to you, "If you don't sell that at 78 cents we will not give you any more"?—A. No.

Q. You never cut the price?—A. No, the profit is so small on the package tea that you cannot afford to do it.

By the Vice Chairman:

Q. Is there any article that you deal in where the producer, the manufacturer, or the wholesaler obligates you to get a certain price?—A. I have no contract to that effect with anybody, although I buy from the manufacturers Baker's Chocolate and Baker's Cocoa, but never any contract.

Mr. DOUGLAS: I don't think Mr. Dion has been cutting prices very much.

WITNESS: I do not know about that. The western people will tell you they cannot buy cheaper elsewhere. We have to make money on some of our goods.

By the Vice Chairman:

Q. Did you ever buy butter by the carload?—A. Well, I have bought butter—I do not know whether it was a carload or not—I guess it would be.

Q. Ever buy direct from the creamery?—A. Yes, our sale of butter is about 25 to 30 boxes a week. I never sell by block.

Q. You do not sell block butter?—A. No. In buying from the jobbers they charge you 57 cents and they pay 56. They charge you 57 cents, but where I buy my butter I get the Government weight, and I save a pound or a pound and a half in weight, and that goes by the cutting. We cut the butter in layers.

By Mr. Douglas:

Q. With regard to that twenty-one for expenses you spoke of; what wages are you paying?—A. Twenty-five, twenty-two, and eighteen a week.

Q. What is your highest priced man?—A. Twenty-five dollars.

Q. What is your lowest priced man behind the counter?—A. There is a couple of boys at $10, but otherwise nothing less than $17 or $18.

Q. Did you ever try to get female help?—A. Well, we do not have female help for the grocery business, only for telephone orders. We have three girls at the telephone taking telephone orders all day.

Q. Have you any recollection as to what the net profit was last year?—A. No, but I can mail it to the committee.

The VICE CHAIRMAN: Mail us a signed statement.

By Mr. Douglas:

Q. And how you make up your expenses of your business. You can get your accountant to do this?—A. Yes, I will get my accountant to do that.

Witness discharged.

B. G. CRABTREE re-called and examined.

By Mr. Douglas:

Q. In regard to your wholesale purchases, what is your method of purchase?—A. You mean from whom I buy?

Q. Not whom you buy from, but what is your method of purchase? Do you buy from day to day, or do you lay in a stock?—A. I carry a stock anywhere from eighteen to thirty thousand dollars. It depends on the season. In the fall I buy as much stuff

[Mr. Thomas V. Dion.]

as I can. I buy my canned goods at the best possible price during the fall or the time they are coming in, and try to stock up for the year.

Q. Your experience has been such that you lost money by it?—A. Not in the last two years.

Q. Your opening price was best?—A. Yes, with the exception of one little flyer I took in canned tomatoes.

Q. 200 cases?—A. Yes, at $2.10, and the opening price turned out to be $1.85, but in that same deal I had 150 cases of corn that I bought at $1.90, and the opening price on that was $2.10.

Q. When you bought tomatoes at $2.10, did you buy through your broker?—A. No, wholesale grocer.

Q. Did the wholesale grocer not protect you?—A. No, it was simply a gamble. I did the same thing last year at $1.60 on corn and made some money.

Q. What is your opinion as to the profit a wholesale grocer makes?—A. I should say they made a very small profit. I should say they operate on 10 or 15 per cent.

Q. You have not any idea they operate on a net profit as low as you do?—A. I would say they would, yes. The turnover must be a good deal.

Q. They make a lot of money, but I question if they make anything like as low a profit as you do?—A. There are very few wholesalers that will carry as comprehensive a line as the retail men will. They do not have the same chance, perhaps, because they limit their articles to, say in round figures 100, and the retail grocer will have double that number, in fact there are hundreds of different articles found in the retail trade. I have proved that in regard to my stock recently; it was so difficult to get the exact price of things that I asked two or three wholesale grocers for their price list. I got their price books. I did that for one year, but there were so few things in the price list that I wanted to buy that it was useless to me.

Q. Is it your policy to give your customers the benefit?—A. I like to buy as cheaply as I can, and I advertise. I bought tomatoes as low as $1.22, and advertised them at $2 a dozen.

Q. What does your advertising cost you?—A. Not very much. We only advertise once a week in two local papers. It costs about $15 a week.

By the Vice Chairman:

Q. Are there any articles that you deal in in regard to which the manufacturer fixes the price that you have to respect?—A. No.

Q. None at all?—A. Not that I know of. I have never seen a contract. There may be an understanding, but I fix my own prices.

Q. You are perfectly at liberty to sell at whatever price you chose?—A. Yes.

By Hon. Mr. Fielding:

Q. You said there may be an understanding; what do you mean by that?—A. I am simply saying that; I do not know. The wholesale grocer or manufacturer never comes to us and says we must sell at a fixed price.

Q. You mean that there is no understanding so far as you are concerned?—A. So far as I am concerned.

Q. When you used the words "there may be an understanding", they seem like a qualification?—A. I understood the Committee was trying to arrive at that particular thing and I said there may be an understanding.

By the Vice Chairman:

Q. It has been stated that some of the producing concerns—I do not like to mention any names because I do not wish to do anybody an injustice—it has been stated that some of them perhaps may sell a certain article and insist that the retailer should get a fixed price, and that if the retailer sells at a lower price, they refuse to supply him with the goods. Have you had any experience of that?—A. None whatever.

Q. None at all?—A. It might be suggested by the traveller or the man selling that we should be able to get say 25 cents for the article, but so far as I know I have never been asked to adhere to any principle of that kind.

Witness discharged.

Mr. R. C. Cummings: Called, sworn and examined.

By the Vice Chairman:

Q. The firm operates under your name?—A. Yes.

Q. Have you a partner?—A. No.

Q. You are the sole owner of the business?—A. Yes.

Q. You are not incorporated?—A. No.

Q. What is your turnover?—A. About $60,000 a year.

Q. Where is your place?—A. Cumming's Bridge.

Q. What capital have you invested?—A. You mean property and all?

Q. Yes, you own your own property?—A. I do.

Q. What is included?—A. About $45,000.

Q. What is the property worth?—A. $35,000.

Q. And there is $10,000 actual capital?—A. It varies up to $12,500.

By Mr. Douglas:

Q. What do you mean by it varying?—A. At certain seasons, for instance when I get my canned goods in.

Q. That is stock you are talking about. What amount of money is tied up in your business?—A. $10,000.

Q. In cash?—A. Yes.

Q. You have besides that your property?—A. Yes.

By the Vice Chairman:

Q. Do you keep books?—A. Yes.

Q. What do you figure it costs you in the way of expenses?—A. You mean percentage?

Q. In comparison with your turnover?—A. 16 per cent.

Q. Do you arrive at that by accurate figures by book-keeping?—A. Yes, figuring out the cost of labour and light.

Q. You keep a sufficiently accurate record to enable you to make that statement definitely?—A. Yes.

Q. You say 16 per cent?—A. Yes.

Q. What delivery do you keep?—A. One rig.

Q. A single rig?—A. Yes.

By Mr. Douglas:

Q. About what does it cost you to deliver?—A. I figure about three per cent.

By the Vice Chairman:

Q. How much of your business is delivery, and how much cash and carry?—A. I have quite a bit of farmers' trade and they load the stuff at the door and take it home.

Q. That is cash trade?—A. Not altogether.

By Mr. Nesbitt:

Q. They carry it away with them?—A. Yes.

By the Vice Chairman:

Q. What is your loss on bad accounts?—A. I looked that up, and in eight years I have not lost $150.

Q. Yours is practically a cash business?—A. Practically.

By Mr. Douglas:

Q. How much stock do you carry?—A. From $10,000 to $12,000.

Q. What was your net profit last year?—A. You mean over and above what I take out of the business for my salary?

Q. Yes?—A. Practically nothing.

Q. You are working just for wages?—A. That is about it.

Q. Have you any figures to prove that, or are you just making that statement?—A. I am making that statement.

By the Vice Chairman:

Q. Is there any agreement among the grocers of the city to observe a general standard of prices?—A. None whatever that I know of.

Q. No understanding?—A. No.

Q. What we call a gentleman's agreement?—A. Not that I know of.

Q. None at all?—A. No.

Q. Each grocer can sell at his own price?—A. Absolutely.

Q. He is perfectly open to competition?—A. Yes.

Q. Have you any articles that you are asked to sell at a given price?—A. None whatever.

Q. None at all?—A. No.

Q. Take the best creamery butter, what do you pay for that?—A. 54 cents.

Q. That is the present price?—A. Yes.

Q. And you get what?—A. 60 cents.

By Mr. Douglas:

Q. Do you sell much of that to the farmers?—A. Not very much. I buy a good bit of the farmers' butter.

By the Vice Chairman:

Q. Do you make any difference for cash as against charging for delivery?—A. No, the prices are the same.

By Mr. Douglas·

Q. What do you pay the farmers for the butter when you take it into your store, when you take it in trade?—A. We take it in trade and sell it probably at cost, that is dairy butter, we do not have a very large amount of it, and we do not make much on it. The last farmer's butter I bought I gave 47 cents for and I sold it at 50.

Q. Can your get rid of it at retail, or do you have to job it?—A. No, I have not had to job much of that, but the packer does occasionally take some of it off my hands but always at the lowest price.

Q. Now what do you pay for cheese?—A. 30 cents.

Q. And what do you get?—A. 40 cents.

Q. Pure leaf lard, what do you give for that?—A. 34 cents.

Q. And you get?—A. 40 cents.

Q. Strictly fresh eggs?—A. 50 cents.

[Mr. R. C. Cummings.]

Q. And you get?—A. 60 cents.

Q. Do you sell many cold storage eggs?—A. None at all.

Q. All you sell you get from the farmers?—A. All farmers eggs.

Q. And granulated?—A. We get 11 and 65, 12 for packages.

Q. And tea, do you handle Lipton's or Salada?—A. The 59 cent grade is the only one I have.

Q. And you sell it for what?—A. 70 cents.

Q. Now Black tea?—A. I carry a good line of black tea.

Q. It costs you what?—A. Good black tea costs me 40 cents and I sell it at 60. Good green tea, which I have quite a sale for, a very high grade tea, costs me 55 cents and we get 70 cents. Then we have a cheaper grade of tea which costs 22 cents and which we sell at 50 cents.

Q. Now flour, if I can remember it comes in seven pound bags, in the standard bags?—A. They cost 47 cents I think.

Q. And you sell them for?—A. 55.

Q. I suppose the farmers buy a very large quantity of your stock?—A. The farmers used to buy a lot of flour from the place there, but in recent years we do not find there was any money in it and have tried to get away from it.

Q. There was no money in it at all?—A. No.

Q. Take the 24 pound bag, what do you pay for the 24 pound bag?—A. The 24 pound bag costs $1.24.

Q. And you get?—A. $1.65.

Q. That is a pretty small margin, now rolled oats, do you handle that in bulk? —A. I handle a lot of rolled oats; to-day the price is $2.20 and we retail it for $2.35.

Q. Do you get any rebate on these goods or are these figures net prices?—A. These are the net prices for cash. A 20 pound sack cost $1.04 and sells at $1.25.

Q. Have you got any nine-pound sacks?—A. Six-pound sacks cost about 39 cents, I think, I am not sure.

Q. And you sell them?—A. For 45 cents.

Q. You are not sure of the price?—A. No, I am not sure of the price.

Q. Now with regard to canned goods, you would not handle them in large quantities?—A. I buy this stuff in fifty-case lots.

Q. What do tomatoes cost you and what do you sell them for?—A. They cost me $1.85 and I sell them at 17½ cents a pound.

Q. And corn, what do you pay?—A. I pay bigger money than I have heard here to-day, I bought early at $2.25, before the opening, we sell them at 25 cents for the one-pound tin.

Q. Then there is peas?—A. I bought peas recently at say $2.45 for them.

Q. And you got what?—A. I do not believe we have ever increased the price above 20 cents.

Q. But the ones that you have been selling during the last six months, what do they cost you? You have been selling them at 20.—A. I am not sure of that, but we sold them at 17½ cents a tin, two for 35.

Q. And string beans?—A. We do not handle many of them.

Q. Now salmon?—A. Yes.

Q. What class of salmon do you handle most?—A. We handle the red salmon.

Q. That is the sockeye?—A. Yes.

Q. And you pay for them?—A. $4.50 a dozen.

Q. And what do you get?—A. 50 cents.

Q. And the picnic, one pound?—A. We have the picnics they cost me $2.25 and we sell them at 25 cents each.

Q. Is that a half pound or a pound?—A. A pound.

Q. And you sell it at 25 cents?—A. Yes, and it cost $2.25.

[Mr. R. C. Cummings.]

Q. Now coffee, have you Chase and Sanborns?—A. Yes, I handle some of it.

Q. What does it cost and what do you sell it for?—A. It cost 50 cents I think, what we bought last we have been selling at 55.

Q. And the ordinary coffee in bulk?—A. I buy a lot of coffee beans and I grind them myself, and they cost me 25 cents and we sell them at 35 cents a pound, three pounds for $1.

Q. How do you handle your vinegar?—A. By bulk, mostly.

Q. What do you pay per gallon?—A. 26 cents for a good part of the vinegar.

Q. The malt?—A. I do not handle any malt, except in bulk, white wine, acetic acid.

Q. And you get what for it?—A. 40 cents.

Q. Molasses, Barbados?—A. The last I bought cost $1.04.

Q. And you sold it at?—A. 40 cents a quart or $1.40 a gallon.

Q. Soda biscuits, what about the packages of soda biscuits?—A. I have both packages and by the pound, there is not a pound in any of the packages, they cost 15 and a fraction cents and sell at 18. I can buy bulk biscuits and give a man a whole pound for 18 cents.

Q. And you sell also in the bulk?—A. Yes.

Q. Is it as good a biscuit?—A. Just the same biscuit, but the bulk biscuits will not keep as well as the package.

Q. Raisins?—A. Seedless raisins cost 14 cents and we sell them for 20 and seeded raisins we buy at 13 and sell for 17½ cents.

Q. And prunes, do you handle a lot of prunes?—A. I handle only a large size of prunes a medium size, which costs me 7 cents and which I sell for 25.

Q. What size?—A. That would be about 67.

Q. And evaporated apples?—A. They cost 18 and sell at 25.

Q. What line of bacon do you handle?—A. Gunns, Toronto, principally, and some of Matthews-Blackwell.

Q. You handle the best breakfast bacon?—A. Yes.

Q. What does it cost you?—A. It costs us to-day 51 cents and we sell it for 60.

Q. What did it cost you two weeks ago? Is it lower or is it going up?—A. It has advanced a little. We sell cull ends of course for much less money.

Q. And hams, the best hams?—A. 65.

Q. Haven't you any cheaper bacon than that?—A. We have a cheaper grade; it costs 45 cents and we sell it at 50 cents, that is about the best—we do not pretend to get that soft bacon.

Q. Have you much demand for that class of bacon?—A. No.

Q. People do not want it?—A. No, they do not want it.

By Hon. Mr. Fielding:

Q. Are these all Canadian goods?—A. Yes.

By the Vice Chairman:

Q. And ham, what do they cost you?—A. 57 cents, and we sell at 65.

Q. Is that for the best grade?—A. Yes, the best grade.

By Mr. Douglas:

Q. I would like to get at your cost of doing business. You say it costs you 16 per cent to do a business of $60,000? That would mean that it costs you $9,600 to do business last year?—A. Yes.

Q. How do you make that out?—A. There is my own salary to begin with.

Q. How much did you allow yourself?—A. $1,800, then there are the expenses.

Q. What do they run?—A. $150 a month.

[Mr. R. C. Cummings.]

By the Vice Chairman:

Q. Is that for the whole business?—A. I have two or three warehouses.

Q. Does that include them all?—A. Yes.

Q. That includes warehouse space and storehouse?—A. Yes.

By Hon. Mr. Fielding:

Q. Does it include your residence?—A. No.

By Mr. Douglas:

Q. What do you allow for salaries?—A. I am averaging $17 a week for all employees, and one girl in the post office.

Q. The revenue of the post office ought to pay for that?—A. It does not. Anybody can have it any time.

Q. What are her wages?—A. Well, the last girl I had I was paying $12.50 a week.

Q. What do you get out of it?—A. I get $69.99 a month. That is $840 a year?

Q. Your revenue more than pays the salary of the girl?—A. Well, it does and it does not, because I have been unfortunate in a couple of cases in having dishonest girls.

Q. What do you think it costs to deliver? You say 3 per cent. That would be eighteen hundred?—A. Yes.

Q. You are allowing nearly $2,000 for insurance, light, heat and interest on your capital.—A. Yes.

Q. Can you reduce that cost of doing business at all?—A. I do not see how I can. I am absolutely working on a small staff now.

Q. Have you any solution for the high cost of living?—A. I noticed the remark of a gentleman who said he believed the telephone was the cause for a good deal of that. I do not believe that. I believe if you get a woman in your store you will sell her a bigger order than you would over the phone. She would buy more groceries.

Q. Would it not cost more to do business over the telephone?—A. I suppose it would be about as broad as it was long.

Q. Does it not strike you that over the telephone you could sell a woman a lot of goods?—A. Oh, yes, I realize that.

Q. You have no theory as to how to reduce the price of the necessaries of life?—A. No, I have not.

By Hon. Mr. Fielding:

Q. Are you working eight hours a day?—A. 12.

By the Vice Chairman:

Q. And fix your books up afterwards?—A. Yes.

Witness discharged.

The Committee adjourned till 11 a.m to-morrow.

[Mr. R. C. Cummings.]

FRIDAY, June 13, 1919.

The Special Committee appointed to inquire into the cost of living and other necessaries met in the House of Commons Chamber at 11 a.m. on June 13, 1919, the Chairman, Mr. G. B. Nicholson, presiding.

Members present: Messieurs Davidson, Devlin, Douglas (Strathcona), Euler, Fielding (Hon.), Hocken, Reid (Mackenzie), Sinclair (Queens, P.E.I.), Stevens (Vice-Chairman), and Sutherland.

At the outset Mr. Stevens read a telegram which he had received from Mr. Irons of the Canadian Australian Line, stating that the *Makura* had on board 11,316 carcasses of meat, the weight of which was 466,246 pounds, and that so far it had been impossible to discharge that or any other cargo. The wire stated that the vessel should have sailed on the previous Saturday but had been held in the meantime. At the time of wiring there was no prospect of improvement in the near future of the situation. Naturally he did not wish to send the vessel to sea without discharging, but the vessel could not remain there indefinitely.

Mr. Stevens said that this half million pounds of meat lying in Vancouver harbour awaiting discharge would be a very valuable addition to the stock in the country, and with the surplus meat still in Australia awaiting export would be of material use in reducing the cost of meats and living in the western part of the country. It was impossible to unload it, however, and he considered the matter worthy the consideration of the Committee. He had no suggestion to make, however.

Mr. EULER: What is the reason that the meat cannot be unloaded?

Mr. STEVENS: On account of the sympathetic strike with the Winnipeg strike.

It was moved by Mr. Reid, seconded by Mr. Stevens, that a copy of the wire should be sent to the Minister of Labour. Mr. Sinclair further suggested that a report of the condition of affairs in Canada should be made to Parliament at once instead of waiting until the full report could be made.

The Chairman asked that the Matthews-Blackwell statement, just received should be printed in the evidence. He also asked that statements received from Mr. Coats with regard to the important staple foods in cold storage from month to month during the whole of the past year should be included in Mr. Coats' evidence.

Mr. THOMAS BARTRAM, called, sworn and exmained.

By Mr. Stevens:

Q. Your business?—A. I am a retail butcher in Toronto.

Q. You purchase from the abattoirs?—A. No.

Q. Do you slaughter your own animals?—A. No, I buy them from the smaller man, I do not deal with the big fellows at all.

Q. Do you sell cash and carry?—A. No, sir, credit and delivery. I have done that all my lifetime.

Q. Can you give some idea of the prices you pay?—A. That depends on what quality you want. There are many qualities of meat, depending on the kind of animal and the part of the animal it comes from.

Q. For butchers' stock?—A. We pay 25 cents a pound straight beef, maiden heifers.

Q. What other qualities do you deal in in large quantities?—A. I buy straight carcasses of beef, but I have to buy extra cuts. I have paid as high as 40 cents a pound for loins with suet and everything, and for hind quarters as high as 32 cents a pound. I paid that 32 cents a week ago. That is the highest I have ever known it to be in my lifetime. I have worked on Yonge street for 37 years.

Q. Three months ago what was the price? Is the increase large?—A. There was a raise for a while. It has increased a good deal in the last year all around.

Q. For pork?—A. We buy loins of pork. I cannot handle straight hogs. I bought $738.40 worth during the year.

Q. What is your turnover?—A. About $25,000.

Q. How many delivery rigs have you?—A. Just one.

Q. What does it cost to do business?—A. About 19 or 20 per cent.

Q. Do you keep books?—A. Yes, this is an accurate statement from the books. My book-keeper does it, my figures are accurate.

Q. What are your delivery costs? The total cost of delivering goods?—A. I have not figured that out. I never kept as close tab as that.

Q. What does your horse cost you?—A. I buy hay and oats by the load. I think it would average $5 a week. I have just one horse. Hay costs $40 a ton just now. I pay a man $16 a week. I just keep one man. I have my own boy to do a few messages after school.

By Mr. Douglas:

Q. How did you figure your cost of doing business at from 19 to 20 per cent?—A. That is what the book-keeper tells me.

Q. What rent do you pay?—A. $100 a month.

Q. What part of Toronto?—A. On Yonge street near Bloor.

Q. $100 a month rent to do a business of $25,000?—A. I did more business than that last year according to my books. I am going behind.

By Mr. Stephens:

Q. Can you buy meat cheaper from the large abattoirs?—A. No, they would charge more In any case I do not like their cold storage stuff. I want my beef fresh killed. I would rather pay a cent a pound more for beef that was never in storage.

Q. What do you charge a pound for prime sirloin roast?—A. 50 cts.

Q. Round steak?—A. 40 cts.

Q. Sirloin steak?—A. 50 cts.

Q. Brisket?—A. Pretty nearly anything I can get for it. I sell it to the best advantage. Rough goods we cannot sell up there.

By Mr. Douglas:

Q. Have you a special trade?—A. Yes, sir.

By Mr. Stephens:

Q. A high-class trade?—A. Yes, sir. They want the best of everything. That is why we get expensive meat.

Q. Are they well off people?—A. Yes. They want the best.

By Mr. Douglas:

Q. What do you mean by wealthy people? Railway employees?—A. No, sir, I would rather serve some of them because I could sell some of the rough goods better.

By Mr. Hocken:

Q. You have another guess coming. You would not sell the rough goods to them. —A. I do not know.

[Mr. Thomas Bartram.]

By Mr. Douglas:

Q. People employed in offices? Any millionaires?—A. The best people.

Q. People working on salary?—A. No, sir.

By Mr. Hocken:

Q. He does a Rosedale trade.—A. Mr. Hocken would know a lot of them.

By Mr. Reid:

Q. I understand that you have the best carcasses of beef. What kind do you buy, spade heifers?—A. I like heifer beef better. There isn't such waste. They haven't such coarse necks and such coarse flanks. There is a better quality of beef in them. Some are worth more but I prefer these for my trade.

Q. Have you been a drover?—A. I have bought them.

Q. Have you bought cattle on the hoof? If you had a choice between a heifer that weighed about 1,200 lbs. and a steer weighing about 1,200 lbs., which would you buy?—A. I would buy the heifer in preference and always would. I would pay more for the heifer if I had to.

Q. On the stock market heifers are discounted, and preference given to steers by the big buyers.—A. That may be the case with the big buyers, but they are not suitable for the shop trade.

Q. From your experience as a practical man you prefer the heifer to the steer? —A. Yes.

Q. My point is that on the stock markets in Winnipeg to-day, in the Winnipeg stockyards, maiden heifers such as these are sold for less money than steers, and yet he as a practical man says he prefers the heifers that sold for less money.—A. You take any man that wants to buy a carcass of beef, and show him front quarters of beef from a maiden heifer and from a steer. The front shank of beef in the steer will weigh 5 pounds more than the shank of the heifer.

Q. There is more waste in the steer than the heifer.—A. Yes, to my belief.

Q. I agree with you because, if I want good beef on the farm, I will take the heifer by preference every time.—A. Then, if you want good beef, you would not get it from the big abattoirs. It is sent back into cold storage from the slaughter room, and the heat does not get out of them.

Q. Why do the big buyer take the steer? Is there any practical reason?—A. I would not think so although people like to have fat steers rather than heifers because they get more weight.

Mr. STEVENS: Would it be because they want to export it?

Mr. REID: I do not think so. They do not export them now.

By Mr. Stevens:

Q. Do you sell bacon?—A. Yes, sir.

Q. What do you pay for the best breakfast bacon?—A. Fifty cents, for the Rose brand bacon. We sell it for 60 cents. I buy it unwrapped, there is no paper on it. They will send you bacon with the wrapping paper on it weighing from 4 to 6 ounces for which they charge at the rate from 48 to 50 cents, a pound, and some will not take it off. I buy mine unwrapped, and I get the hams in the same way. I pay 48 cents for hams.

Q. What do you get for them?—A. Fifty-five cents. I do not slice them. I sell either a half ham or a whole. I slice bacon but as little as I can help.

By Mr. Douglas:

Q. Do you keep a slicing machine?—A. No, I can slice with a sharp knife as well as any machine.

[Mr. Thomas Bartram.]

Q. About the price of beef? You say you charge your customers 50 cents a pound for prime roast beef. And 50 cents for prime sirloin steak. What prices do you sell your lowest priced beef at?—A. I sell a shank of beef from 10 to 12 cents a pound.

Q. Have you customers for it?—A. No. I render it for what fat we can get or other dripping. We take the lean and put it on a ten-cent dish, and sell it that way. People passing the shop come in and take it off the plate.

Q. Your wholesale prices range from 25 to 40 cents?—A. That is for short loins.

Q. You said you had bought as high as 32 cents?—A. For the hind quarters of beef, yes.

Q. You are a practical butcher? What would you say would be the cost of that beef on the hoof for which you paid 32 cents, for the hind quarter?—A. About 13 or 14 cents for it.

Q. What would be your comment on the spread from 13 to 14 cents, to 32 cents?—A. Some cattle will dress out more per hundred than others. If they did not stuff the cattle at the cattle market and feed them full of hay and grain before they sell them to the butcher they would weight more per hundred pounds. They cannot kill them for twenty-four hours, when they come in they are hungry.

Q. The butcher always allows for that in purchasing?—A. No, you have to buy them as they weigh. They have come in one day, and they won't sell them until the next day when they are full of feed and water.

Q. Is this in Toronto?—A. In the Union stockyards.

Q. You say it costs 13 to 14 cents a pound for these animals on the hoof. What proportion of beef do you get out of that animal?—A. Perhaps 52 pounds to the hundred, and very seldom 53.

Q. Did you ever know a cow to dress at 70 pounds per hundred?—A. Yes, that might happen if the cattle were weighed empty.

Q. Such a large difference?—A. Yes, I have had them weigh 65 lbs. to the hundred. How much would a hog fill up on the scale? How much does a pail of water weigh?

Q. It seems strange that there should be that discrepancy, but taking it at your figures that there is a lot of shrinkage in that way, and that an animal weighs 52 to the hundred pounds, you say that the man who bought that beef is charged too much?—A. I would not say so. He has to sell the front for less. He might only get 17 or 18 cents, for the fronts. I do not buy extra fronts. I buy a carcass for which I pay 25 cents a pound.

By Mr. Stevens:

Q. In buying your meat, you say that the maiden heifer is a better class of meat for your trade. Do you pay more for the maiden heifer than for the steer, or less?—A. They ask just the same.

Q. There is no difference in the abattoir price between the steer and the maiden heifer?—A. No. When they get a good carcass of beef they put it aside for me.

Q. Would you sell steer beef for more than you sell maiden heifer beef?—A. No, just the same. I prefer heifer. Some men might like the steers better.

By Mr. Sutherland:

Q. Since the class of customers to which you cater do not get the cheaper cuts, do you stand to lose?—A. A man getting a poorer class of customers will not have the waste I have.

Q. Does not the very fact that people ask for these higher priced cuts put the price higher?—A. Certainly, you have to charge more for the goods.

Q. So the people are largely responsible for the higher prices since they pay big prices they get the best cuts, and there is competition for these choice cuts? Consequently, the butcher has to put the price up on it?—A. Yes.

[Mr. Thomas Bartram.]

By Mr. Hocken:

Q. There is one point I would like you to tell me about. The city of Toronto has spent half a million dollars on a municipal abattoir to give the butcher a chance to kill his own beef. Why has that not been done?—A. Some times they cannot buy what they want at the stockyards. That is controlled by one firm, the Swifts.

Q. You cannot buy your cattle yourself?—A. I could not pick it. No person will let you pick out some of the best cattle from those he has brought to the yard and leave the culls.

Q. You say that it is impossible for a butcher to go and buy his cattle, and kill them for himself?—A. There is no open market in Toronto.

Q. Has not the city got a cattle market?—A. No cattle go there. The space is there, but nobody goes. They go to the Union stockyard. The commission merchants are there now. If you are a farmer bringing in a load of cattle you cannot sell them at the Union stockyards. These gentlemen come in with a load of cattle. He can sell them to somebody else around, but he cannot get a cheque for them from the company. He must consign them to the commission man, and they charge $17 a car for them. They feed them and water them and unload them. There are the market fees and everything, which brings that load of cattle up to the cost of $25 or $40 to that farmer.

Q. Is it the case that the farmer cannot sell cattle in proper competition, and that the butcher cannot buy them?

By Mr. Stevens:

Q. If I took a load of cattle, do you mean to say I could not sell to the trade?—A. Yes. These commission men are there. We had this up with Mr. Dewart. We were going to fight it out. Something was put in the paper about it. Mr. Rountree said it was all wrong, but it isn't. A Commission man used to pay $5 to become a member, but to-day you cannot get in for $1,000.

By Mr. Hocken:

Q. The city spent half a million dollars to make it possible for men to do business from the hoof up. Is it not used?—A. There is no cow or heifer goes over the scales at Union stockyards to-night without information as to the names of the buyer and seller and the price paid being sent to Chicago.

By Mr. Stevens:

Q. Do you know that?—A. Yes, the drovers' told me.

Q. Of course, you firmly believe it?—A. I believe it, and Mr. Fred Darby, retail merchant, a butcher on Dundas street, can tell you so as well. He sold three cattle and he could not get the money for them. He had to consign them to commission men. Mr. Dewart has the papers.

Q. If the Swifts control the Union stockyard, and if I as an outside drover cannot come in to sell a car load of cattle without going to the commission man, or handing it over to a commission house, if these two things are true, there is a combine in restraint of trade, and cognizance should be taken of it by the proper authorities.

By Mr. Hocken:

Q. You can go into the western market?—A. Yes, but that was always an open market.

Q. If the farmers would sell stuff there, they could sell it there to the butchers, could they not. There would be open competition then. The city spent half a million dollars in it, and they have got one of the largest abattoirs in the country?—A. They have a large abattoir but it is in a dirty condition, and nobody would take anything there. Thirty or forty years ago we could go up there and get what cattle we wanted. We would go up there and pick up cattle and turn them into a pound and get what we wanted.

[Mr. Thomas Bartram.]

By Mr. Davidson:

Q. Why can you not do that now?—A. Because there is nothing there. The commission men are up at the other end.

By Mr. Hocken:

Q. Are there no buyers?—A. In the Swift house, and Gunns and Blackwell.

By the Chairman:

Q. What about butchers that want beef themselves, and to kill it? Cannot they do it except subject to the operations of these big firms?—A. There are few butchers in Toronto. There are meat cutters, but few butchers.

By Mr. Hocken:

Q. The city of Toronto has space for a market. A large sum of money has been spent apart from the abattoir and at one time it was the only market in existence. They spent half a million dollars, and built an abattoir right on the market. A man could buy his cattle on the market, walk them over into the abattoir, and kill them. The city of Toronto's municipal governments has done everything in its power to make it possible for men to buy one steer and kill it, take the meat away, and put it in cold storage. For some reason it is not utilized as it should be, whether it is due to Swifts controlling the union stockyard, or the changed methods on the part of butchers, things have not worked out as anticipated. How did they get the commission houses to go out to the union stockyard, and get all the business up there?—A. I would think they were induced to go there.

By Mr. Sutherland:

Q. The farmers and drovers prefer to sell to the union stockyards instead of to the old stockyard. They did business for years at the old stockyards and yet they have left?—A. We cannot tell why they took them away.

Q. And gradually it was taken because they preferred to sell their stock there?

By Hon. Mr. Fielding:

Q. Did the commission merchants pay more?—A. No. The Swift people took it over there, and they are the men who still run it. They are trying to squeeze out all the butchers they can, and they are working out a number.

By Mr. Hocken:

Q. Some real investigator should get to work and ascertain why these things are. The Harris abattoir is built right beside the western cattle market. I was there when they opened the place. Why is it that the Harris people, buying enormous quantities of cattle, take no steps to have the cattle come to their own abattoirs, but go five or six miles to West Toronto junction, and have to have the cost of building new plants? —A. There must be some kind of understanding between the Harris people and those who control the union stock market.

By the Chairman:

Q. We are going to have the Harris people come here for evidence?—A. The drovers who could not sell cattle except through the commission merchants are the men who could tell you most.

Mr. Stevens: This evidence is sufficient to warrant cognizance being taken of it, and steps being taken to see if this evidence is supported by the facts. If so, it is a serious condition.

Mr. Douglas: We should get an official of the live stock branch in Ottawa right here to explain the regulations under which these stockyards are operated. He will have all the regulations, and if they are breaking the regulations, then we know what to do.

By Mr. Davidson:

Q. Can you give us the name of the drover, who could give us information on this?—A. I can get the names and send them to you.

Mr. Stevens here moved that the Live Stock Commissioner should be asked to appear before the committee, and the motion, on being put, carried.

By Hon. Mr. Fielding:

Q. We should try to find out the reasons of the farmer not going to the western stockyards. Did he get better prices at the union stockyards?—A. I do not know, there is a Farmers' Co-operative Company with Mr. McCurdy as the head man. They do not consign their cattle to these commission men now.

By Mr. Reid:

Q. Where do they sell them?—A. To the union stockyard.

By Mr. Sutherland:

Q. Still they are permitted to do business?—A. They belong to the association.

By Mr. Euler:

Q. When the western stockyards were opened, was it necessary that the farmers or drovers should act through commission men?—A. There were no commission men then.

Q. Then the fact that the commission men had got up to the other market is no reason why the western stockyards should be abandoned?—A. The commission men in the last few years were only getting into a combine, what I think is a combine.

Q. Do you mean to say that you cannot buy three or four head of cattle there if you want them?—A. No, if you had a load of cattle would you let me pick out three or four from them.

Q. If I wished to sell the whole load of cattle, well and good, but if I have an uneven lot I would sell three or four to you?—A. These fellows won't buy them if the best cattle are picked out first.

By Mr. Hocken:

Q. If a man brings a load of cattle and sells three or four choice ones, is there no sale for the rest?—A. The other buyers will get sore, and will say " sell your tail ends where the others went."

By Mr. Sutherland:

Q. If I sell to you, and put some in to even up the load, some for feeders and others for the butchers could I not then have a sale?—A. You can't do it.

Q. Well, I bought a lot of cattle out of four different cars. I picked them?—A. You bought feeders, you didn't buy the best butcher cattle.

Q. I bought the best in the yards?—A. But you bought them for feeding perhaps.

Q. They were better than many butcher cattle?—A. I do not doubt that for a moment, but they were not the best butcher cattle.

Q. I simply mention this because of your argument that you cannot buy three or four out of a yard?—A. I would be glad to get rid of some cattle to you if I had feeders and wanted to get rid of them.

Mr. Reid: I can verify what Mr Bartram says. If there are a few selects among a load and if you sell the selects you cannot sell the balance. I know I cannot do it.

Mr. Sutherland: Not in Toronto.

Mr. Reid: I don't know about that, I am referring to Winnipeg.

[Mr. Thomas Bartram.]

Mr. STEVENS: The point is this, that if a man sells two or three selects out of a load of cattle, the regular buyers such as those of Swifts, Harris and so on, and the commission men acting for them, will discriminate against that drover.

Mr. REID: That is the rule on the stock markets.

The CHAIRMAN: In his opinion as a practical butcher there is a combine in Toronto to make it impossible for the small butcher to get cattle at the prices at which they can be handled. We want to find out if this is correct.

By Mr. Sutherland:

Q. You were doing business at the city market for years?—A. Yes, years ago.

Q. Was it in a congested part of the city, and was there room for expanding?—A. There is not room enough for the men going in now.

Q. And the accommodation is unsatisfactory?—A. Yes, but they spent a lot of money to fix it up. The city made a mistake in not buying the stockyards out there.

Q. The old stockyards are not sufficient to take care of to-day's business?—A. No.

By the Chairman:

Q. Are these then just the conditions in Toronto? The packing companies handle a large amount of meat products in this city, and they have the centre of their operations in Toronto, and if what Mr. Bartram says is true there is a combine to make it impossible for people to sell independently without the permission of certain individuals. We want to get evidence to bear that out. It is a matter for the committee to decide who they want.

By Mr. Reid:

Q. Have you yourself ever killed a maiden heifer to find out the shrinkage in comparison with that of a beef steer?—A. In those days when we used to kill them we used to buy them by the dollar standing on their hoof. We could buy a good heifer for $35 or $40. We were never so particular then.

Q. Have you any idea of the shrinkage of a steer as compared to a heifer?—A. No, because we have not killed them for a long time.

By Mr. Douglas:

Q. In Mr. Waller's evidence the other day, the President of the Canadian Swift Company in Toronto, he gave explicit evidence to this effect. In his judgment the reason why Mr. Bartram and men in a like business don't buy cattle and slaughter them in the public abattoir is that big companies can slaughter and kill much cheaper than Mr. Bartram can buy or kill. What would you think about that statement?—A. I think it would be false.

Q. I asked you about beef for which you paid 25 cents a pound. You said it was worth 13 cents a pound on the hoof. You thought it would turn out 52 pounds to the hundred and it cost 13 cents a pound live weight and you paid 25 cents a pound dead weight. According to your figures, the packer sold you that animal at exactly the cost price to him outside of the hide and the offal that comes out of the animal for his charges. Would you think that was a fair charge?—A. Yes. If a man takes offal at the price to-day, he makes a fair and good margin on the bulk.

Q. If you bought an animal at 13 or 14 cents and you went to a public abattoir, Harris or any other, to get it killed, would you sell it for less than 25 cents? I am talking of one steer or heifer. You would pay 13 or 14 cents, slaughter it at the abattoir, and have the hide, horns, hoofs and all the offal. Could you put it in the shop any cheaper than 25 cents?—A. Certainly, that would lower the price of meat. I could sell it for $15. What is the price of hides to-day? Seventy cents a pound for calf skins, taken right off the calf raw. I think hides would be 26 cents a pound and it would weigh 26 pounds.

[Mr. Thomas Bartram.]

By the Chairman:

Q. Twenty-six cents a pound where?—A. Right on Front street.

By Mr. Douglas:

Q. If you get 26 cents a pound for raw hides and carloads can be bought for 6 and 7 cents a pound, there is no peculiarity about a statement like that?—A. We can show where men pay us 70 cents a pound for calf skins, if they weigh from 7 to 15 pounds.

By Mr. Reid:

Q. Selected?—A. No, it is from a Holstein weighing 15 pounds, and I will get 70 cents a pound when he comes for it.

By Mr. Douglas:

Q. If you are permitted to buy a good heifer at 13 cents, to take it to the Harris abattoir, and kill it and keep the offal, you would be able to produce meat in your shop at less than you pay to the Swift Canadian Company?—A. I think so, yes.

Q. And you base that view on the ground that the offal would make you a profit above the cost of killing?—A. Yes.

Q. You would have to pay the abattoir man?—A. I think about one dollar. I am not sure.

Q. The sum of your evidence is that, if permitted to do as you say, people purchasing that heifer on the cattle market at the prices you mention, and getting it slaughtered, could sell to customers meat cheaper than to-day?—A. When we had the small butchers, and went to the old market to buy cattle, one man would buy five or six, may be three. He would kill two or three in the afternoon. Four of them he would hold over the week end and try to sell them to you. He could handle them cheaper than now, if he made five dollars a piece, he made $20 that day?

Q. Mr. Walker, when he said the big packers were saving money to the butcher was mistaken in his opinion?—A. I say that we curse the day they ever came to Toronto.

By Mr. Hocken:

Q. You have a store on Yonge street and you serve a high-class with high-priced cuts. If you had a store on Claremont street among the Italians could you sell the rougher cuts that you cannot sell in your store on Yonge street?—A. Some might be glad to do that with two shops, but one is enough at present prices.

By Mr. Sutherland:

Q. What is the size of your shop?—A. About 18 feet frontage on Yonge street. Nothing was put in for me except the walls. My lease will run another year yet. I do not suppose I will be there after that because I do not suppose I will be able to pay the rent. I think I have as nice a shop as any in Toronto. It is not on a corner.

By the Chairman:

Q. You gave evidence that you could not handle whole carcasses of hogs?—A. Yes.

Q. As a practical butcher, if this business was not confined to the higher priced cuts, and you could have the whole hog and sell it to some customer, and take the straight carcass of beef and sell your customers the cuts such as the ordinary man buys, the rougher cuts, and the beef you can sell now to your customers, all of them would be cheaper, would they not?—A. Yes, I could sell the best cuts cheaper.

Q. As a practical butcher you know that one reason for the high prices is because of the selections you make?—A. Yes, I have to make the best selections. We have to make great reductions on the other cuts. I will sell the cheaper cuts cheaper than butchers do who are selling in the poorer parts of the city.

[Mr. Thomas Bartram.]

By Mr. Euler:

Q. What do you get for these cheaper cuts?—A. 20 cents a pound on chunks of beef, flank 12 cents a pound. If you give me an order I will ship you some.

By Mr. Davidson:

Q. Have you a good demand?—A. No.

By the Chairman:

Q. In your judgment can an independent butcher go to the abattoir at the western stockyards and take an animal weighing 1,000 pounds on the hoof, kill that animal and get as much out of it as is taken out of it by the larger abattoir?—A. No, because they use up every bit of him, the toes, the tail, the ears and everything. They get more out of it.

Q. So that if they say they can do it and sell the beef to a man cheaper than he could do it himself, the reason is because they can get more value out of it?—A. Yes. We have no way of fertilizing our insides. We would have to give them the inside and throw our bones away. They send around for our bones three times a week to me.

Q. So that it is true that large abattoirs and packing houses can take a steer of 1,000 pounds weight and get more out of him than you can?—A. Certainly they can.

Q. And if they want to do business on an equitable basis they could sell cheaper?—A. I think they could.

By Mr. Douglas:

Q. Let me quote from this paper where delivered butcher hides, green, are sold at 18 cents a pound flat and calf skins, green, an average of 30 cents a pound. What do you say about these prices?—A. I say that is wrong. I do not care who put it there. I know what I get.

Q. Here is the Montreal market for the same day, and they say: Veal skins, 70 cents a pound.—A. Veal skins are calf skins weighing from 7 to 15 pounds.

Q. All kinds of skins?—A. I get 70 cents a pound for all kinds weighing from 7 to 15 pounds from John Hammond. The previous week I got 60 cents from Harris. Wm. Harris stated he had no outlet for 70 cent skins and could not give over 60 cents at that time, but if he could get a better market he would give 70 cents.

By the Chairman:

Q. You told the committee it cost you from 18 to 20 per cent to do business?—A. Yes, somewhere around that.

Q. You do a credit and delivery business?—A. Yes.

Q. If you did a cash and carry business, would it pay you?—A. If I did that I would pull the blinds down to-morrow.

Q. If you sold the same amount of goods to the people, and they would be willing to pay cash, and carry it home themselves, what difference would it make in the cost of your doing business?—A. I could not tell you because we compete with a firm selling meat that will send a spool of thread for five miles.

By Mr. Devlin:

Q. Do you buy from the farmers?—A. Not for many years. I could not do it profitably. I would have to hire a man and be away from the shop myself all my time, and it would not pay me.

Q. You could not go out and buy in competition with Swifts?—A. I think you could.

Q. Do you handle butter or eggs?—A. I do not make a business of it. I handle a little.

STUART HARRIS, called, sworn and examined.

By the Chairman:

Q. What is your business?—A. I am a retail butcher.

Q. Do you actually do your own butchering or do you buy meats butchered, cut them up and sell them?—A. I buy them already slaughtered, cut them up and sell them. I get them from Gunns, Limited, if I cannot buy them from the country from Bertella, Smithfield.

Q. Why do you buy from an outside butcher?—A. I get conditions from the country butcher that I cannot get from the abattoir.

By Mr. Stevens:

Q. Is it inspected?—A. No.

By the Chairman:

Q. What class of meat do you buy and sell?—A. Beef, pork, veal, lamb, and all products such as butter, eggs, lard, bacon and cooked meats. All kinds.

Q. What price do you pay for beef by the carcass to the abattoirs, to Gunns, Limited? During the month of May?

By Mr. Devlin:

Q. Before giving evidence on that I wish that he would tell us in what part of Toronto he is located?—A. I may say that Mr. Bartram's business is different from mine. He is dealing with the residential trade, the elite, and mine is just the opposite, I don't want you to give me the gruelling on the wholesale line that you have given him because I am not up on that end of it. My business is on Osler Avenue, West Toronto, off Royce, fifteen minutes from the Peacock hotel.

Mr. HOCKEN: A good working district.

By Mr. Stevens:

Q. You buy by carcasses?—A. Yes.

Q. Have you any difficulty in getting away with the front quarters?—A. This year I have specialized on them and pushed that trade, and bought extra fronts.

Q. What do you pay for beef?—A. I paid the country butcher on May 20, 23 cents a pound for a maiden heifer weighing 453 pounds dressed. This would be $104.18, delivered right in my shop.

By the Chairman:

Q. Would you give us comparative figures, showing what you pay Gunns for a similar carcass of beef?—A. I could have bought for less as beef was on the decline for two weeks. That same beef could be bought for 18 or 19 cents to-day, delivered right in our store.

Q. You paid 23 cents to the country butcher on May 30, and what would you pay Gunns on that date?—A. I would pay the same on that date.

Q. In the one case the meat is inspected and in the other case it is not inspected? Is there any other concession you get with that?—A. I get the heart, liver and tongue. Understand me, this is not a concession for buying uninspected beef. The heart is 10 cents a pound, the liver 10 cents a pound, and altogether they might figure out about $2.50.

Q. So that on 450 pounds of beef you get a concession of $2.50 as between the country butcher and the local butcher. What do you sell them for to the customer? —A. I sell round steak at 38 cents a pound. That is beef I am cutting up in the store to-day.

[Mr. Stewart Harris.]

By Mr. Stevens:

Q. Porterhouse roasts?—A. 40 to 42 cents a pound.

Q. Second roasts?—A. I take the whole loin, the short loin from the pin bone to the wing. I get practically the same right through. Some think they might get more for it by selling it in the wing. I have not done that. I cut it in steak. I sell brisket at 22 and 23 cents a pound. Shank and rolled beef 25 cents a pound and the whole shank for 12 cents a pound. I cut off a part of the flank for sausages at 25 cents a pound, which Mr. Bartram sells at 12 cents a pound. Where Mr. Bartram gets the top on the best cuts of beef, he falls down on the cheaper cuts. You will notice these cuts equalize for me, I have an equal demand.

Q. Is there more nutrition in the fancy cut than in the ordinary cut?—A. I would far rather have a piece of meat properly stewed.

Q. In other words the demand for the fancy cut is more a matter of imagination, than because of any particular value in it?—A. I would be encroaching on other people's business if I said that.

By Mr. Douglas:

Q. In purchasing beef, would you say that the carcass usually averages about 450 pounds?—A. I like beef weighing from 425 to 500 pounds.

Q. Was the live weight of that beef from 900 to 1,000 pounds?—A. The bulk weight of the beef which I referred to was 912 pounds live weight. Bertella paid 13 cents a pound for it, or $118.56. He sold it for 23 cents a pound, and he made $3 for his trouble. The farmer got $118 and the man who handled it got $3.

By Mr. Stevens:

Q. Who got the hide and offal?—A. That was included to me.

By Mr. Douglas:

Q. What would be the weight of a beef sold in the ordinary retail store dressed?—A. That is an important part of the cost of living. You go around to the different stores in Toronto. Go to the north part of Yonge street. Then you strike the Avenue Road district and possibly parts of Bloor street. They have a select trade there. Then there is the Queen street trade in certain parts. And there are butchers who can slip in beef weighing from 325 to 425 pounds of almost any kind, will do so. They might work in a heifer, cow, or stag and they sometimes sell men cow beef at 15 cents a pound.

Q. Your beef weighing from 425 to 500 pounds for the carcass dressed, is that first class beef?—A. This straight maiden heifer is first class beef only not so heavy as those for people who want a heavy roast. You cannot have heavy roasts and heavy sirloins out of this class of beef.

Q. You cannot sell that beef at the prices you enumerated?—A. I can give you a test, sir. There are men selling beef at 15 cents more than I am for the higher priced cuts, and those men can sell the lower priced cuts for less than I do.

Q. How much lower than you do they sell?—A. Probably not less than a couple or three cents.

By Mr. Stevens:

Q. A little inferior beef?—A. We butchers would call it a little plainer beef.

By Mr. Sutherland:

Q. You said a man might dispose of a stag or a heavy cow. That would not be keeping strict faith with the consumer?—A. That is not giving the public exactly what they think they are getting. This stuff should not be in print. I stood outside of a store the other day, and I saw a butcher with a rump roast slanted down. Enough was slanted down, just enough to cover the bone like water would cover the rock. He was trying to induce a woman to buy it, and it was a big fellow. His windows were full of

[Mr. Stewart Harris.]

meat like that. You could tell from the size of the animal what the meat had been obtained from. He got it on a scale. The customer thought she was getting a bargain, the price alured her, that was a few days ago. You can buy a stag or a heifer cow for less than choice beef. If not a wise man, you will get a stag slipped over on you for a steer. Lots of butchers do sell it that way. They do not know the difference. Here is an example of that beef. A hip of that beef would run 27 cents wholesale and 64-pound hips woud cost $17.28, a 7-pound shank of beef at 25 cents would be $1.75; 11 pound, bone meat at 10 cents a pound, and 10½ pound rib roast at 28 cents, or $2.94; 1 pound of fat at 20 cents a pound. The hip would go up to 34 pounds round steak costing 36 cents a pound, or $12.24. That brings the total of what I bought to 63½ pounds. I paid for 64 pounds. I should include five casings for $7.23.

By Mr. Douglas:

Q. What business do you do?—A. When I answered the Food Board I had $36,000. Since then trade has dropped off considerably. I have about a $30,000 turnover now. I am doing business alone, and the nearest I can get at it is nine per cent, I have no delivery, no horse. I have a boy before and after school, and one man on Saturday. I own the building, equipment, ice-machine and scales which I figure out at $10,000 and on which I want six per cent.

Q. What was your profit last year?—A. I figure on making from four to five cents a pound profit if I can.

Q. You must have some idea of what money you made last year?—A. I don't know because I have two houses, and I mix that with it. I keep the expenses but not the earnings.

By Mr. Stevens:

Q. You do a credit business? About how much credit?—A. About $700 every month. That is the total of my credit.

Q. Any losses?—A. I have not had $400 worth in eleven years.

Q. Practically none?—A. No.

By the Chairman:

Q. Have you any railroad men?—A. No. Only one doctor and several abattoir men.

Q. Have you a lawyer?—A. No, none. These prices represent prices to the working class.

By Mr. Douglas:

Q. Do you handle chilled beef?—A. I do not handle frozen beef. What is chilled beef?

Q. Killed to-day, chilled and sold in a month.—A. I have never had it. I think it would have to be frozen to be kept for four weeks. The abattoirs hold it at from 40 to 44 cents. I like to get my beef three or four days before I use it and hang it up.

By Mr. Hocken:

Q. Do you sell poultry?—A. No. Except in season. At Christmas time.

By the Chairman:

Q. Fresh hogs?—A. Yes.

Q. Can you tell me the price of hogs for this year and the corresponding period last year?—A. I paid for hogs to the same man 29 cents a pound for the carcass.

Q. What price?—A. And for a 157 pound hog, 30 cents a pound. That is a fair packers hog. We figure that out at a cost for 31 pounds of loin of 39 cents a pound or $12.09. One head weighing 14 pounds, at 13 cents a pound, or $1.82; four feet at 20 cents a pound or 35 cents; two backs of pork weighing 15 pounds for 33 cents, or $4.95; two bellies of 21 pounds at 34 cents, or $7.14; two shoulders of 14 pounds at

[Mr. Stewart Harris.]

28 cents, or $3.92; two hams of 33 pounds at 34 cents each, or $11.22; the trimming, fat and leaf lard amounting to 25 pounds, at 23 cents, or $5.75, making a total of $47.09.

Q. You only made one cent on it?—A. I am giving you a price at which to sell before I make a profit. These loins at 39 cents would cost 42 cents at the abattoir.

Q. Do you need to add anything to that?—A. I do not figure I can get over 15 per cent. I sell the trimmed loin from 48 to 50 cents, the head for anything which I can get. Though I bought it at 13 cents, I will probably sell it at 10 cents, a pound. I sell for 38 cents the backs which cost 33 cents a pound, and the bellies at 40 cents, which cost 34 cents. For shoulders I ask 32 cents, which we figured at 28 cents. Ham sells from 38 to 40 cents, and 42 cents a pound if sliced. That is for a fresh leg of pork. As for the trimmings I put them into pork sausage and sell them at 30 cents a pound.

Q. What is the profit?—A. I do not figure I would get over 15 per cent.

By Mr. Davidson:

Q. What is the profit per pound?—A. From four to five cents a pound. I do all the cutting, and I have to do as much as possible myself, with only the help that I have mentioned. I have a very restricted amount of orders, the balance of the people taking the meat away with them.

Q. Provided you are in the same position as you are now and have the same turn over and kept a delivery wagon to deliver, what would be the added cost per pound to meet that increased expenditure?—A. It cost previous to the war with one man from 14 to 15 per cent of the business for delivering. Now, I think it costs from 8 to 9 per cent.

Q. Do you make a difference in price between the people carrying it away and those to whom you deliver?—A. No.

By Mr. Douglas:

Q. Are you making as much money as before the war?—A. No, sir. I have more work now. I am doing besides my own work a great deal of work that a man used to do. I work 70 hours a week.

By Mr. Davidson:

Q. Could you not have two branches and sell the best cuts in a good district and the plainer cuts in another district?—A. It would not work. One is as much as any brain can handle.

Q. Have you ever known it to be tried out?—A. I have never known it to win out. I have known men who tried it when often they could pay 25 cents a pound for choice cattle, 30 to 32 cents a pound would be paid for hinds, and I bought the fronts for from 17½ to 19 cents. I worked hard to sell the fronts, and not buying hinds, because I did not see the advisability of selling hinds and paying 32 cents a pound until you have to.

Q. Mr. Bartram's prices are lower than yours, for some of the lower cuts? Why do you not buy from him?—A. Because his beef is too fat.

Q. Take the flank in a 600 pound carcass and there is a lot of fat?—A. Yes.

By Mr. Douglas

Q. Under the present method of doing business, is the consumer reaping the benefit from the fact that you are not making as much money?—A. The consumer is reaping the benefit. When we could buy meat at 16 cents a pound for certain cuts and sell them for 20 cents, we could make 20 cents on the dollar, that is 20 per cent on the cost. You take pork to-day at 40 and 42 cents, wholesale. I like Routley's pork. They chill it better. You have to get 50 to 53 cents to get a profit. I have been paying from 48 to 50 cents for tenderloins and selling them at an increase of 5 cents or 55 cents a pound.

[Mr. Stewart Harris.]

Q. The sum of your answers is that the consumer gets the benefit of your method of doing business to-day?—A. Yes.

By Mr. Devlin:

Q. When you do not get meat from the country you get it from Gunns. You heard Mr. Bertram speaking about the union stockyards and commission merchants and brokers. Have you any knowledge of that situation?—A. I have not.

Q. You never did kill yourself?—A. No, sir. I am a retail butcher. I am not a slaughter man. All retail butchers, who do not slaughter, should be called meat cutters, and all men who slaughter should be known as butchers.

By Hon. Mr. Fielding:

Q. How long have you been in business?—A. Eleven years in October.

Q. Speaking generally how do profits compare with those before the war?—A. I would far rather have them around the old prices. I made a better percentage and had less money invested.

Q. You made more or less money than before the war?—A. I make less now.

By Mr. Euler:

Q. You mean an actual loss or on the basis of what your profit will buy?—A. I am making less money for Harris. I have a turnover in money but not in pounds of meat sold, simply because the price is high.

By the Chairman:

Q. Do you make more money per pound of meat?—A. Less, and less in the aggregate.

Q. Tell us something about butter prices now?—A. I buy from the Wm. Davies Co. at 54 cents a pound for No. 1 creamery—Glengrove.

Q. What do you sell it for?—A. 58 cents.

Q. Do you deliver it?—A. I do anything the customer desires, within reason.

Q. Your margin of profit is 4 cents a pound?—A. On this particular grade it is. That which I buy from Mitchells at 56 cents a pound I sell for 60 cents.

Q. Have you any other lines than creamery butter?—A. Yes, I have dairy butter, grass butter which I buy at 52 cents, very choice, in one pound prints, I sell it for 55 cents a pound.

Q. Your margin of profit is 3 cents a pound in that kind of butter? Do you handle any solids?—A. No, sir. I do not handle it except in cold weather when it allows me to keep a greater quantity, but you cannot possibly keep it in the hot weather.

Q. What prices have you been paying for eggs recently?—A. I have been paying from 49 to 53 cents a dozen. I get them from Dundalk. It cost me a cent above that to get them in.

Q. Have you done a very large business?—A. Not for months. Their prices range from 52 to 54 cents.

Q. And you pay from 49 to 53 cents with a cent added?—A. That is correct. Since you received these reports yesterday eggs have dropped, two, three or four cents a dozen.

Q. What do you sell eggs for? What profit do you get?—A. I get a retail profit of from four to five cents a dozen.

By Mr. Sutherland:

Q. Do you buy from the country?—A. I get some from about 17 miles out from the city.

[Mr. Stewart Harris.]

By the Chairman:

Q. Do you handle bacon and hams?—A. Yes. I pay Armours 50 cents a pound for special loin back bacon which I retail at 60 cents. I slice it at 60 cents.

Q. Hams?—A. I get Wiltshire hams at 40 cents a pound. I bone them out, and if boned I slice it at 50 cents and if boned out I put it on the machines and slice it at 55 cents. That gives me five to six cents a pound, on the boned ham. I find buying Wiltshire hams more profitable than buying hams except in the winter time.

By Mr. Sutherland:

Q. We understand that the Wiltshire side is the hog split in two?—A. That is how I buy them in the winter time. I sell them now. Some men, who handle hams, say the proper name is Gammet.

Q. 50 cents, is that for smoked hams?—A. For green ham.

By the Chairman:

Q. As a practical meat cutter or retailer can you see any way by which the trade could be adjusted with a more expensive trade? I mean could they be brought together in some way in order to reduce the cost of distribution?—A. When men begin to make less money they must go on smaller rations. If he is getting so many thousand a year he has to live on it but if he does not get so much he would cut his coat according to the cloth. He would not buy so much sirloin steak. The man getting money buys more extensively and expensively than the man on the salary. The more money a man has the more money he will spend. That is the general rule as I have found it.

By Mr. Euler:

Q. You stated that in buying a carcass of beef you paid 22 or 23 cents a pound dressed?—A. 23 cents a pound, that was for a particular one.

Q. If buying now how much could you buy it for?—A. 18 cents a pound.

Q. How do you explain that? Why is the price coming down?—A. Most of the packers feared that there would be a strike on Monday morning. They stocked on beef in anticipation of that strike.

Q. That is a local temporary condition then?—A. I do not know. They are overstocked for the time being.

By Mr. Reid:

Q. They prepared for a strike?—A. Yes.

By Mr. Douglas:

Q. That may last only for a week?—A. Hot weather has knocked the trade endways.

By Mr. Sutherland:

Q. Why?—A. People stop eating meat.

By the Chairman:

Q. Is there any evidence of a combine among the large packers to make it difficult for men like yourself to do business? Have you any difficulty in getting products from Gunns, Armours, Wm. Davies people, the Swifts, or any of those people?—A. I will tell you. My order with the packers is that everything be sent on to me C.O.D. That is my usual offer since I started in business. In doing business in that way, a man, paying as he goes, can get a half cent or a cent, and occasionally a few cents lower than another place that does not do business in that way.

[Mr. Stewart Harris.]

Q. The additional price to those who buy on credit would be an insurance taken by the packer against the additional risk of loss?—A. I would not say. It may be an inducement to get trade.

By Mr. Reid:

Q. Have you ever had beef slaughtered at the city abattoir?—A. Yes, from the Wm. Davies Company. Not lately. The Armour Company and some smaller men are the only ones slaughtering there now.

Q. You are a city butcher and not doing business with the city abattoir?—A. Because I could not. If I could buy in bulk it might be different but if I could buy one, I would have to hire a man. He would cost me roughly $4 a day. I would have to have a delivery rig. Supposing I bought at the union stockyards, I would have to select in bulk, and run a chance on my own judgment. Then I would have to drive them to the city abattoir, pay to have them killed and then go and get them.

Q. You are not in the slaughtering business?—A. I would have to pay one of the civic men to kill it. I would lose a whole day, I would have to have a man in my place. Perhaps he would run $4 or $5 a day. And also I would have to have a delivery rig to get it from the abattoir to my place of business, and if I did not fare any better than the men do who have been getting theirs in bulk, I had better get it dressed.

By the Chairman:

Q. You can buy from the people selling beef in large quantities, and get it cheaper for you than if you were to go out and get your cow, kill it yourself and get it to your place of business?—A. Yes, sir.

By Mr. Hocken:

How many animals do you use a week?—A. It is cut down to two now. I have sold as many as seven.

Q. Supposing a man had sufficient business to sell two animals every day, would it be profitable for him?—A. It would depend entirely on his ability to buy cattle on the hoof and tell what percentage they would kill out at.

By the Chairman:

Q. From Mr. Bartram's evidence I understand there are no cattle sold at the city market?—A. I believe the Armour Company are killing there. I am told that there are three people on the market who buy them there on the hoof.

Q. They buy the cattle on that market and bring them to the municipal abattoir to kill them?—A. I can quote the gentleman you had reference to some time ago, Mr. Darby. He goes to the country and buys cattle, and takes them to the municipal abattoir and has them dressed. He buys them for his own trade, and if he wishes to make a deal he will sell.

Mr. SUTHERLAND: That would substantiate Mr. Argue's statement that by reason of their volume of business the abattoirs can handle carcasses and deliver them to the butchers cheaper than the butchers can do it for themselves.

By Mr. Euler:

Q. Can the ordinary man go into the work of slaughtering and getting meat ready as cheaply as the big abattoir can?—A. No, I don't think so.

By Mr. Davidson:

Q. Do you think the intervention of the big abattoirs would not increase the price of meats?—A. I do not know. I would like you to take notice of something I have from two packers, that the overhead expense is added on to the cost of the article.

[Mr. Stewart Harris.]

By the Chairman:

Q. The overhead of any business must be added to the cost of the article?—A. Not in ours. It comes out of what we make. They net a good price in the abattoir, then ask for a price which will cover the overhead expenses, and then over that give them a profit. They are guaranteed their cost of work and wear.

By the Hon. Mr. Fielding:

Q. The chairman asked you if you have a free market in buying? You buy C.O.D., and you get a definite advantage as any man will from a cash transaction. Have you a free market? Or are there many things which lead you to believe that there is a combine among these large houses? Can you go to Smith, Jones or Brown, or anyone to buy?—A. Yes. They will sell with pleasure. There is competition for my trade.

By Mr. Hocken:

Q. If you owed Gunn a bill, could you go to Swifts and get meat?—A. Conscientiously I could not, but they would sell to me if I did.

By Mr. Euler:

Q. You say that there is competition for your trade, are different prices quoted to you by the different packers?—A. Some packers send out special prices on different mornings. One firm sends out a special letter every day.

By Mr. Reid:

Q. Do salesmen visit you from day to day?—A. Two or three times a week.

By Mr. Stevens:

Q. Can you compete with Timothy Eaton's butcher department? Do you find the competition from it keen?—A. I do considerably. I believe that they get stocked with certain cuts, and they will put a great big inducement on for that morning in order to get rid of it, so many thousand pounds of stewing beef for 15 cents a pound, and so on. Some other companies will sell round steak for a leader at 37 cents a pound.

Q. Will they lose money?—A. They will lose money on that. They are selling all of the hips that they can, and they try to make up in other kinds of meat than the leader, what they lose on the leader.

By Mr. Euler:

Q. On the average are they lower?—A. On the average they are higher.

By Mr. Stevens:

Q. Then why is there any difficulty in competing with them?—A. I am speaking of these special prices.

By the Chairman:

Q. In the ordinary lines is there any difficulty in competing with them except when they appeal to the public on these special lines?—A. I cannot meet special sales. I cannot stand the loss they are willing to take.

RECESS.

[Mr. Stewart Harris.]

The Committee resumed at 4 p.m., Mr. Stevens in the Chair.

Mr. W. J. Parks, called, sworn and examined.

By the Vice Chairman:

Q. Where is your place of business?—A. Bloor Street west, Toronto.
Q. Your line?—A. Groceries and meats.
Q. How long have you been in business?—A. About 9 years.
Q. Are you an incorporated company?—A. No.
Q. This is your own business?—A. Yes.
Q. You are the proprietor?—A. Yes.
Q. What is your turnover?—A. $66,000 last year; about 40 per cent meat and 60 per cent groceries.
Q. What does it cost you to do business?—A. The total expense of doing the combined businesses about 19½ per cent.
Q. You keep books?—A. Yes.

By Mr. Devlin:

Q. Do you have a delivery?—A. Yes.
Q. How many?—A. Two delivery wagons and a car for special deliveries.
Mr. Douglas: A Ford?—A. Yes.

By the Vice Chairman:

Q. Do you do a cash or credit business?—A. Cash and credit.
Q. What is your loss on accounts?—A. My loss on accounts since I have been in business in the 9 years has been about $1,000. The larger part of that occurred the first two years I was in business.
Q. Your loss is very small?—A. Yes. The last five years I have not lost $25.

By Mr. Devlin:

Q. Where do you live?—A. 544 Dovercourt Road.
Q. Your business address?—A. 471 and 473 Bloor Street West, Toronto.

By the Vice Chairman:

Q. Is it a high class trade?—A. Yes.
Q. What would your net profit be on your business last year?—A. As far as I can figure out, I do not average scarcely 20 per cent on my business.
Q. Your net profit?—A. I could not tell you.

By Hon. Mr. Fielding:

Q. You mean twenty per cent on the gross turnover?—A. Yes.
Hon. Mr. Fielding: That would be a big item.
Mr. Douglas: It cost 19½ per cent to do that and he has only a margin of one half per cent.

By Mr. Douglas:

Q. Do you mean to say you do not know what your net profit was last year?—A. I knew when my business was all paid up—I have not taken stock yet. I take stock in June, and I cannot tell till I take stock.
Q. You could not tell without taking stock?—A. No.

By the Vice Chairman:

Q. The year previous to that?—A. As far as I can remember, about the same amount.
Q. A very small amount, after allowing for your salary?—A. If I could sell my meat business and do my groceries I would not be in the meat business. I get my stock

once a week and I know what I do, and it does not average 18 per cent. It is a high class business, and you have to buy the extra best to supply our trade, and it is almost impossible to make anything. You have to buy extra quarters and extra lots of beef.

By the Vice Chairman:

Q. What do you pay for a carcass?—A. According to the market price, about 25 cents and down to 23 and 22 cents.

Q. It dropped a little last week?—A. Yes.

Q. On hind quarters what do you pay?—A. As high as 30 and 32 cents.

Q. What class of beef do you purchase?—A. No. 1, beef averaging 550, sometimes heavier and sometimes lighter.

By Mr. Devlin:

Q. From whom do you buy?—A. Anyone at all.

By the Vice Chairman:

Q. Do you buy freely from any dealer?—A. Yes.

Q. Do you make it a practice to buy from the big abattoirs?—A. Mostly from the large abattoirs.

Q. You never have any difficulty getting supplies?—A. Oh, never.

By Mr. Douglas:

Q. Do you feel you are being stung at those prices?—A. We buy at the market prices and we do not know whether we are stung or not.

Q. Do you feel you are buying under keen competition?—A. Yes. We find prices invariably the same. There are some times when some house will make a special offer. They may be overrun with a special line of goods, and make a special offer, but the prices are invariably the same. On lamb and beef they are generally about the same.

Q. Considering the price of beef on the hoof, do you figure if you had the facilities you could buy and do your own butchering any cheaper than you could buy from an abattoir?—A. I never went into it, and I do not think I could. I think an abattoir should be able to handle beef better and more economically than a small concern. I think I would make a waste.

Q. Do you think they handle it better and more economically?—A. I am satisfied they do because they make money out of the offal.

Q. What do you get for No. 1 sirloin beef?—A. About 45 to 48 cents a pound, and porterhouse undercut 48 to 52 cents a pound.

Q. Do you buy any of the cheaper lines?—A. We handle them but we lose money.

Q. What do you sell at?—A. 12 to 15 or 18. There is a class of people that will buy that cheap meat.

Q. Your experience is very much the same as Mr. Bartram.—A. Very much the same.

By Mr. Reid:

Q. You buy from independent people?—A. We do.

Q. Do you buy any butter?—A. Sometimes.

By Hon. Mr. Fielding:

Q. You stated the prices were all the same? Is that an accident or the result of a combination?—A. I could not tell you that, but there is no question about it. I think they know pretty well the price of meat, because the travellers come in the same day and the prices are usually the same.

[Mr. W. J. Parks.]

By Mr. Douglas:

Q. Does it strike you as being peculiar?—A. It strikes me in this way; that they know what they are doing. They are all together the same as on the fruit market.

Q. Have you any arrangement among the retailers as to fixing prices?—A. None whatever.

Q. No agreement amongst a group of grocers or butchers as to the run of prices? —A. Never asked a man to do that. There is no fixing prices whatever.

Q. Your business is costing 19½ cents. Is there any possible way you could not cut that cost down?—A. If I could do without delivery and without expense of men I could do it.

Q. You say you turn over $66,000 in business?—A. Yes.

Q. And how many men do you have?—A. I have two city men in my butcher department and two in my grocery and two girls and two drivers. And then I have extra help at the end of the week, besides my own family.

By Mr. Devlin:

Q. What salaries?—A. I pay them from $15 to $22 per week. And girls $10.50.

By Mr. Douglas:

Q. You say 40 per cent of your business is meat business?

Q. It takes two men to do your business, besides extra help on Saturday?—A. Yes.

Q. That would be $26,000 or $27,000. Mr. Harris is doing business much cheaper with a turnover of $30,000.

Hon. Mr. Fielding: Is it not possible that the cost of doing business may not mean quite the same thing. What are the items that make his cost of business?—One man may count one thing that the other does not. What are the elements that enter into the cost of business in your estimate?

Witness: The wages of the men, doing business, the costs of delivery. Feed has gone up. Hay is going up. It is $52 a ton. Five years ago it was costing $25. The increase in my cost of doing business since 1914 has increased more than 5½ per cent.

By Mr. Douglas:

Q. What rent do you pay there?—A. One hundred dollars per month, and taxes, about 2 per cent of my turnover.

By Hon. Mr. Fielding:

Q. What other items?—A. There is the wages and the office expenses doing business, and we do not do any advertising, and there is the fuel and light and water rates.

Q. And insurance?—A. Yes, and taxes.

Q. And salary for yourself?—A. Yes.

By Mr. Douglas:

Q. What salary do you take yourself?—A. $20 per week besides our living which amounts to $15—$35 a week.

By Mr. Sutherland:

Q. What do you value your light, heat and taxes at?—A. Last year they charged $4.50 municipal taxes, my light and expenses were $10 a month, gasolene and electric light.

Q. You did not have to pay any business war profits tax?—A. I certainly did not.

[Mr. W. J. Parks.]

By Mr. Sutherland:

Q. You have figured that carefully, that 19½ and you do not see any way of reducing it?—A. There is no way of reducing it, we are having extra help. I am in the store as a rule myself and I do a lot of clerical work, from 7 o'clock in the evening until 10 o'clock at night, and I have another man in the store, two men in the groceries department, and two girls and myself. The girls do the cash and the book-keeping.

By Mr. Reid:

Q. How much do you reckon that your credit system adds to the cost?—A. If I could do without a book-keeper, I would save $15 a week, $60 per month.

Q. Would it pay you to cut out the credit?—A. No, it would be impossible in the present situation, even some members of Parliament who are here, doctors, lawyers, and real estate men, very good men, and very good pay are my customers. It would not pay me to cut out my credit business.

By Mr. Davis:

Q. What do you think about the telephone business and its effect upon the living costs?—A. In my opinion the majority of the householders use the telephone too often incurring considerable expense in the delivery. It is a common thing for me to have phones from one house three times in the forenoon and two in the afternoon, and each delivery will cost 5 cents. We have a regular system of delivery, we start one route at nine, another at 9.30 and at 10, 11, 11.30, in different directions.

By Mr. Douglas:

Q. Have you any idea what proportion of your expense the delivery cost is?—A. I am trying to figure that out. My cost of delivering would be 5½ to 6 per cent. We cannot get that exactly, because the cost of attending to the wagons, and keeping them in shape will be greater one year than another.

By Mr. Hocken:

Q Where is your store?—A. Brunswick Ave., near Bloor and Spadina.

By Mr. Douglas:

Q. How much stock do you carry?—A. About $7,000 perhaps, and fixtures I think it runs about $7,000, my fixtures are not elaborate, the shelving belongs to the store and my fixings are not too expensive.

Q. Well, if you figure it out, your delivery equipment and all your incidentals in the grocery store, $1,500 will not get very much.

By Mr. Reid:

Q. It seems to me that the amount of help which you have is too great on account of a turnover of $60,000?—A. $66,000 I said.

Q. It seems to me you have a heavy staff for that amount of business?—A. Well, it may be that I have, it would be just as I was telling you, some orders would be $5 and some $1 and there are a good many accounts, but they are very good accounts, and that is the cost of doing business. I take stock of my meat department every Monday morning. Now we are paying $30 a ton for ice. And paper which used to cost 5½ cents now cost 11 cents a pound and it is with the paper bags the same way. And then you take the Government, we used to send out 25 cheques on overhead and they used to cost 25 cents and the same cheques now cost $1; 2 cents on each cheque and two cents for mailing.

[Mr. W. J. Parks.]

By Mr. Douglas:

Q. With regard to the charges for paper bags and paper I thought you men weighed that in with the articles?—A. No, sir, we never do; the paper never goes on the scale at all.

Q. But there is a proportion of your goods that you would weigh in the paper?—A. No, you take the vegetables and things of that kind they do not go on the scale.

By Mr. Reid:

Q. Have you ever tried to educate your customers to buy in larger quantities in order to bring down the cost?—A. I have tried to do so, and was told that if I could not serve them they would go elsewhere.

By the Vice Chairman:

Q. When the public demand a certain service and you want to get that trade and keep that trade you have to meet them?—A. Yes, or they will go elsewhere.

By Mr. Hocken:

Q. Is your trade northeast?—A. North and east through Rosedale.

By Mr. Sutherland:

Q. Between the overhead and cost of delivery you cannot perhaps make much reduction under the present system where half a dozen grocers are sending their delivery wagons over the same routes; could some of that cost not be saved?—A. No, we could not do it. We send out our wagons three times a day; we could not do much in that way. From this time of the year on, we cannot reduce help, and our trade goes away. That is an important part of our business. We have good men and we have to keep them, and we will lose money in the next few months.

By Mr. Douglas:

Q. I think the real secret of your business is that you are losing too much money on the meat end?—A. If I could dispose of my meat business without hurting my grocery business I would dispose of it to-morrow.

Q. You mean that it would injure your grocery business?—A. I am satisfied that no man will make a success of the meat business unless he attends to it himself, unless he watches every detail himself.

By Mr. Davis:

Q. What proportion of your trade comes over the telephone?—A. Eighty per cent of my business is telephone business.

By Mr. Reid:

Q. Are they mostly small orders?—A. No, they are my best customers.

By the Vice Chairman:

Q. They are small in quantity?—A. Yes, small in quantity; they buy from day to day.

By Mr. Reid:

Q. Small individual orders?—A. For household requirements.

Q. How many would be delivered before dinner, for instance?—A. Sometimes they will order six bars of soap, sometimes bread. We have been delivering bread at a loss of nine and a half or ten per cent.

By Mr. Hocken:

Q. Do you sell much bread?—A. Possibly thirty loaves a day. The most of my customers get their loaves from the baker, but we do a certain amount of bread trade.

[Mr. W. J. Parks.]

By Mr. Devlin:

Q. Do you mean that you sell meat at a loss all the year round?—A. No, not all the year round, sometimes we make a little money. We are paying more for ice, and consequently we lose money.

Q. But you make enough profit for certain months of the year?—A. I do not think we make more than 18 per cent on an average on our meat.

By Hon. Mr. Fielding:

Q. Returning to the question of your purchases, is there any explanation of the curious fact that the prices you speak of with those of your competitors are always the same?—A. I cannot give you any explanation; I can only surmise.

Q. But you have suspicions?—A. I can only surmise.

By the Vice Chairman:

Q. What is the competition between the big houses; is it on service. Do they call on you every day?—A. Yes, every day.

Q. How many travellers call on you every day?—A. There is the Harris Abattoir Company, the Swift Canadian Company, Gunns, Matthews-Blackwell, and Davies' traveller frequently calls every day by phone.

Q. There are five big houses whose travellers call upon you every day?—A. Yes.

By Hon. Mr. Fielding:

Q. And by some accident they have the same price?—A. You will find the price practically the same day in and day out, unless some one wants to remove something and you will get it a little cheaper. It may be that they have some goods to dispose of to make room for other stock.

By Mr. Sutherland:

Q. They all purchase in the same market, and consequently you would expect their prices to be about the same.

Hon Mr. FIELDING: Substantially but not exactly.

Mr. SUTHERLAND: We had an illustration of that yesterday in Mr. Throop who purchased supplies and stored them away.

The WITNESS: The class of goods he is handling is entirely different from what we are handling in Toronto. There is a man in Toronto who handles the same class of goods, the cheapest meat he can buy, possibly two or three days old, and meat with little or no fat on it.

By the Vice Chairman:

Q. Your customers would not purchase that class of meat?—A. I would not have it in my store.

Mr. DOUGLAS: That man does a business of half a million dollars a year and he has been in the business eight or ten years.

The VICE CHAIRMAN: Twenty-five years.

Mr. DOUGLAS: And yet he is doing a good business.

WITNESS: They will make money out of it.

By Mr. Douglas:

Q. Evidently he is satisfying his clientiele?—A. Quite true. There are people in Toronto who sell the same class of goods and are making money too.

By Mr. Hocken:

Q. In what part of Toronto?—A. Take Queen street, there are a lot of stores there that do that class of trade. It would not suit my place.

[Mr. W. J. Parks.]

By the Vice Chairman:

Q. Your people can afford to pay you what you charge?—A. We cannot get rid of the rough stuff. There are rough parts, the neck, the flank, and the brisket which we have to sell at a sacrifice price or throw it out.

Q. To whom do you sell that?—A. Most of our offal and fat go to the Swift Canadian Company.

Q. You sell it back?—A. At 60 cents a hundred for bones, and the better quality of fat for about five cents a pound. That is the way it averages.

By Mr. Hocken:

Q. Does that go back to be rendered or packed?—A. They use one part for tallow, and another part for making eleomargarine and so on.

By Mr. Douglas:

Q. Have you any information to give regarding bacon?—A. We buy bacon on the markets, different lines. We handle Harris's and White's, mostly White's. We find it a satisfactory bacon. For White's bacon we pay 46 cents, that is for side bacon.

Q. That is much cheaper than Swift's Premium?—A. That premium bacon is good bacon. We handle it but I think it is more in the name than anything else.

Q. You urge upon your customers that it is equally good bacon, that 46 cents bacon?—A. They advertise it and the man who advertises has got to get an extra price for his goods.

By the Vice Chairman:

Q. What is the name of the packer?—A. The White Packing Company.

Q. It is a small concern?—A. A small company.

Q. What do you get for it?—A. 55 cents a pound. On each side you will lose half a pound or a quarter of a pound.

Q. You handle Swift's Premium?—A. Yes.

Q. What does that cost?—A. 47 cents and 48 cents a pound.

Q. What do you sell that for?—A. 58 cents a pound.

By Mr. Sutherland:

Q. Are they backs or sides?—A. Sides.

By Mr. Davis:

Q. At what price do you sell canned goods, vegetables for instance, tomatoes, peas, beans and corn?—A. Tomatoes sell at 20 cents, corn 23 to 25 cents. There are two lines of corn. Peas have been raised from 15 to 25 cents. Beans vary from 22 to 25, according to quality.

Q. What makes the difference? Is it cut or string?—A. No, the difference is in the quality. The difference in the lines of tins vary.

By Mr. Douglas:

Q. Then you consider yourself at the mercy of the canning companies?—A. We are asked to order goods now. We know nothing about the price until the goods are in the market. We do not know what we are going to pay for the goods at present.

By Mr. Davis:

Q. Are you buying from anybody?—A. We buy from anybody we wish to.

Q. That is from any wholesaler?—A. Yes.

Q. But not from the country?—A. No.

By the Vice Chairman:

Q. What would you buy in the fall?—A. We put in tomatoes.

Q. You would not buy by the carload?—A. No.

Q. You would buy mixed?—A. We would buy a carload of mixed stuff, yes.

[Mr. W. J. Parks.]

By Mr. Sutherland:

Q. Do you handle beans in bulk?—A. Yes.

Q. What do you retail them at?—A. 12½ cents a pound.

Q. What do they cost you?—A. The quality I bought early in the season cost 9¼ cents a pound.

Q. You could have bought them cheaper afterwards?—A. Yes.

By Hon. Mr. Fielding:

Q. On what articles is there a tendencey to fall down on the market?—A. It is difficult to tell. We cannot tell what the market is, it is only speculative, at the present time we do not know. They have been coming in and trying to sell us canned goods, and we do not know what they are going to be.

Q. Are they quoting prices more or less than last year?—A. No, not quotation of cost on the market.

Q. They expect you to buy the goods and pay them later on?—A. Yes.

Q. If you do not like to do that you can go without them?—A. I might say in my estimation the wholesale houses are all together. If a man comes to-day and quotes you a cheaper price for some goods, and he comes round at the end of the week you will find his prices are exactly the same as the others. I have sometimes been able to buy an article, and the man comes in next day and the price is the same. I have authority that a man comes round and keeps them posted on the lines of prices.

Q. That is the Grocery Guild?—A. Yes. The manufacturer and producer of goods I understand are pretty well in touch with the wholesale grocer, and they have arranged their prices. On shredded wheat we used to make a fair margin of profit, and we cannot pay expenses on it now. If I was to deal in it alone, I could not do business.

By the Vice Chairman:

Q. What is the price of it now?—A. 15 cents.

Q. That is not much of an advance?—A. They have cut the shredded wheat down and they have given the wholesale grocer more profit when they cut it down.

By Mr. Douglas:

Q. Have you ever purchased canned goods from any independent packer?—A. Sometimes.

Q. Can you do it yet?—A. No, we cannot do it in the past couple of years.

Q. For what reason—A. They sell through the wholesale. I do not know of anyone who goes to the independent packer. No packer goes to the retail trade and asks them to buy goods.

Q. You have brokers in Toronto?—A. Yes.

Q. Manufacturers' agents who handle canned goods?—A. Yes.

Q. Do they never go to the retail trade?—A. They do, but he is a jobber just the same.

Q. Supposing he sells you a carload of mixed canned goods including fruit and vegetables—do you never have men call on you of that character?—A. Sometimes.

Q. You do not buy them?—A. Sometimes we buy some line of goods and secure a market for them, but you cannot take chances in waiting on that man, as there is liable to be a poor crop of goods and you cannot get them, and you are liable to be without them.

Q. Supposing you say, "I want 150 cases of tomatoes and corn, peas and beans"?—A. That is an open order and they do not obligate themselves to fill your order in the fall.

Q. They will say that they will give you a guarantee of 50 per cent?—A. Yes.

Q. But you are under no obligation and they are under no obligation.?—A. When the prices are named, if you do not wish to take the order, you turn them down, but if the prices are high or goods are scarce you may be glad to get them.

[Mr. W. J. Parks.]

By the Vice Chairman:

Q. Another feature enters into it: That the canner cannot possibly fix his price in the early part of the season until he knows what the crops are going to be and what he can buy his produce for—that is the raw stuff. If there is a short crop of tomatoes there will be a short price, and he cannot give you prices now. Is that the reason?—A. That is one reason. Another thing that enters into the high cost of living is that there is a heavy duty on fruits and tomatoes and other goods coming in from the other side. Tomatoes sell at 40 cents a pound. They come into the market now and we would be better without them. I do not think there is a grocer in Toronto ever makes a dollar on them.

By Mr. Douglas:

Q. Yet your trade demands it?—A. Yes, and other lines of goods the same way.

By the Vice Chairman:

Q. That applies to unseasonable fruits and vegetables?—A. Yes.

By Mr. Douglas:

Q. Why do people buy them out of season?—A. All classes buy them; if they are on the market they all buy them. Women whose husbands earn $15 a week or $50 a week want them just the same. There is no question about that.

By Hon. Mr. Fielding:

Q. If the duty were off, what effect would it have?—A. Goods would be cheaper. There is no question about that.

Q. There is considerable importation of these things?—A. Yes, we are paying 42 cents for a quart basket the wholesale price of them and they are retailing from 45 to 50 cents a basket.

By Mr. Sutherland:

Q. Does the price of canned strawberries fluctuate very much?—A. Not a great deal. It depends. Once the price is set it will remain the same for the season.

Q. Canned strawberries have increased, have they not?—A. That all depends upon the price that is first set, if the price goes up it remains the same price for the season. I understand that the canners are paying the Canadian growers this year 25 cents a box, and if they are going to do that strawberries are going to be very high.

By Mr. Douglas:

Q. Do you find the demand increasing for these goods in your trade? Is there more demand for this kind of thing this year than last?—A. That is because quite a lot of these people say that they would rather have the canned than the home canned goods.

Q. I am speaking of the demand for the tomatoes?—A. No, there is not.

Q. No greater than last year?—A. I would say that since the war has been over the idea of the people has been to do a little more entertaining, as a result they do a little more business possibly.

Q. It struck me as singular that strawberries at this time of the year should be 42 cents, and last year they were only 25 cents a box.—A. That is all right but that is the price in that market.

Q. Is that owing to the scarcity of the fruit or to the increasing demand?—A. To the scarcity of the goods coming in, and to a greater demand. It may be scarcity of crop too, but I was told the other day that Toronto could do with 5 cars of strawberries a day, and there are only 2 coming in to-day, and as soon as the packers' demand commences, they are going to give high prices for the goods.

Q. That is the wholesale man?—A. Yes.

[Mr. W. J. Parks.]

By Mr. Davis:

Q. Will you run over these Toronto retail prices published in the *Labour Gazette* on March 19th, there is a whole list of commodities there with the Toronto prices, and just let us know what your opinion of those prices would be; that is the price on the 15th of February. (List handed to witness.)

A. I do not think there was any good sirloin steak sold this year at 25 cents a pound in Toronto.

By the Vice Chairman:

Q. You might just say what you think the correct prices were, as near as you can say, at that time?—A. 35 and 40 cents a pound; and this round steak 30 cents a pound, and rib roast 30 and 35 cents a pound. Shoulder roast, that is 25 cents I would say that is fair, for a cut of shoulder roast beef. Pork chops that is very wide, there 48 cents a pound, might be all right at that time; bacon 45 that is a low margin for first-class bacon; milk 16 cents a quart, is correct; now the price given for creamery butter 60 cents a pound, butter the last three months has been higher than for years. On the 15th of February first-class creamery was selling at 65 cents a pound. Lard 33 and 35, high quality—I might say to you gentlemen here that there are some manufacturers in Toronto—I do not think they should be allowed—are putting up lard in packages represented as a pound which is two ounces short; it is not fair to the public.

Q. There is a law against that?—A. No, there is not, it is not sold by weight. Eggs 65 cents per dozen, that is the average price for eggs, bread per pound 5.3—a loaf of bread is one and a half pounds——

Q. That is not right, 5.3 cents a pound?—A. That is not right. Loaves were selling at that time at 10 cents.

Q. How much is there in the loaf, is it a two-pound loaf?—A. One and a half pound loaf, for the single loaf, three pounds for the double loaf.

Flour per pound?—A. 24 pound bag is selling at $1.75, it depends upon the flour. Rice is selling of good grade at 15 cents a pound, it is according to the quality. Beans, that was a high price for beans in my estimation, 12½ cents is a good price for beans. That would be about the right price for 90 pounds, the average price. Peas 15 to 25 according to quality; 25 is the highest they would run from 23 to 25. Sugar, granulated, that is about right. Tea is about right. They are very low priced for coffee, 45 cents a pound; prunes 25 to 35 cents a pound.

By Mr. Douglas:

Q. How do these prices compare with your prices?

The VICE CHAIRMAN: Generally they are low.

The WITNESS: I do not know where you got those prices from. There has been no first-class meat sold in Toronto market this year at the prices named.

By Mr. Douglas:

Q. They are lower prices than you are charging?—A. Well, some things; coffee 45 cents a pound—there has been no good coffee sold at that price retail for the last two years. I have been in the business long enough to know whereof I speak, and the Toronto trade buys on the average a 55 cent coffee.

By Mr. Hocken:

Q. What do you say to the suggestion that your trade is a little higher than that of the average grocer, a little higher perhaps than that of the average grocer?—A. No, about that of the average grocer; there is some higher class trades than mine; mine is a good local trade.

Witness discharged.

Mr. JERRY BURNS, 408 Dundas Street East, Toronto, called, sworn and examined.

By the Vice Chairman:

Q. What is your line of business?—A. Groceries and provisions, I handle a little provisions.

Q. You handle fresh meat?—A. No, no fresh meat.

Q. What is your annual turnover?—A. $27,000 to $28,000.

Q. Is this a personal business, or a limited company?—A. A personal business.

Q. Do you give credit?—A. I do both kinds, that is I do a little credit, a little cash, a nice trade and general business.

Q. Do you deliver?—A. Yes, I keep one horse and wagon.

Q. What clerks do you keep?—A. I just keep one clerk and I have an old gentleman that is round part of the time, and on the payroll all the time.

Q. You say your turnover is about $27,000.

Q. What does it cost you?—A. About 12 per cent to do business without taking anything for myself, and adding $1,500 a year for salary; my overhead is about 15 per cent.

Q. Is that a fairly accurate figure?—A. Yes, that is a fairly accurate figure.

By Mr. Hocken:

Q. Is your place near to Sumack?—A. No, the first block west of Parliament, I am in Mulqueen's old corner.

Q. Is your trade a local trade?—A. I have four or five customers in Rosedale, and a few people who used to live in the old district and having got well off have moved farther north and I still hold them.

Q. That is a pretty good district?—A. Yes, north of it on Berkley Street, from my corner north to Carleton is better than it is from my place south.

By Mr. Douglas:

Q. What is your profit of last year on $27,000?—A. I figured taking the $1,500 for my salary, that my net profit is 2 per cent on the gross turnover.

Q. That is over and above $1,500?—A. Yes.

Q. That would be about $550?—A. Yes, I figure it about that.

Q. That would give you a net salary of about $2,100?—A. Yes, I always figure that my business is worth about $2,000 a year.

By Mr. Hocken:

Q. What do you pay for rent?—A. $45, and I do my own fixing. I figure $50 for my rent and do my own fixing. The rental during my tenancy has just doubled. Nineteen years ago, I paid $25 a month.

By Mr. Devlin:

Q. You have been nineteen years there?—A. Yes.

By Mr. Douglas:

Q. Do you compete with the big department stores?—A. I have to compete with them.

Q. Are you increasing your business?—A. My business increased the first ten years, a little each year. I took a fair kind of corner grocery business, and when I got it up to a fair business, it was just as hard to hold it as it was to build it up. We ran into bad debts, and sometimes a customer would remove from the neighborhood and the house would be tenanted by some one who hunted their own grocer, and I would not be able to follow mine. It has been just as hard to hold the business as to make it.

[Mr. Jerry Burns.]

By the Vice Chairman:

Q. How much have you lost in bad debts?—A. Since the war, we have not lost so much. We did not take on anybody unless they looked pretty good. In the old days I was willing to take a chance.

Q. And you got stung sometimes?—A. I got stung a good many times.

Q. You learned your lesson?—A. Yes.

By Mr. Douglas:

Q. You say that the competition of the departmental stores is pretty keen?—A. I did not answer your question. There is no doubt it is keen from the amount of goods they turn over.

Q. Have you increased your business during the last three years?—A. I am about holding my own. My business does not vary very much because I do a business practically with the same people all the time. We do a little transient trade, but the people who go by are either on foot or hustling to work, and we have not tried very hard to put goods outside. In the old days I tried that, but it was not a success.

Q. What is the size of your store?—A. It has a 17 foot frontage, and a depth of 30 or 40 feet.

Q. You are a kind of corner grocery store?—A. I am doing a corner grocery trade in a moderate residential district of working people. A good many people own their places, and that accounts for the population not coming in so strong.

By Mr. Devlin:

Q. You made the statement that you take out about $1,500 a year as a salary to yourself?—A. Yes, I figure at about $1,500 odds.

Q. Without wishing to go into the details of your personal business, can a man live on $1,500?

By Mr. Hocken:

Q. You are not charging rent against your personal expenses, but against your business?—A. Yes, against my business.

By the Vice Chairman:

Q. You live above the store?—A. Yes.

Q. And that amount includes the dwelling house?—A. Includes the dwelling house.

By Hon. Mr. Fielding:

Q. Do you include the things that you draw from the store during the year?—A. We do not include all we take from the store. I suppose we should add a little on for that. We do not keep track on everything.

Q. A man in the grocery business is very apt to draw a large part of his living from his grocery store?—A. We have a little meat.

By Mr. Douglas:

Q. You do not deal in any kind of meat?—A. The only things we keep are boneless pea meal smoked backs and cooked hams.

By Mr. Hocken:

Q. What do you sell cooked ham at?—A. 75 cents a pound, and we buy at 60. Mine is cured by a small curer named Fuller. I do not do any business with the big packing people outside of a little oleomargarine from Harris. We have their men in every day.

Q. Your business is in staple groceries?—A. Yes, butter, eggs, cheese.

Q. Any fruits?—A. Not very much fruit. I sell probably $50 worth of fruit a week.

By the Vice Chairman:

Q. What do you pay for that?—A. Eleven cents.

By Mr. Hocken:

Q. Most of the goods are carried?—A. Most of it is carried. We send a little out, telephone orders.

By the Vice Chairman:

Q. Where do you get your butter?—A. I only handle one brand. I pay 57 cents and sell for 65, creamery butter. Dairy butter, of course, is a little cheaper, but it is so hard to get dairy butter. I have not had a pound of dairy butter in months.

By Hon. Mr. Fielding:

Q. That means delivery at your door?—A. Yes. The Ottawa people get that butter direct from the creamery, but we do not. It comes from Winchelsea, Star Brand.

By Mr. Douglas:

Q. He delivers it down here for the same price as you do?—A. He gets it direct; I have to pay the middleman's profit.

By Mr. Hocken:

Q. Cannot you buy it direct?—A. No, I tried to, but could not do it.

By Mr. Devlin:

Q. Who are the middlemen?—A. The Marshall people are the middle people, they are the agents.

Q. If you are able to buy direct from them instead of through the middle man how much cheaper could you get it?—A. I guess two cents a pound would be the profit they would take. I am only surmising. I do not know that. They have said at times, "Well, we get two cents a pound on it."

By the Vice Chairman:

Q. Do they deliver it to you?—A. Yes.

Q. The shipper delivers it?—A. Yes.

By Mr. Hocken:

Q. Where do you get your goods?—A. From outside altogether the last three or four months.

Q. From farmers?—A. Yes, from round Woodstock and Richmond Hill and Scarborough.

Q. How do you get it?—A. The Woodstock stuff is shipped by express. The Richmond Hill man brings it in on the Metropolitan. He brings in the goods and delivers them himself. He brings them to my place.

By Mr. Douglas:

Q. Are you making money on bread?—A. No, I am losing money. If I was doing all bread and had the overhead I have, I would be losing money.

Q. Any milk?—A. I have a dairy across the road and one next door. At one time you could not buy a loaf of bread except in the corner grocery store, but to-day you can buy it mostly any place, the confectionery stores, and ice-cream parlours and everybody has been cutting into the grocery business and they sell bread.

Q. All clamouring to make money out of bread? The bread brings the people to your place, the same as tobacco and matches.

Witness discharged.

[Mr. Jerry Burns.]

Mr. D. W. Clarke, sworn and examined.

By the Vice Chairman:

Q. You are a grocer?—A. Yes.
Q. Anything else?—A. Straight groceries.
Q. Limited Company?—A. No, personally.
Q. Where is your place of business?—A. Avenue Road.

By Mr. Douglas:

Q. That is high class property up there?—A. Yes.

By the Vice Chairman:

Q. What turnover?—A. $90,000.
Q. And you conduct it by credit and cash?—A. Yes.
Q. Mixed trade?—A. Yes.
Q. And deliver it?—A. Yes.
Q. How many delivery wagons?—A. Four.
Q. What do you figure it costs you to do that?—A. It costs me about 18½ per cent.
Q. Is that a figure you can demonstrate from your books?—A. Yes.
Q. The cost of delivery comes out of that?—A. Yes, 7 per cent.

By Mr. Devlin:

Q. Does that include salaries?—A. Yes.
Q. How many employees have you?—A. Ten.

By the Vice Chairman:

Q. It includes drivers?—A. Yes.
Q. Clerks and book-keepers?—A. Yes.
Q. Cashier?—A. Yes.

Q. What do you estimate to be your net profit on your turnover?—A. My net profits have been like a good many others the last two years, I think 75 to 90 per cent of the grocers who have been hiring help the last two years would sell out if they could. There has been no profit.

By Mr. Douglas:

Q. No profit?—A. For the last two years there has been no net profit. The expenses are too high and the profits too small.

Q. Do you know of any remedy?—A. No, unless prices come down.

Q. Prices of labour?—A. And of goods too.

By Mr. Devlin:

Q. What would you attribute that to?—A. Well, the keenness to do business. People do not want to lose their trade and they are selling goods at a small profit. On a pound of butter we make seven cents. We made that much when we sold at 25 or 30 cents. With double the amount of money invested—half the percentage of profit—

By the Vice Chairman:

Q. You made a great deal more money when prices were half what they are to-day?—A. Yes, I made more money then.

By Mr. Douglas:

Q. What stock do you carry?—A. About $18,000.
Q. That includes your fixtures?—A. Yes.

[Mr. D. W. Clarke.]

By Mr. Devlin:

Q. You said you attributed this condition to the keenness of men to do business?—A. Yes, to hold their trade.

Q. That is one cause for the rise in the cost of things?—A. No, one cause of our decreased profits.

Q. Has the fact of the bigger institutions like the cold storages going into retail business had any other effect?—A. I do not know if the cold storages going into retail business had any effect. I think the cold storages have been a godsend to the country in preserving of goods.

Q. But as to their retail stores—because most of them run a regular retail business. They have retail stores throughout the city?—A. They have a store of the class of their own—most of them have. I do not know that that would affect it.

By the Vice Chairman:

Q. You mean such as Davies and Matthews and Blackwell?—A. Davies have stores in Toronto.

Q. Do they affect you at all?—A. No.

By Mr. Devlin:

Q. You do not handle meats at all?—A. Yes, bacon, cooked meats, and sausages but not fresh meats.

By the Vice Chairman:

Q. Could you give this Committee any suggestion upon which they might act to show what is the reason for the increased cost of living, while you are making less money?—A. We are condemned. The press have had their articles in the papers condemning the retailers as being the cause of the high cost of living, and they have not been the cause of it. I think the manufacturers and the wholesalers have a good deal to do with it. While our profits are being cut down the manufacturers and wholesalers are still retaining their full profits. We have had our profits chopped off, 25 cents a case on this and 25 cents on that. We cannot get any more for the goods, but we have to lose that much profit.

Q. Whilst your profits have been decreasing, do you think the wholesalers' profits have been increasing relatively?—A. No, but they have not been losing anything.

Q. Their profits are as large?—A. Yes, if not higher.

Q. Do you think their percentage of profit is being maintained?—A. I would suppose so. I cannot say positively. I think the wholesale grocers have made money the last three or four years—barrels of it.

By Mr. Douglas:

Q. What is your method of purchasing? Do you purchase direct from the manufacturer?—A. If I can, but they will not sell. The screws are being put on all the time. I used to buy from the jobbers different lines of goods, but one by one they stopped it. The wholesalers objected.

By the Vice Chairman:

Q. Can you give us some of the items where you used to purchase direct from the manufacturer where now you cannot?—A. I used to purchase Campbell's soups from the agent.

Q. How long ago?—A. Up till November two years ago I guess.

Q. You purchased from the agent?

Mr. Douglas: They are American soups.

The Witness: But they are handled by a Montreal house. He has the selling rights for Canada. He sells to wholesale houses. He used to sell to me but he won't now.

[Mr. D. W. Clark.]

By the Vice Chairman:

Q. He sells now through a local jobber?—A. Yes.

By Mr. Douglas:

Q. What reason did he give?—A. That the wholesale men objected.

Q. He simply did not call on you?—A. He refused to sell me.

Q. Any other articles of that kind? Pickles for instance?—A. I was not on the job for those.

Q. What about Cowans' Chocolates?—A. We used to get a bigger tin than we are getting to-day. They used to give us 10 per cent. Now they have cut that off.

Q. Can you buy them direct?—A. Yes.

Q. Can you buy Baker's Chocolate direct?—A. Yes.

Q. Can you buy from the Imperial direct?—A. No.

Q. Shredded wheat, where do you buy it?—A. From the jobber, but they will not sell to anyone else. I cannot buy Eddy's matches, I do not sell one case of Eddy's matches where I used to sell 10 cases, because I will not buy from the wholesale houses for the reason that they are in a combine and we have to sell Eddy's matches alone, we cannot sell anybody else's.

Q. You buy the Dominion match?—A. Yes.

Q. Do you buy that from the factory?—A. Yes.

Q. And you save money by that?—A. Yes, I buy cheaper.

Q. Do you think it might materially assist in reducing the cost of living if the retailer could buy direct from the manufacturer, within reason, of course, and in reasonable quantities?—A. It just depends upon which retailer it is, the whole trouble is that a lot of retailers do not think that they are in business for themselves, but that they are there for the public to get these goods and if they got 10 per cent off their goods they give it to the public, and they do not realize anything from it for themselves.

Q. It is the public we are interested in, but what you mean is this that the reason the manufacturer has ceased largely selling direct to the retailer is that many of the retailers took advantage of the high prices and made a cut on his market?—A. No, I do not say that at all. The reason why the manufacturer does not sell to the retailer is because the wholesale grocers still put on the screws and will not allow them to.

By Mr. Devlin:

Q. Is it not a fact that a number of the manufacturers have closed and signed a contract with one or two firms, so that if you wanted to do business with them in Western Ontario, you would have to do it with those firms, and that in another section of Canada you would have to do it with other firms that they had made the contract with there, and you as a retail merchant wanting the goods of this manufacturer had to buy from one or the other of these firms, who are under contract with the manufacturers?—A. It may be, I have not heard of it.

Q. I have drawn up some of those contracts?—A. It may be. Of course there may be a lot of these things that I do not know anything about.

By Mr. Douglas:

Q. Is there any line of goods coming in that category that you cannot buy?—A. Sugar.

Q. Could you make any money by buying sugar straight?—A. Of course they will not let us, we used to buy straight, direct.

Q. You were on the jobber's list then?—A. Yes.

Q. But you get no discount?—A. Yes.

Q. And you are cut off that now, are you?—A. Yes.

[Mr. D. W. Clark.]

By Mr. Devlin:

Q. Can you buy your rice?—A. I have never tried to.

Q. Can you buy your syrup direct?—A. That would come in with the starch. No, we cannot buy direct.

By Mr. Hocken:

Q. Do you sell cereals in bulk?—A. Some, but not to any great extent.

Q. What do you say about the cereals being put up in packages, does it add to the cost very much?—A. I do not know that it does, because with the machines it can be done up much cheaper than we can do it, and the same in flour, when the Food Controller cut off the small package and compelled us to package it up ourselves it not only caused a lot of inconvenience but it made the cost greater to the public than it would if the manufacturer had packaged it.

Q. Take corn flakes?—A. That is done cheaper by machine than we can do it.

Q. How much weight is there in one of the packages of corn flakes?—A. Ten ounces.

Q. What do you sell it for?—A. Fifteen cents.

Q. What makes it that price?—A. I do not know.

Mr. PARKS: When you mention the high cost of living, one reason is that in many of the things advertised extensively the people do not get value in the goods advertised. I may say that there are a number of grocers in Toronto who are getting together and trying to form a buying concern, a wholesale buying concern, they are incorporated now, but the manufacturers are so controlled by the wholesalers that the manufacturers cannot and will not sell to them. That matter is going to come up before the committee in a few days, the manufacturers will not sell to this wholesale corporation because they are so tied up with the wholesale grocers association.

By the Vice Chairman:

Q. Are you in a position to furnish some evidence of that to-day?—A. No, Mr. R. C. Dawson, chairman of that committee, will be able to tell you that. There was a letter sent yesterday to the Chairman of this Committee.

By Mr. Douglas:

Q. Is that a general organization?—A. You are speaking of the manufacturers? We cannot buy, the wholesale association will block us.

By Mr. Hocken:

Q. Could you not sell oatmeal made in bulk?—A. Yes, we do now.

Q. Do the people ask for it?—A. No, very few.

By Hon. Mr. Fielding:

Q. Do you sell Quaker oats?—A. Yes, in packages.

By Mr. Hocken:

Q. How much in a package of Quaker oats?—A. Three and a half pounds.

Q. Is it your understanding that the wholesale grocers have combined in this business? Has there been no protest from your association?—A. I do not say it is a combine, but it is an agreement with the manufacturers.

Q. You understand that there is an agreement that prevents people from purchasing?—A. Yes.

Q. You are not free to buy as you would like to?—A. No.

Q. And if you were free to buy you could sell cheaper to the public?—A. Yes.

Q. That would materially reduce the cost of living?—A. Yes.

By Hon. Mr. Fielding:

Q. You spoke of a wholesale turnover of $90,000?—A. Yes.

Q. I suppose you could do a great deal more business than that without any material increase in your overhead charges?—A. I turned over more goods with less money.

Q. Is it not a fact that in most lines of business, including grocers, there are so many people doing business and so many salaries being paid?—A. Yes.

Q. Is it not possible that if there were fewer people in it goods could be sold at less price—I am not speaking only of this business—but has not that some application, has not the number entering business accounted partly for the high cost of goods?—A. It is a tendency, I suppose, in some places; but the grocers cannot be blamed for the high cost of living; the grocers cannot pay sufficient for the amount of money invested.

By the Vice Chairman:

Q. With your present plant could you not do a very much larger volume of business?—A. Yes, I did more business in 1912 than I am doing to-day.

Q. That is more weight business?—A. Yes, I sold more goods.

By Mr. Douglas:

Q. You mean there was more money turned over?—A. I have more money turned over, more goods turned over, I did $100,000 then, which would represent to-day $150,000.

Q. With the same staff?—A. A few more, I had 15 then.

Q. It is generally recognized that the cost of wages has increased?—A. I compared it before I left, and the fifteen assistants then only cost me $10 more than my ten cost me to-day.

Q. Do you know, as a matter of fact, that you have to do a certain amount of business before you break even at all?—A. Yes.

Q. Once you pass that point, the more business you do the more money you are going to make, and if you do $150,000 worth of business with a very small increase in the cost of doing that you ought to make more money?—A. Yes. Perhaps my profits then were a good deal lower; we were selling eggs at 25 to 30 cents a dozen, and we were making as much profit then as we are doing now when we are selling them at 50 cents, and so it is all along the line. We are not to blame for the high cost of living.

Mr. W. J. PARKS, recalled.

By the Vice Chairman:

Q. You say that an association of retailers has been formed in Toronto?—A. Yes, incorporated.

Q. To do the wholesale buying?—A. Yes.

Q. What is the name?—A. The York Trading Company.

Q. With offices where?—A. 107 Front street East.

Q. How many members are there?—A. Over 60.

Q. Retailers?—A. Yes.

Q. And the object is to purchase goods direct from the manufacturers and distribute them to the retail stores?—A. That is the idea.

Q. With the object of getting them cheaper?—A. To get the goods cheaper if possible.

Mr. BURNS: This concern has been incorporated as a wholesale grocery, not as a co-operative buying concern.

[Mr. D. W. Clark.]

By the Vice Chairman:

Q. Has it been your experience as a retailer that the existing wholesale grocery firms have a combine or an association of interest which prevents your firm from buying as a retailer?—A. When I spoke before I told you that there was a man, the secretary of a wholesale association. He visits the wholesalers from day to day and gets them together as to the price of goods. A wholesale traveller may come into my business to-day and I am able to buy something from him, it may be to-day's price. Some other person may have advanced the price, and when that man comes in at the end of the week, his price will be exactly the same as the other man's.

Q. In other words, you assert that the wholesale groceries have an official whose duty it is to maintain an equality of price among the wholesalers of Toronto to the retail trade?—A. I say that.

Q. What is the purport of this letter you are filing?—A. I am not able to tell you because I did not see the letter. The chairman of the committee called me up to state that the letter would be here. He was mailing it to Ottawa, and he said the matter would be brought up.

Q. Can you give the Committee a few examples of goods that you as a retailer would like to buy from the manufacturer that you cannot buy, and an example of the price that you know the manufacturer sells for and the price the wholesaler charges you?—A. I can only say this: The price of shredded wheat to-day is $4.60 per case, and at that margin we do not make the expense of doing business. A short time ago it was $4.25. We do not know why the price should go up.

Q. You say that the wholesaler charges $4.50 for shredded wheat. What would the manufacturer charge for that?—A. I am not able to tell you that; he might allow fifteen per cent or ten per cent.

By Mr. Reid:

Q. Suppose you go into the wholesale business and buy direct from the manufacturer, you would be selling to yourselves?—A. Selling to ourselves.

Q. Would you be willing to sell to any person?—A. We would be open to sell to any person.

Q. If you open up a wholesale business won't you have to follow pretty closely the same methods of business which the existing wholesale merchants follow?—A. We do not require any travellers; each man will buy direct from the wholesaler.

By the Vice Chairman:

Q. You calculate to do without travellers?—A. Without travellers, and sometimes the expense of delivery. Sometimes we will be able to pick up goods ourselves and save the expense of delivery.

By Mr. Devlin:

Q. Will you keep on your own individual retail store?—A. Oh, yes, there is a man employed to look after the business.

Q. It is simply co-operative?—A. Wholesale buying.

Q. You make no profits?—A. We are not figuring on making profits. We would have to sell at regular prices. The manufacturer would not allow us to do otherwise. We can buy from the manufacturer, and we cannot sell otherwise than at the manufacturer's prices.

Q. How are you calculating on meeting the expenses of the wholesale business?—A. If there is ten or fifteen per cent on shredded wheat, and we can buy it for our own wholesale, that fifteen or ten per cent would pay us for carrying on the business.

[Mr. W. J. Parks.]

By the Vice Chairman:

Q. Would the consumer get any benefit from your proposition?—A. That is the idea. If we get this thing going and are in a position to buy direct, we will offset the higher prices.

Q. You aim to reduce the cost of distribution?—A. That is the idea.

By Mr. Douglas:

Q. You say that you are going to sell to anybody the same as the wholesalers. Then you will have to sell on the basis of the wholesalers?—A. These men can become members of the wholesale association; any grocer can.

Q. How are you going to give a benefit to the consumer?—A. If we can make money through this wholesale business to help our own business, it will reduce the cost of doing business.

By Mr. Hocken:

Q. If you have this wholesale business, all the wholesale end will get out of it is enough to bear the cost of operation. It gets no profit?—A. No profit.

Q. And you get the goods for much less and will be able to sell cheaper?—A. We cannot sell much cheaper, because the manufacturers would not allow us, but if there are any dividends coming to us they will enable us to do business cheaper.

By Hon. Mr. Fielding:

Q. Will the concern have a capital stock?—A. Yes.

Q. Cash to be paid up?—A. Yes.

Q. You are expecting dividends on that?—A. No dividends, unless the money is got on the buying.

Q. Mr. Burns said it was not a co-operative store, but a wholesale store. What is the difference between the two?—A. I cannot tell you.

Q. Can John Smith and John Brown become shareholders in that concern?—A. Yes.

Mr. Douglas: Only if he is a grocer.

By the Vice Chairman:

Q. Could I buy stock?

Mr. Burns: Yes.

Mr. Douglas: He would have to be a grocer.

Mr. Burns: No, anybody.

The Vice Chairman: If John Smith being a grocer puts his money in that, does he expect any dividend?

Mr. Burns: I do not think that Mr. Parks is giving the right explanation.

Mr. Douglas: You are a member of this concern.

Mr. Burns: Yes.

Witness: I am a member, I hold stock, but I am not on the committee.

Mr. Burns: I am on the directorate.

Mr. Hocken: What they calculate upon is to eliminate not the cost of the wholesale grocery, but the profit of the wholesale grocery.

Mr. Jerry Burns, recalled.

By Mr. Devlin:

Q. Are you going to count upon a profit the same as the wholesale grocer or not?—A. We are going into the wholesale business on legitimate lines, selling stock to grocers or to anybody who applies for it, and we are going to do business. We can only do business in some legitimate way.

Q. But would you mind answering my question; are you going in with the intention of taking no ordinary wholesalers' profit or with the intention of accepting their wholesale profit?—A. We are going in with the intention of accepting the wholesale profit, in the hope, with the profits over the running expenses, to be enabled to stimulate grocers throughout the city to buy goods in small quantities and get as good a price as bigger concerns, and that will eventually lead to a closer price to the consumer.

Q. Here I am, not in business, but I want to invest a thousand dollars in your business—that is, supposing I had a thousand dollars—what inducement will you hold out to me that I will make at least the same amount of interest on the money as I would depositing it in the bank?—A. In the first place, we can only sell you five shares—five hundred dollars—and secondly it is in the hope of the turnover. We hope to have a turnover, the same as other houses on Front Street. We have found, as I said before, everybody dabbling in the grocery business, and a man in the grocery business, especially situated as I am, with a small store in a neighborhood, you can only get a certain turnover. We have been battling along, and I could not buy as much of a line of goods as Mr. Clark; consequently I cannot get as good a price as Mr. Clark. Well, taking one consideration with another, and going over the ground, we come to the conclusion that if we can open a wholesale house and get a good deal of business in that way, that we would be enabled to buy—that a man instead of having to buy 25 boxes of soap to get the price so that he could get the profits, could get one box of soap.

By Mr. Douglas:

Q. At the same price?—A. Well, his dividend at the end of the year would make up for the difference in the price of the soap.

Q. You could buy one can of tomatoes the same way?—A. We could buy one of anything, and if we were successful in having a turnover sufficient to bring that man's price down on the tomatoes to make it equal to the profits of the bigger man——

By Mr. Hocken:

Q. Do you expect a man can buy one box of soap from a wholesale grocer at the same price as 25?—A. That man who buys the one box of soap might buy more dollars' worth of goods from the wholesale grocer than the man who bought the 25.

Q. Would he pay more for that box of soap than the man who would buy 25?—A. Certainly—what are you speaking of?

Q. The wholesale grocer?—A. The man who has bought 25 from the York Trading Company would pay the same price as if he bought it from any other man. The one who bought the one box would pay the one-box price, but at the end of the year his holding—whatever his dividend would be, would reduce the price of that box of soap, so that he would be better off than he is to-day and able to compete.

By Hon. Mr. Fielding:

Q. You would be doing business precisely as the wholesale companies do, except that you are not in the guild?—A. Until we get operating and get enough money to put ourselves in a fair fighting position.

Q. Is the tendency of the retailer generally to go into that?—A. It is only a new thing and we have been successful in getting nearly everybody who has been approached.

[Mr. Jerry Burns.]

By Mr. Douglas:

Q. Have you any large dealers in that?—A. Mr. Parks—his turnover is probably as large as any of them—

Q. Is he in it?—A. I do not think so. I cannot say positively.

Mr. CLARK: No.

By the Vice Chairman:

Q. Have you got Barron into it?—A. No, but a grocer told me that he was speaking to George Barron and he said it looked like a good thing.

By Hon. Mr. Fielding:

Q. One gentleman said the manufacturers would not sell to this concern?—A. Some of them won't, but they will be glad to sell to us. We have the verbal proof, and we have some proof in copies which were mailed yesterday to your Committee, and I was on the Committee that waited upon one firm, and the man said: "We would be delighted to sell you people direct, but we cannot sell to anybody only wholesale grocers who belong to the organization".

Q. Not to wholesale grocers, but to wholesale grocers who belong to the organization?—A. Yes.

The VICE CHAIRMAN: The Wholesale Guild?

By Hon. Mr. Fielding:

Q. Except as to having the organization, this company would be in the same position as any other wholesaler?—A. Yes.

Q. Buying in quantities?—A. Yes.

Q. And selling to anybody in the trade who would buy? Would you only sell to members?—A. No, to anybody who would buy.

By Mr. Hocken:

Q. Will they let your company become a member of the association?—A. We have been waiting on them over a month now, and it looks as though they were sidestepping.

By Mr. Douglas:

Q. Who are they?—A. The Wholesale Grocers, of whom Mr. Dyke is Secretary.

Q. You want to go in with them?—A. We made application to go in.

Q. If you did go in would they not say: "You must not cut prices"?—A. We won't.

Q. You will if you sell one box of soap as cheaply as 25.—A. No, I said I would sell a box of soap, and out of the semi-yearly distribution of dividends, his dividend on his stock would offset the price of the soap.

Q. That is the only way?—A. Yes.

By Mr. Devlin:

Q. Is that the reason why the Wholesale Guild will not allow you to go in?—A. The Wholesale Grocers' Guild, from what we learn, takes the same stand with our organization as they have with any other concern who has asked admission to it in the last two years. I was talking to the agent of the cornflakes. I met him accidentally the other day, and he said: "We can only sell members of the wholesale organization".

By Mr. Hocken:

Q. Suppose a man wants to start a new wholesale grocery? Suppose I invested my money and started a wholesale grocery, could I get in?—A. Our case would be the same.

Q. Would I get in?—A. I cannot say.

The VICE CHAIRMAN: It rests with the discretion of the association.

[Mr. Jerry Burns.]

By Mr. Hocken:

Q. Here is a group of wholesale grocers who have formed an association, and they say: "We are not going to allow anybody to come in". Is that it?—A. That looks like the case. They led us to believe they would take up our case and act on it, and the president said: " This case is very important, we must call a meeting of the Provincial Board".

Mr. HOCKEN: Always subject to the Province.

By the Vice Chairman:

Q. This business you refer to has been in operation since the 1st of May this year?—A. Yes.

Q. You made application the 1st of May?—A. To Mr. Dyke their Secretary.

Q. And up to the present you have not been able to secure admission to that Society?—A. We have been put off. We have not been refused. We have not been accepted, and each time they had to have more information and had to have another meeting.

Q. As a practical business man struggling for an existence, would you consider it a desirable thing to have a court, it might be called a Court of Commerce, or something of that kind, to whom you could apply in a case such as you mention, which court would have the power to say to the Guild: "You must admit this man"?—A. We went to the Ontario Government and got a charter in the regular way, and paid our money, in the regular way and laid down legitimate lines of business; I can bring you invoices. I purchased from the York Trading Company last month, and you can compare them with any house on Front Street and they are current prices.

By Mr. Douglas:

Q. That means that concern is in business to-day?—A. The York Trading Company?

Q. Yes?—A. Yes, we are in business, but we are not in the wholesale organization.

Q. You cannot?—A. We cannot get shredded wheat, corn flakes, Borden milk, Lytell's pickles, and a dozen other things.

Q. Can you get Dominion Canners goods?—A. No, we cannot; not direct.

By the Vice Chairman:

Q. Shredded wheat, Borden milk, and Heintz's pickles?—A. Heintz's pickles do not come at the wholesale prices.

By Hon. Mr. Fielding:

Q. You say you are now buying from the wholesale grocers association, that being the case, do you have any difficulty in buying from the wholesale dealers; do they insist you shall buy from them?—A. I am not in a position to state just where the goods we buy come from. We had them from a buyer.

By Mr. Douglas:

Q. Mr. Fielding is asking whether you have any difficulty in buying from the regular wholesale trade?—A. No. I am buying goods from ten different wholesale houses to-day. I am still buying from them but I am not buying so much.

Q. They have not yet decided they will not sell other things to you?—A. I do not think they would dare to do that.

By Mr. Sutherland:

Q. What manufacturers have refused to sell you?—A. The E. W. Gillett Company —I am strong on our application to get into the wholesale grocers association—because

[Mr. Jerry Burns.]

when an order came into the head office and they ascertained that we were not in the association, in some cases they wrote and said: "We cannot do business with you until you get into the grocers association".

Q. You cannot buy yourself?—A. Unless in a retail way.

Q. But the York Trading Company?—A. They are only the same as individuals that are in.

Q. The Gillett Company always goes to the trade, and puts the order through the wholesale house, is that the way ?

By the Vice Chairman:

Q. But he will not put the order through the York Trading Company?—A. Yes, but not at the wholesale price, he says: "You people are not on the list".

Q. In other words Gillett's will not sell to the York Trading people only at retail prices?—A. Yes.

By Mr. Reid:

Q. Does he give his reasons?—A. Because we are not recognized by the Wholesale Grocers Association. But we are here as a wholesale grocers organization.

Q. Who is the president of that Wholesale Grocers Association?—A. Percy Eby of Eby, Blain and Company, Front and Scott streets.

Q. Is it a wholesale grocers organization?—A. A wholesale grocers organization. Mr. Dawson, the president of the company, who gave a résumé of our organization and incorporation, also gave some typewritten copies of replies that we have received from the manufacturers and he has forwarded it to the chairman of this committee and it should be in the hands of the committee to-day.

By Hon. Mr. Fielding:

Q. To whom was it addressed?—A. To the chairman of the High Cost of Living Committee. I have a copy of it, gentlemen. Of course, it was not my intention to give you this because it was sent officially from the president.

Mr. DOUGLAS: I make a motion, Mr. Chairman, that Mr. Eby be summoned to appear before this Committee on Monday morning.

WITNESS: If you like the president of the York Trading Company could come and you could have him here to.

Mr. DOUGLAS: I will include the president of the York Trading Company in my resolution. What is his name?

WITNESS: Robert Dawson, 801 Danforth Avenue.

By Mr. Devlin:

Q. You have explained a good deal about the conditions in the city of Toronto from your side of this trading company which you have formed. Do you know of similar conditions operating in other parts of Canada?—A. No, I am not aware of any.

Q. You are just speaking of your own experience?—A. From my own experience and my own knowledge of what has transpired during the last six years.

Witness retired and Committee adjourned.

SATURDAY, June 14, 1919.

The Special Committee to inquire into the cost of living and other necessaries met at 11 a.m. in the Chamber.

Mr. Stevens, in the absence of Mr. Nicholson, presiding.

Members present:—Messieurs Davidson, Fielding, Reid (Mackenzie), Sinclair (Queens, P.E.I.), and Stevens.

The VICE CHAIRMAN: I have here a communication of some importance which I will read. It is a letter from the York Trading Company of Toronto. It is addressed to the Commission of Inquiry into the high cost of living and that is the reason why we did not get it yesterday.

The letter with accompanying copy of letters received by the York Trading Company, was read and ordered to be placed on record. The letters are as follows:—

THE YORK TRADING COMPANY.

107 FRONT STREET EAST,
TORONTO, June 12, 1919.

The Commission of Inquiry into
The High Cost of Living.

GENTLEMEN,—We beg to submit the following facts for your attention and consideration, believing, as we do, that they have a very definite bearing upon the subject of your inquiry.

During last May, a number of gentlemen, residents of Toronto, formed a Company which consists of retail grocers and others, for the purpose of carrying on a wholesale business under the title of "The York Trading Company, Limited." A charter and certificates were accordingly obtained from the Provincial Government, premises leased and business commenced. Simultaneously application was made, in the usual way, for membership in the Wholesale Grocers' Organization. Notices were sent to a number of manufacturers advising them of the formation of the company and requesting to be supplied with their price lists and terms, etc., and mentioning also the application to the Wholesale Grocers' Organization. By the enclosed copies of replies received it will be seen that, although they would be charmed to supply the new company, the personnel and membership being well known to many of the manufacturers, they were unable to do so until it was admitted into full membership in the above mentioned wholesale organization. Regardless of repeated requests for a speedy reply, this organization still delayed its final decision. The eligibility of the new company for such membership was never even questioned, its constitution being the same both in principle and practice as that of firms within the organization.

In order to expediate matters the president, a director, and the secretary of the York Trading Company, Limited, waited upon the president of the wholesale organization so that any uncertainties might be explained, if such existed. In this interview, the principal reasons for delaying the decision appeared to be the fear of further competition and the cutting of prices on the part of the new company. In fact, the assertion was even made by him that the organization had to maintain and safeguard the manufacturers' prices. This attitude on the part of the organization, we consider, is a restraint of trade and, as such, is a distinct factor in the cause of the high cost of living.

We understand that these are the tactics which are adopted by the organization towards new competing firms in order to speedily put them out of business.

In dealing with this subject, should you deem it necessary to have further evidence from us, we hereby append the names of the officers and directors of our company who would be available to proceed to Ottawa to further substantiate the facts already given.

President, Robert Dawson; Vice-President, Donald McLean; Directors, Jacob Blood, J. Burns, W. J. Nichol; Secretary and Treasurer, James Vair.

Faithfully yours,

THE YORK TRADING COMPANY, LIMITED,

(Sgd.) ROBT. DAWSON,

President.

CHANNELL CHEMICAL COMPANY, LIMITED,

JUNE 11, 1919.

THE YORK TRADING COMPANY, LTD.,
No. 107 Front St. East,
Toronto, Ont.

DEAR SIRS,—We are in receipt of your letter of June 9, but regret that we are unable to extend you our jobbing discounts.

Yours very truly,

CHANNELL CHEMICAL COMPANY, LIMITED,

(Sgd.) F. M. HOLIN,

Sales Dep't.

ST. LAWRENCE STARCH COMPANY.

PORT CREDIT, Ont., May 13, 1919.

THE YORK TRADING COMPANY,
107 Front Street East,
Toronto, Ont.

GENTLEMEN,—We beg to acknowledge receipt of your circular letter of the 11th inst. and we assume we will hear from you in connection with your application to the Wholesale Grocers' Organization and we await further communication from you or from them in connection with your application for membership in that organization.

We think it is better to consider your proposition conjunctively with the general interest of the trade.

Yours truly,

ST. LAWRENCE STARCH COMPANY, LTD.

(Sgd.) A. HUDSON.

EUGENE MOORE.

CAR LOT BROKER, FRUIT AND VEGETABLES.
32 Church Street.

TORONTO, May 15, 1919.

THE YORK TRADING COMPANY,
107 Front Street East,
Toronto, Ont.

DEAR SIRS,—The Hills Bros. Co., of New York, sent me a letter which you sent them.

As soon as your application for membership to The Wholesale Grocers' Organization is ratified, we will be pleased to sell you any goods manufactured by The Hill Bros. Co., but we are not open to sell a combination of retail grocers, but confine the business strictly to the Wholesale Jobbing Trade.

Thanking you for your letter to The Hills Bros. Co., I am,

Yours faithfully,

(Sgd.) EUGENE MOORE.

THE PROCTER & GAMBLE DISTRIBUTING CO. OF CANADA, LTD.

HAMILTON, CANADA, May 17, 1919.

THE YORK TRADING COMPANY,
107 Front Street, East,
Toronto, Ont.

GENTLEMEN,—We are in receipt of your application to be put on our list of direct buyers, and in this connection wish to state that we will investigate and advise later in regard to your request.

Very truly yours,

THE PROCTOR & GAMBLE DIST. CO. OF CAN. LTD.

(Sgd.) J. T. OWEN.

E. W. GILLETT COMPANY, LIMITED.

TORONTO, Ont., May 23, 1919.

THE YORK TRADING COMPANY, LTD.,
107 Front Street E., City.

GENTLEMEN,—In reply to your letter of 13th inst., may say that we note you have made application for membership to The Wholesale Grocers' Organization, but until you learn definitely what the result of your application may be, we will be unable to make any move in the matter. We point out to you, however, that the order you are willing to place with us is not large enough to entitle you to special prices, in fact in this connection may tell you, we receive right along much larger orders from retail dealers and at the usual retail prices.

Yours truly,

E. W. GILLETT CO., LTD.

THE F. F. DALLEY CORPORATION, LIMITED.

Sanford Avenue South.

HAMILTON, ONT., May 19, 1919.

THE YORK TRADING COMPANY.
107 Front St. E.,
Toronto, Ont.
Attention Mr. Vair.

GENTLEMEN,—We acknowledge receipt of yours of recent date requesting quotations on our Products, also orders submitted to our Representative for "2 in 1" Shoe Polish, and Dalley's Cream Diamond Coffee.

We note by your letter application has been made for membership of the Wholesale Grocers' Association, and we were informed by the Secretary of the Association that same has not yet been accepted. As our present policy of merchandizing is to sell only to bona fide Wholesalers, we are not in a position to accept your business at this time. If, later on you gain admission to the Wholesale Grocers' Association, and are recognized wholesale house, we will be pleased to open negotiations with you.

Yours very truly,

THE F. F. DALLEY CORPORATIONS, LIMITED,

(Signed) J. W. MILL,
District Manager.

E. FIELDING & SON,

TORONTO, May 26, 1919.

MR. VAIR,
Manager, York Trading Company,
Toronto.

DEAR SIR,—Regarding the Order you were kind enough to place with us for Sal Soda from Church & Dwight Co., we forwarded the order to the head office of Church & Dwight and have their reply which says: "They find themselves bound to the regular wholesale trade for the time being and they are not in a position just now to supply soda of any description to dealers outside of the regular wholesale trade". Consequently we are compelled to decline your esteemed order.

Yours very truly,

E. FIELDING & SON,
per E. F. (Signed).

The VICE CHAIRMAN: Now, in this letter there is undoubtedly a very serious charge made by a number of representative business men who are undoubtedly aware of the step they are taking and its seriousness and who, in turn, represent, as I gather it, a large number of other business men in Toronto who formed this wholesale company. Of course the Committee is aware that we have summoned to appear here on Monday the president of the Wholesale Grocers' Association and we have also summoned Mr. Robert Dawson. It might be well for the Committee to consider whether we should summon any of these other gentlemen at the same time.

Mr. SINCLAIR: I think you should have the secretary, Mr. James Vair.

The VICE CHAIRMAN: We will put this in the form of a motion that Mr. James Vair, secretary-treasurer, should be summoned.

Motion carried.

Telegram from the Manitoba Cold Storage Company read and ordered to be placed on record. The telegram was as follows:

WINNIPEG, May 15.

Received wire eleventh. Answered same day stating am urgently needed here until strike settled and ask if satisfactory. I wired day can appear at such time. Received your other wire to-day which no reply to mine. Please wire answer.

Manitoba Cold Storage Company.

Hon. Mr. FIELDING: I think it is desirable that it should come out as a distinct wish of the Committee that any consumer should not wait for a formal notice to come. I met to-day a private citizen who made some very strong statements regarding the profits of certain dealers, on which he was most emphatic. Well, I said: "you could come before the Committee". He said: "No, I don't think I will". That is the position. I think it ought to go out before the public that we are very anxious to have the consumer come out if he will. There seems to be some of our fellow citizens who have a variety of facts and we ought to have them from their point of view. I hope that the Committee will make it clear that the investigation is open, that latch string is out. I hope the press will take note of it.

The VICE CHAIRMAN: If they will do so, I think it will be appreciated.

Mr. W. R. REEK: Assistant Live Stock Commissioner, Department of Agriculture.

By the Chairman:

Q. How long have you held your position?—A. Officially since the 1st of April. Prior to that I held it temporarily from December the 1st.

Q. Before that?—A. I was deputy minister of Agriculture in New Brunswick.

Q. You have had a considerable experience?—A. Yes.

Q. Have you any knowledge of the regulations controlling the live stock markets of Canada?—A. There are regulations but they will not be in force until August the 20th.

Q. Why are they suspended?—A. The regulations were approved by the Minister but we had to give the yards already established 3 months' notice.

Q. These are new schedules of regulations?—A. Yes.

Q. Have you got a copy of them?—A. Yes.

Q. Will you file them with the Committee?—A. Yes.

Q. In the evidence given before this Committee on Friday, yesterday, a statement was made that the Swift Company virtually controlled the Union stockyard in Toronto. Have you any knowledge of the situation in relation to that stockyard?—A. I have not.

Q. Why has this change in the livestock yards been brought about?—A. In the stockyard.

Q. Is it a separate company?—A. It is a subsidiary company.

Q. A subsidiary company?—A. That is my opinion.

By Mr. Reid:

Q. Are you sure of that?—A. No, I am not positive.

By the Vice Chairman:

Q. Are you aware of any complaints by drovers, local butchers, or other dealers regarding the restrictions placed upon them or placed in their way in doing business in the Union stockyards?—A. None whatever, to my knowledge.

Q. So far as the records of your department are concerned, you know of no such complaint?—A. No.

[Mr. W. R. Reek.]

By Mr. Reid:

Q. Why has this change in the live-stock yards been brought about?—A. In the past, in some years, there has been considerable speculating within the yards. That is, two commission men, or two or three men might put their heads together and buy from one another.

Q. Commission men?—A. Commission men, or a commission man and some other party. That has been done away with. It will be impossible or illegal under the new regulations to speculate with another man's live stock.

Q. What are the duties of a commission man under the new arrangement?—A. The farmers' associations or any person in the country may consign their stock to the commission men on the markets, and they will sell them for them and charge a set commission.

Q. But they cannot buy themselves; is that the idea?—A. That is the idea.

Q. The commission man cannot purchase them?—A. Cannot purchase them and resell them in his own name.

By Hon. Mr. Fielding:

Q. He must be an agent only, is that it?—A. An agent only.

By Mr. Reid:

Q. I suppose you could still organize a subsidiary company in which he might be a silent or invisible partner, and to which he might sell them after he had them consigned to himself?—A. As I understand the regulations, that would be illegal.

By Hon. Mr. Fielding:

Q. Can you point out the particular regulation that deals with this?—A. I am wrong; it comes under the regulations of the live stock exchanges.

Q. I thought so; I read them through and could not see anything about that?—A. That item came under the regulations of the live stock exchanges.

Q. Made by whom?—A. Governing the live stock exchanges, which have to be approved by the minister.

Q. They have not yet been dealt with?—A. No.

Q. And when you say it would be illegal, you mean that it would be if these new regulations are approved?—A. Yes.

Q. And they have not yet been passed?—A. No.

By Mr. Reid:

Q. Have you been west to Winnipeg?—A. No.

Q. You do not know any of the organized Winnipeg stockyards, or rather the St. Boniface stockyards?—A. It is somewhat similar to the Union Yards at Toronto.

Q. In which way?—A. In the buying and the selling, except the shipments to St. Paul; there is heavier work in that particular line.

Q. You mean that the commission men in the St. Boniface stockyards buy rather than sell; is that the idea?—A. No, the commission men on the St. Boniface stockyards are exactly in the same position as the commission men in Montreal or Toronto, except that they have a little different trade in St. Boniface from what they have in Montreal and Toronto. They have more through shipments.

By the Vice Chairman:

Q. A statement was made yesterday that while in theory any drover or any butcher was permitted to go on the market and deal, yet if he did not recognize the controlling influence of the yard in his dealings and virtually did his business through

[Mr. W. R. Reek.]

one recognized commission house, it was impossible for him to trade in connection with the yard. Are you aware of any practice of that kind?—A. The local butchers in Toronto buy on the yards.

Q. They do buy?—A. Yes.

Q. And they slaughter where?—A. I expect they slaughter in their own yards or the municipal abattoir.

Q. There have not been any obstacles placed in their way?—A. Not to my knowledge.

Q. No complaints made officially?—A. We have had none.

Q. Does the Department of Agriculture inspect the Union stockyards regularly and systematically?—A. We have two men on the Union stockyards in Toronto.

Q. All the time?—A. All the time.

Q. What are their duties?—A. One man does nothing but grade live stock as it comes off the cars, or as it is sold.

Q. That is his technical position?—A. Yes.

Q. What does the other man do?—A. The other man is compiling information and assiting shipments, these co-operative societies, particularly their farmers' clubs, and looking after the market reports.

Q. What do you mean by assisting?—A. The organization of these marketing associations in the country is somewhat difficult, or was particularly difficult before these men were placed on the market to give definite information as to the method of handling the cattle when they arrived on the yards, and this man of ours can assist in that work.

Q. Would it be the duty of that officer to report to the Department any difficulty such as I have mentioned?—A. Yes.

Q. Who pays him?—A. He is paid by the Government.

Q. That man is not in any sense obligated to the Union stockyards or to any of the big companies?—A. None whatever.

By Mr. Reid:

Q. Under this arrangement then, is the Federal Government to own the stockyards?—A. No. The stockyards have to submit their by-laws, all their changes, and no stockyard can operate except the equipment and management be satisfactory to the Federal Minister. All live stock exchanges operating on the stockyards have to have their by-laws sanctioned by the Minister, and all weighmasters on the live stockyards have to be satisfactory to the Minister.

By the Vice Chairman:

Q. You mentioned these co-operative organizations through the country and spoke of your official giving them assistance. Take for instance the United Farmers' of Ontario. The other day they advised us that they had an agent at Toronto. How does he handle his stock in the stockyards?—A. He works as an ordinary commission merchant now. He has been there only a short time.

Q. Does he meet with unfair competition, or difficulties in doing business?—A. Not to my knowledge.

Q. He has never complained of that at all?—A. I think the situation is that he has so much business that he has found it difficult to handle it.

Q. He has been very successful?—A. Very successful.

Q. Is it the practice of the dealers to hold stock over to next day when there is a decline on the market, so as to steady the market?—A. I believe they use their judgment in matters like that.

Q. It is done on all occasions?—A. Yes.

Q. In other words, the day's receipts do not necessarily exert their full influence in fixing the price of beef?—A. Not always, it has a tendency.

[Mr. W. R. Reek.]

APPENDIX No. 7

Q. Who is holding over the drovers?—A. I would expect the commission men, on the advice of the brokers who are consigning to them, or of the association for whom they are dealing.

Q. That would be the producers?—A. Exactly.

Q. The producers report?—A. Yes.

Q. There has also been brought to our attention from time to time the practice of feeding and watering cattle before they are weighed for sale. Is that a common practice?—A. Yes.

Q. A regular practice?—A. Yes.

Q. It is always done?—A. Yes.

Q. What effect has that on the price?—A. You will notice in the market quotations that you will get a lower quotation for stock that is fed and watered than you would on stock that is off the cars, naturally.

Q. Tell me as an expert in regard to stock what effect would this have as regards the weight of an animal? What is the usual effect, what per cent?—A. I cannot tell you off hand.

Q. It would be considerable?—A. Oh, yes. The quotations vary from 75 cents to a dollar a hundred between the two, that is off the cars and fed and watered.

By Mr. Reid:

Q. How did this arrangement come about that cattle are fed and watered before being weighed?—A. I do not know. That was enforced when I was farming fifteen or twenty years ago.

By the Vice Chairman:

Q. Do you think it would have any beneficial effect upon the high prices if cattle were sold as they come off the cars, and weighed?—A. I do not think that affects it at all.

Q. The butcher is paying for so much increased offal?—A. That is allowed for in the price. There is a difference in the two quotations, off the cars or fed and watered. It allows for that.

By Mr. Reid:

Q. Is it not an arrangement between the stock grower and the purchaser of the stock that a certain figure shall be paid at the point of unloading after the cattle are watered and fed? It is an arrangement between the buyer and the seller?—A. Pretty well. There are three different ways: You buy f.o.b. in the country, off the cars, or fed and watered.

By the Vice Chairman:

Q. In connection with our big yards, do you know whether any practice prevails similar to the alleged practice in the American yards, such as Chicago, that the big packer controlled the yards and maintained a monoply practically of the cattle business? —A. I think so far as our yards are concerned, that the dealing is very square. I believe when a farmer consigns a carload of cattle or hogs to the yards, he has not a great deal of complaint.

Q. Nevertheless the price fixing would be in the hands of the big packers?—A. Absolutely.

Q. Does not this give them the power of dictating and controlling the prices to the farmer?—A. Oh yes, they set a price every week.

Q. On what basis do they fix that price?—A. I do not know.

Q. As a Government official cognizant of the cattle business throughout the country, does it not appear to you that that was a dangerous power to be in the hands of private concerns?—Pretty hard to overcome it, unless the Government own the abattoirs.

[Mr. W. R. Reek.]

Q. If the Government owned the abattoirs, do you think that it would materially affect the prices paid?—A. I could not answer that question at the present time.

Q. You are not prepared to say what economic law it is that controls the price fixed?—No, not just at present.

Q. Or is it an arbitrary wish or decision on the part of the packers?—A. No doubt in bacon the supply and demand has something to do with it.

Q. But in cattle?—A. In cattle a good deal the same way, but as to what other factors enter it I do not know.

By Mr. Reid:

Q. Do the commission agents in Toronto stock yard have any difficulty in selling the live stock that is consigned to him?—A. Not to my knowledge. I believe they have been quite successful.

By the Vice Chairman:

Q. Have there been many individual lots left over, stalled as it were, in the market, not bought? Do you get a report on that?—A. No, we do not, but I imagine not, or otherwise we would have known of it.

Q. Would it not be a good idea to have a report on that, whenever a lot of cattle, say one, or two or three, or four or five cars left over, of the reasons why they are left over?—A. Yes, we could get that.

Q. You do not have it?—A. No.

Q. You know of course, of the Toronto public abattoir, which I understand is practically idle. The yards are not used—a plant worth a million or more. Supposing a company were to build a new abattoir in Toronto, or lease that abattoir independent of the present large packers, could they buy cattle freely on the Union stock yards?—A. They can go and purchase. They would have to purchase in competition with the other packers.

Q. Do you think they would get a fair show in competition with those big dealers? Suppose an absolutely independent concern, publicly owned or privately owned, were to enter into competition with the four big concerns—I think it is four— four big packers now established at the Union stock yards, would they get, under the present regulations, an absolutely square deal in the purchase of stock?—A. I think they would on the yards, if they could compete in price.

Q. Of course, that is a fair competition if that would be the only thing?—A. So far as the regulations of the yards and the operation of the yards are concerned, I see nothing to prevent their getting a square deal.

The VICE CHAIRMAN: Mr. Reid gave us the particulars the other day in regard to a shipment of cattle. A trainload of cattle were shipped to the Winnipeg stock-yards. The shipper found difficulty in dealing there and he shipped them to Toronto. When he arrived in Toronto he found the Toronto buyer had been advised that these cattle were blocked in Winnipeg, and the Toronto buyer offered nearly the Winnipeg price, plus freight, although the market, it is alleged was higher, and he could not sell them, but he did sell them to an American buyer and they were shipped to New York. Can you explain any procedure of that kind. Do you know of it being possible? or of it occurring?—A. I could quite understand how it might be possible, but we have not any information that such has been done. Our men have not advised us of this.

Q. Have you any means of controlling it, or of seeing that a square deal is given to the shippers?—A. I think perhaps under our new regulations that might be handled all right.

By Hon. Mr. Fielding:

Q. In what way?—A. Under the Live Stock Exchange.

[Mr. W. R. Reek.]

Q. It is a question of price entirely. Does your regulation enable you to fix a price?—A. We could not regulate the price, but if we had definite knowledge of that kind of dealing between one market and another, we could make it a matter of inquiry into action of this particular live stock commission man who did that.

Q. They have a license?—A. Yes, they all have a license.

By the Vice Chairman:

Q. They have a license?—A. Yes, they all have a license.

Q. How long have your men been on that market?—A. Quite a few years.

Mr. Reid: This was several years ago. Supposing I was a live stock shipper and that happened to me, could I appeal to your men as a board of appeal?

By the Vice Chairman:

Q. And have you power to deal with it?—A. At present you could not, as I understand it, except in a small way under these regulations.

Q. These regulations I have before me?—A. Partly under these, but more especially under the regulations for the live stock exchanges that are supposed to prevent such practices as are not supposed to take place. If we had definite information as to that, it might be possible to control it, but we would have to have definite information.

Mr. Reid: Certainly.

Witness: But I think you will find the Commission men on the markets are not following the practice such as is mentioned there, to the same extent as they did years ago. It is becoming more of a straight commission business than it was fifteen or twenty years ago.

By the Vice Chairman:

Q. Can you point out any of these regulations which would control that?—A. I think it is more under the live stock exchange.

Q. It does not come under this clause.—A. This is more for the livestock only.

Q. Would you consider with the regulations that you now have and your livestock exchange regulation that the private control of existing markets will be so restricted as to make unnecessary the establishment, we will say, of a federal market, or public market, in order to get fair competition?—A. I think so.

Q. That your regulations will completely control them so that there will be an absolutely fair competition?—A. I think as near as you can get it, yes.

Q. Would you think it would be desirable to place the big central markets under public control absolutely, and prohibit any private control?—A. I do not see where you would gain any particular advantage, when at the present time, under this Act, you control all the privately operated yards.

Q. I want to make that point abundantly clear. If you feel these regulations, with your experience, will accomplish that?—A. I think so.

By Mr. Reid:

Q. No matter whether the yards are privately owned or not, that you have the absolute control of them, to control any stock that is sent in there for sale?—A. Under our regulations, the equipment will have to be according to our standards, and the methods of doing business will have to be satisfactory to each Minister, that is the charges for feed, for yardage, for unloading, etc. Such charges as that, which will affect the stock, have to be satisfactory to our Minister, and you will note a regulation that livestock which is shipped there for sale has preference over livestock which is being held there for any other purpose.

[Mr. W. R. Reek.]

By the Vice Chairman:

Q. Have you checked the returns of say the Union stock market of Toronto, or the big stock market in Winnipeg—and what is the one in Montreal?—A. The West End.

Q. Have you checked their returns at any time?—A. How do you mean?

Q. Their revenue?—A. No.

Q. Their charges?—A. No.

Q. Is there any information in the department which would show whether these returns were excessive or reasonable?—A. We have no returns in that regard as yet, simply because, as I said, these regulations cannot be enforced until about August 20.

Q. But these regulations will give you that information?—A. Well, we will control the charges that they can make.

By Mr. Reid:

Q. That is feeding and watering?—A. Feeding, watering, loading, unloading and yardage fees.

By the Vice Chairman:

Q. In arriving at the basis for your regulations you must have checked up the fees charged in the past. Have these fees been reasonable or have they been in any case excessive?—A. I cannot answer that. I had nothing to do with working this up. It was done before I came to the department, and I have never discussed it with them since.

Q. Has the department considered what fees would be reasonable in order to apply these regulations?—A. We at present have circularized the yards to submit to us all their fees and tolls and everything. They have not come to hand yet.

Q. When they do come to hand how will they be treated?—A. In the first place they will be compared, and then it will be left largely to our man who is Supervisor of the Livestock markets to decide what the fee shall be, and then that will be submitted to the Minister.

Q. And is the basis of the fixing of that fee to be the lowest possible fee consistent with proper operation?—A. Yes.

Q. So that the public will be adequately protected?—A. Yes.

By Hon. Mr. Fielding:

Q. Your remedy of course, would be in refusing a license to any of the stockyard companies which did not operate satisfactorily?—A. Yes.

Q. That would be your only remedy?—A. Commission men, yes. There are arrangements made with them that they operate under certain regulations or otherwise they——

Q. Do the commission men get a license as well as the stockyard company?—A. Yes. The stockyard companies have to be incorporated. The livestock commission men get a license.

Q. Individually?—A. Yes, from the livestock exchanges.

Q. They get a license from the livestock exchanges, not from you?—A. Yes.

Q. Not from the government?—A. No.

Q. Wherein would your control come?—A. We control the livestock exchanges, and the by-laws of the livestock exchanges have to be satisfactory to the minister, and in the by-laws the livestock exchanges have clauses covering such action.

Q. But if there was a violation of these rules, it would be for the live stock exchanges to enforce a penalty?—A. The complaint can be made direct to the Livestock Commissioner and he can call an investigation.

[Mr. W. R. Reek.]

Q. But he could only act through the livestock exchanges, according to your statement?—A. The man having a complaint, as I remember those by-laws, can lay his complaint directly with the Livestock Commissioner.

Q. But what happens? What is your power of enforcing it?—A. Well, under the——

Q. Of course, if you are speaking of a regulation, you should have the document before you; so that I do not press that.—A. No, I have not got it.

Q. While you make a lot of regulations, what power have you to enforce them and see that they are observed?—A. I think that is covered under these regulations, but I cannot tell you just how off hand. It is a month or six weeks since I read them.

By the Vice Chairman:

Q. Does the control of the abattoirs by the big packing companies make more or less useless the free competition in yards in the way of buying? For instance, it is stated that there is absolutely free competition in these yards, but is it not the fact that the big abattoirs are controlled by packing companies and that that really limits the competition?—A. I do not think the difficulty is in the yard so much as it is out in the country, and I do not think the companies are so much to blame as the farmers are. The farmers do not use the stock yards.

Q. They sell to the drovers?—A. They sell to the drovers and the stock never sees the stockyards. Consequently you do not get the same competition in marketing your stuff.

Q. You think that if the farmer was to ship a carload, or two or three got together and shipped a carload to the stockyard, they would get a better price for them and there would be less middleman's profits than under the present system of selling to drovers?—A. I would not like to say he would get a better price, but generally speaking, year in and year out, he would get all that is in this live stock for himself. A drover purchasing stock one week may lose, and the next week gain. He has got to balance up. Consequently, your prices fluctuate more than if everything was placed in the stockyards and sold in open competition.

Q. Is there any competition in view of the fact that the abattoirs are controlled by three or four companies?—A. There is open competition, so far as we can tell. You will notice that last week there was some rather freer competing between the abattoirs for stuff. Occasionally, you will find it is country points where representatives of two or three abattoirs on the lines of their territory will compete one against the other.

Q. These are small abattoirs?—A. Not necessarily small ones.

By Mr. Reid:

Q. Have you seen yourself on the livestock yards competition between the different buyers and different abattoirs?—A. I have not spent sufficient time on the livestock yards for that. Before coming to this position, I never had occasion to visit the livestock yards except causally.

Q. Did you ever hear that at a certain time each day these big concerns meet and set the price for the different grades of cattle to be offered on the market that day?—A. I have heard that, but I have no proof that such is done.

By the Vice Chairman:

Q. Has any effort ever been made by the Department to find proof?—A. Not to my knowledge.

By Mr. Reid:

Q. Have you ever heard of any consignment of stock coming to the livestock yards, and when the seller would refuse to bid, he would not get another bid in that yard?—A. I have no information of that kind since coming to the Department.

[Mr. W. R. Reek.]

By the Vice Chairman:

Q. Did you ever hear of it before you came to the Department?—A. Conditions have changed so much during the last fifteen years since I was in the live-stock business market.

Q. It was a long time ago?—A. Fifteen years ago, and conditions have changed on the market.

Q. Do the regulations of the Department provide for the protection of the drover or the shipper, should such a thing arise?—A. Oh, yes, I think so. The commission men and the men in charge of the livestock yards have recognized these regulations as far as they can, even if they are not in force at present. They were drawn up with the consent and with the assistance of the managers, the live-stock men and the commission men. The managers of the yards are anxious to have straight dealing on their yards, and I think you will find that the great majority of the commission men are anxious to do straight business. There are always a few perhaps.

Q. The bulk prefer to be under strick regulations in order to shut the renegades out of doing business?—A. Absolutely.

Q. Do you know anything about territorial rights? For instance, one big packing concern will send out brokers in one territory, but they will not invade each others territory in the way of bringing stock into the market?—A. That is the practice alright.

Q. It is the practice?—A. Yes. I have nothing on paper, and I suppose it is not possible to get it on paper, but I believe that such is the practice in some parts of Ontario.

Q. That would not have a good effect, so far as the farmer is concerned?—A. I think the farmer should ship all his stock to the livestock yards.

Q. That would obviate any complaint that might arise from that point?—A. Yes.

By Mr. Reid:

Q. What interest is allowed on the capital investment in these stockyards? Do you control that?—A. That I believe is not covered.

Q. Do you know what rate of interest the stock holders get for their investment?—A. Does Section 7, Sub-section 1, of the Live-stocks Products Act, not cover that?

Q. No. What I wanted to get is, what profits are made from the investments for the construction of the yards?—A. Suppose your profits were too high in any one year, your charges would be controlled by the Minister for the succeeding year.

By the Vice Chairman:

Q. Do you think it would be an advisable scheme for the farmers to establish a co-operative packing house and establish an abattoir say in a big centre like Toronto, to which they could consign their cattle and hogs direct in competition with the big packing houses?—A. That is a pretty big question, Mr. Chairman.

Q. Your investigations in the interests of the farmers, which these regulations show that the department is anxious to preserve, ought to give you some idea along that line?—A. The difficulty you will find in a great many farmers' associations is to get them to stick.

Q. You think it is not clear that they would work together sufficiently to pull that off, as it were?—A. They are in the infancy of that still.

By Hon. Mr. Fielding:

Q. Your aim in these regulations is rather to see that the farmers get a good price?—A. A square deal.

Q. Including a good price?—A. The market price.

Q. So you are not looking very much after the reduction of the farmers' price in the way of reducing the cost of living.—A. No.

By the Vice Chairman:

Q. Here is a question that has been placed in my hands, and no doubt the Committee will extend courtesy to the gentleman and permit it to be put. The question is: "Is it true that through the secretary of farmers' associations or clubs, the farmers themselves fix the price of their commodities and determine when such articles shall be sold?"—A. I cannot answer that.

Q. You are not in a position to answer it?—A. I do not think it can be true, not in livestock.

Q. So far as livestock is concerned, you do not think it can be true that the farmers fix the price through their clubs and organizations?—A. No.

By Hon. Mr. Fielding:

Q. They might fix the price that they desired to get?—A. Yes.

Hon. Mr. Fielding: In that sense they would be fixing; but man proposes and the buyer in Toronto disposes.

By the Vice Chairman:

Q. Would you be in a position to say positively that the farmers do not fix the price on their livestock?—A. I think so; there is no question about it.

Q. Here is another question that I have been asked to place before the Committee: "Has the inspection of meat increased the cost to the consumer to any extent?"—A. I would think not. It has guaranteed perhaps a better product.

Q. Would you say it had improved the product?—A. Yes.

Q. And from your experience, it safeguards the public in the quality of the meat?—A. Absolutely.

By Mr. Reid:

Q. Have you noticed that when there was a glut of livestock on the market the price would drop?—A. Yes.

Q. Can you explain why?—A. Supply and demand, perhaps. I think that can be remedied.

By the Vice Chairman:

Q. How?—A. Take Montreal for instance; the gluts occur in Montreal in the fall of the year, and the stuff all comes on Saturday afternoons and Sundays, and they start to sell at 8 o'clock on Monday morning. Everybody aims to get their stuff there on Sunday and to get unloaded on Sunday, whereas if they would stretch that out over the week, it would make it easier for the abattoirs to handle that stuff, easier for the stockyard to handle it.

Q. In other words the abattoir is faced with the question of carrying that stock over a number of days before they can slaughter and handle it?—A. That is true, if there is a glut on.

Q. That will lower the price paid?—A. I think the farmers would be well advised to have some of that stock come in later in the week.

By Hon. Mr. Fielding:

Q. And all this is with a view of giving the farmer a good price?—A. It does not do the price any harm.

Q. It does not help us to reduce the cost of living.

The Vice Chairman: No.

[W. R. Reek.]

By Mr. Reid:

Q. Have you ever thought that it was possible to purchase livestock on the same principle for future delivery as wheat is often sold; that the steers would have to be graded and delivered in a specified time? If such an arrangement could be effected in a certain time, it would prevent a glut would it not?—A. It might prevent a glut, but I do not think it would be a very good proposition for the producer; in fact, in those parts of Canada where they buy their livestock like that, you will find there will be very little interest taken in the livestock.

Q. Do they practise that in any part of Canada?—A. Yes, in New Brunswick, to-day.

Q. How does it work out?—A. Very detrimentally to the industry.

Q. To the livestock producer?—A. Yes, they are away behind in the livestock industry, and it is very largely due to that.

Q. How do you make that connection?—A. The farmer loses all interest in the livestock.

Q. Why?—A. Because it is sold.

Q. But it is sold subject to grade?—A. And price per pound.

Q. No, the price is fixed for a No. 1, 2, or 3 steer, we will say. Then the farmer cannot lose interest in that, because he has got to keep that steer up to grade?—A. But suppose the price was 25 or 50 cents better when he came to market, the man who made the contract with him would get the advantage of it, and the cost of living would not be cheapened, and the production lessened perhaps for another year.

Q. Suppose the market had dropped 25 cents? (No answer.)

By Mr. Davidson:

Q. Is it possible to fix the price of steers without fixing the price of food? The price is variable and may change?—A. It is a very bad practice.

By Mr. Reid:

Q. You do not approve of it?—A. No.

Q. You have seen it tried out?—A. I tried it once myself and got trimmed, for the simple reason that the man who is offering these contracts is an adept at the business, and he deals with a number of farmers, and none of them can be as clever at the game as he is.

Mr. Reid: I would not admit that.

Mr. Davidson: He is speaking of eastern farmers.

Mr. Reid: That has occupied our attention in the west quite a bit.

The Vice Chairman: Does that affect the direct inquiry as far as reducing the cost of living is concerned?

Mr. Reid: If the price of the livestock product could be steadied, production would be increased. If it is not steadied it is going to be decreased, and if the livestock products are going to be decreased your prices will go up.

The Vice Chairman: In so far as that applies it is quite true, but it is not true that the price of livestock is fixed largely or determined largely by the export demand?

Witness: Yes, no question about that, especially in bacon.

By the Vice Chairman:

Q. So that really would not apply?—A. No.

[Mr. W. R. Reek.]

By Mr. Reid:

Q. As a rule the export price does not vary very much?—A. There is the point; it does not.

Mr. REID: And I believe it is feasible to work out a plan for future delivery of livestock on a system of grading similar to the grading of wheat.

By Mr. Davidson:

Q. You say the export price does not vary much?—A. Not to the same extent that our prices on our local markets vary.

Q. How can you say the price on the local market is determined by the export price?—A. Speaking generally, not week by week, but generally it is the quantity we have to export which sets the price at home. It is that surplus which has a big influence.

By the Vice Chairman:

Q. Have you at present any regulations grading cattle, hogs or sheep?—A. There are no regulations as far as the selling is concerned.

Q. You think it would have a beneficial effect upon the increasing of production of hogs if there was a regulation grading hogs a certain size and type for bacon hogs, and providing a high price for them? Do you think it would have a beneficial effect on the production?—A. You would no doubt get a higher quality of hogs marketed.

Q. Do you think it would increase the production and induce the farmers to purchase more of that stock?—A. I think the price has more effect than anything.

Q. Professor Toole, of the Guelph College, said that the tendency now was to fatten hogs up to 300 pounds, and the result was that you had on the market a tremendous amount of fat hogs, instead of producing more bacon hogs, and I think in his evidence he intimated—I would not like to say definitely—that the production of more bacon hogs would have a beneficial effect both upon production and on the supply for the local market?—A. It is a question of locality to a certain extent. In Ontario, you cannot produce bacon hogs in certain counties.

Q. You mean they cannot or won't?—A. It is pretty near a physical impossibility?

Q. Why?—A. In the corn counties it is no use talking bacon to these people.

Q. They deal with hogs?—A. Yes.

Q. And they raise big ones?—A. Well, they raise them up to about 250 pounds.

By Mr. Reid:

Q. There is a practice out west where drovers go round in the spring, often about the first of May, sometimes a little later, and they buy up the farmers' steers for delivery, it may be for the first of September or the 15th, at a date set, for a given price. The steers have to come up to a given weight, probably 1,150 or 1,200 pounds. Do they practice that in the east, do you know?—A. They do not practice it on steers so much in the east, but they do on other things. The difficulty with that is this: That man who is buying these steers is doing his utmost to play the game safe, and in the majority of cases the price to the producer will not be as much, average it one year with another, as if the purchaser held them until he was ready to market them.

Q. Don't you think this particular buyer has a deal made with an abattoir concern to take the cattle off his hands at a given price?

The VICE CHAIRMAN: Or is he speculating?—A. That I could not say, but he might be doing either.

By Mr. Davidson:

Q. Your abattoir man is playing safe?—A. Absolutely. Everybody is playing safe, and the man who is selling the steers is apt to be the loser——

[W. R. Reek.]

The VICE CHAIRMAN: The goat?

WITNESS: Because he is on the farm all the time, and the other men are out doing business, and they may be making a hundred similar deals to that during the year, whereas the farmer has only the one deal. The man making the contract is in a far better position to drive a good bargain than the farmer for that reason. I do not think it is a good business for the farmer, except for some large ranches in the west. It is a different proposition with them. They have an opportunity of getting out and keeping in touch with things, whereas the small farmer has not.

Witness discharged.

The VICE CHAIRMAN: It has been suggested that a representative of the Civil Service Association should be called, and it has been hinted that Mr. Frank Jammes, secretary to the Civil Service Association, be called.

Mr. DAVIDSON: I move that he be requested to appear before the Committee, seconded by Mr. Fielding.

Motion agreed to.

Mr. DAVIDSON: Have arrangements been made to call Mr. Pyke, secretary of the wholesale grocers?

The VICE CHAIRMAN: Yes.

Mr. DAVIDSON: I think he should be asked to produce his copies of circulars issued to retailers and to bring all his books from his office—his annual statement and all necessary documents pertaining to the subject of inquiry, including his minute book.

The VICE CHAIRMAN: The secretary will attend to that. The Committee asked for the attendance of the Deputy Minister of Labour and the Deputy Minister of Justice regarding the enforcement of a report in reference to prosecutions in Halifax. There was no response.

The CLERK OF THE COMMITTEE: Mr. Clouthier wrote them, I understand.

The VICE CHAIRMAN: I would request the Clerk of the Committee to have a reply by Monday.

The Committee adjourned till Monday the 16th at 11 a.m.

OTTAWA, MONDAY, June 16, 1919.

The Special Committee appointed to inquire into the prices of foodstuffs and other necessaries of living met in the House of Commons Chamber at eleven o'clock this morning, the Chairman, Mr. G. B. Nicholson, presiding.

Members present,—Messieurs Davidson, Davis, Devlin, Douglas (Strathcona), Nesbitt, Nicholson (Algoma), Sinclair (Queen's, P.E.I.), and Stevens.

Mr. Devlin moved that Mr. John Robinson, editor of the Toronto *Evening Telegram,* should be summoned to give evidence before the Committee had finished with the cold storage business. He stated that the *Evening Telegram* was one of the mediums through which news of the proceedings and the evidence given before the Committee reached the general public in Toronto. In his editorial columns Mr. Robinson had stated that when Mr. Fox gave evidence before the Committee, Mr. Fox had put it all over the Committee because of the mediocrity of some of the members of the Committee. The impression given was that Mr. Fox had refrained from giving some evidence which he might have given. The paper was giving a wrong impression to the people of Toronto in suggesting that the Committee had entirely failed in getting the truth out of Mr. Fox. Mr. Robinson evidently knew what these facts were which were not given, and therefore he would require that Mr. Robinson should come before them and tell what those facts were.

Mr. Nesbitt: I have nothing to say against Mr. Devlin's resolution. If we pay attention, however, to every hot air artist, we will stay here for ten years.

Mr. Devlin: If one is referred to the bar of the House it will have a salutary effect.

Mr. Nesbitt: If you can kill Black Jack, I don't mind.

The Chairman: I have not seen that particular article, but I have seen others. When men write editorials on what they say are facts, those are the things which are agitating the public mind, and it would be a very good thing to have them give the facts to the Committee.

Mr. Stevens: I second the motion.

The Motion was carried.

The Chairman, having remarked that the Justice Department had suggested it would be possible to get the services of the Judge Advocate General, Colonel MacFarlane to act as a counsel in cross-examining witnesses called before the Committee, Mr. Devlin objected. He stated that as they had been criticising the Department of Justice for inaction in connection with the Halifax bread situation, he objected to having any official of that department acting. Continuing, Mr. Devlin said, "We are an independent Committee, or we are not. If we are subject to anyone or all the Departments of the Government I do not see why we need proceed.

The Chairman: That is not a fair imputation.

Mr. Devlin: I am not criticising you.

The Chairman explained that in the first place it had been suggested that he should obtain Mr. O'Connor from this same Department of Justice, but it was made evident that Mr. O'Connor would resign his position rather than act in that capacity. Then it had been decided that the Committee would not have counsel but later that decision was reversed by a quorum of the Committee, and it was decided to get Mr. Pringle and subsequently Mr. Henderson. He had been unable to get either of these gentlemen, and other names were suggested which he had handed to Mr. Stevens, the Vice-Chairman. He had heard nothing further about the matter until that morning, and in the meanwhile he had been informed that Colonel MacFarlane, Judge Advocate General, of the Militia Department, could be secured in all probability.

Mr. Devlin said that he had been asked to give a couple of names after the Committee had failed to get the others suggested, and he had suggested two names of men who had been removed from the political field a long time. One had been absolutely removed since 1896, and he thought the public would be satisfied on account of the great ability of these gentlemen. The men he had suggested were Mr. Aylen, K.C., and Mr. Foran, K. C. Mr. Aylen's name was adopted on the further recommendation of the Hon. W. S. Fielding.

Mr. Stevens said that the Chairman was in an awkward position, and quite innocently. Mr. Nicholson had been away since Friday night and had not returned until that morning. He himself as Vice-Chairman had taken no action in the interim to secure Mr. Aylen, and meantime the suggestion came up that Mr. MacFarlane should be obtained.

The CHAIRMAN: If the Committee says the word, I will say that the Committee does not want Mr. MacFarlane.

Mr. DEVLIN: Don't you think the work of the Committee is delicate enough without having the newspapers say that this Committee is controlled by a Department of the Government?

The CHAIRMAN: If the newspapers wish to say that, I am not responsible for them. If anybody says I am controlled by any department they are saying something that is not in accordance with the facts.

Mr. DEVLIN: Don't run away with words that are not in the mind of anybody. As a member of this committee it is immaterial to me whether I act or do not act, but if I am going to be given counsel to conduct this inquiry, counsel named by the Government, then, sir, my usefulness on this Committee has gone and the usefulness of the Committee has gone.

Mr. DAVIS: I do not think Mr. Devlin is logical in being willing to accept Mr. O'Connor, an employee of the Department of Justice, from that Department, and in not being willing to accept another man because he is an employee. However, since the matter has been raised in that way, I think that the best thing we can do is to avoid giving even the appearance of offence, and choose our own men, one independent from any suggestions from the Department. I cannot think there was any desire to switch the inquiry. After these discussions it would have that appearance and we will avoid it by getting outside counsel.

Mr. DOUGLAS (Strathcona): So far as Mr. Aylen is concerned, we cannot avoid that. That was regularly passed by the Committee.

Mr. NESBITT: I am personally opposed to having counsel at all. We have two or three lawyers on the Committee, and if they are not capable of conducting a cross-examination, it is time they were. Besides, I have sat on several Committees where there was counsel engaged, and no benefit was derived from the engagement. The Committee did the work without regard to the counsel. Counsel asked many questions, very frequently irrelevant ones, which brought out no information. I was opposed at the start-off to the engagement of counsel. So far as the sending of Mr. MacFarlane to us by the Department of Justice, I have just as much faith in Mr. MacFarlane, whom I know very well, as in any man whom we could get, whether sent by the Justice Department or anybody else. I have absolute faith in the Committee, and its power to bring out any information that it is necessary to bring out. If you want to engage counsel I am satisfied that Mr. MacFarlane is just as capable as either of the men suggested by Mr. Devlin.

Mr. DAVIS: If counsel makes no more preparation than the Committee make for the examination of witnesses he will be no use to us. What member of the Committee is making a study of these subjects before us, or preparing his examination. The witnesses are not cross-examined. It is all direct examination. I do not know a member of the Committee—I know I am not—who is making a study of the business we want to get at. We are proceeding in a haphazard manner. If the counsel proceeds in that way we would be better without him, but if he will make a study of the subject and then proceed with a series of questions he will be of assistance to us. The members of the Committee are not able to concentrate on that. We are members of other committees as well as this, we have duties in the House, we have other work, our correspondence, etc. and we cannot give attention to this as a man who specially prepares for it and studies his subject before he begins his examination. There are lawyers here quite competent to conduct an investigation after making a preliminary study, but we are asking questions as they occur to us with the result that it is all haphazard, and much of the work is irrelevant.

Mr. NESBITT: You tried to get Mr. Henderson and Mr. Pringle, men of high standing, but men who know no more about these questions than we do. I doubt if they know as much about it as the members of the Committee.

The Chairman point out that whoever was selected as counsel would not make any difference because, when he was through questioning any member of the Committee could ask any questions that seemed to him proper. The procuring of counsel could not be considered an attempt to muzzle the Committee in any way. It would not muzzle him for one.

Mr. Nesbitt said that it would only mean so much additional expense. The Committee's business was to find methods to keep down the expense, but the only effect of procuring counsel would be to add to it.

Alderman Waldo GUERTIN called, sworn and examined.

By the Chairman:

Q. Your business?—A. I am Chairman of the City High Cost of Living Committee. Your Secretary, Mr. Clouthier, asked me to come to the meeting to-day as it would be a very important one, I came with that expectation.

By Mr. Devlin:

Q. You have been following the trend of the high cost of living for some time. Will you make a brief statement as to the conclusion you have reached as a result of your examinations?—A. Our examinations were very much curtailed owing to the fact that we had no power to examine witnesses, like this Committee has, but we congregated together, and did what we could to find out what could be done in our local sphere. We came to the conclusion that the first step to be taken was the organization of a Consumers' League in order to interest the public, and have public opinion behind us. There was very much apathy on the part of the public on the question of studying the cost of living.

Q. Did you get the Consumers' League formed?—A. Yes, we got it formed.

Q. How many members?—A. The members are somewhere near 100 now, but there has not been any real campaign to get members. When the league was formed the object was to send people round the city and canvass until the league was completely organized with a large membership. In the course of our inquiries we found that what we should do first was to improve the markets. I do not know whether there is any control on the part of the merchants of the city or not, but we found that it was hard to buy cheap on the markets. It seemed as if the goods were bought beforehand, or that there was someone going around and telling the prices to the farmers.

By the Chairman:

Q. Who controls the city market, a company?—A. There is an official who controls it.

Q. A city official?—A. Yes, he is an employee of the city. The city owns the market, and it is a public one.

Q. Are there any fees charged to people doing business there?—A. Yes, ten cents. They rent stalls, and pay the rent to the city.

[Alderman W. Guertin.]

Q. Then if there is any collusion on the part of anyone, it is the city authorities who are responsible?—A. It is impossible to make by-laws to prevent the selling of goods to wholesalers or persons who want to buy goods the evening previous. Men, for example, will go to the hotel yards and buy a whole load of meat from the farmer the evening before.

Q. Who buy it?—A. The merchants.

By Mr. Nesbitt:

Q. Is there any rule on your market that traders are not allowed to purchase until a certain hour?—A. Not until eight or nine o'clock, I forget exactly which hour in the morning.

By Mr. Stevens:

Q. They purchased the night before?—A. Yes, in the hotel yards.

Mr. DEVLIN: When the farmer comes in from the country the day before he puts up at the hotel, and purchasers may come into that inn and buy direct from him. There is nothing to compel him to go on the market if he does not want to.

By Mr. Nesbitt:

Q. The man comes on the market early in the morning, doesn't he?—A. He comes the night previous.

Q. Well he takes a stand on the market?—A. He might sell the night previous, and if he doesn't come you have nothing to do with him.

The CHAIRMAN: Unless you wish to say you would prevent a man selling any place else than on the market.

By Mr. Devlin:

Q. Let us take a specific article. Have you made any study into the rise in the price of butter?—A. Well, I have not studied it a very great deal. I found out that butter in the country could be bought sometimes 15 cents cheaper than in the city.

Q. That is direct from the farmer?—A. Even from a store in the country.

Q. But they buy the farmers' butter?—A. Yes.

By Mr. Stevens:

Q. That is dairy butter?—A. It is butter produced by the farmers, farmers' dairy.

Q. But it is classified as dairy butter?—A. Yes.

By Mr. Devlin:

Q. You have not studied the question of creamery butter?—A. No.

Q. Have you given any thought to the study of meat?—A. We studied meat, and we found that what was causing the high prices was——

Q. What examination did you make into the local conditions which bring about increased cost of living?—A. Well, people are in the habit of telephoning for deliveries three or four times a day and the result is that people who go to the butchers' shops have to pay the same price as those who want deliveries. There is no consideration given by most of the butchers' shops to the people who are buying goods direct.

Q. And you advocate the cash and the carry system?—A. Yes, or else have a central system.

Q. But granted that a merchant must have his deliveries in order to keep up with his class of trade, do you find any great expense in the prices in that class of trade in meat?—A. Yes, in the small butchers' shops, for example, we can buy the meat in some cases perhaps, 8 cents or 10 cents cheaper than in the other places.

[Alderman W. Guertin.]

Q. The same quality of meat?—A. I don't know whether it is the same quality of meat so far as that is concerned.

Q. You have not studied by qualities or cuts or anything like that?—A. Yes, by cuts, but not as to quality. I know that in the case of beef, for example, roast beef or cuts,—I don't know whether it was western beef or local beef but likely in the smaller shops it was local beef—they are selling cheaper than in the others.

By Mr. Nesbitt:

Q. There is nothing to hinder you from going to those shops?—A. There is nothing to hinder, but some people don't know. It is a question of education in relation to those small shops.

By Mr. Stevens:

Q. Have you, in your investigations, found that a great deal of the high price charged is a result of expensive delivery distribution systems?—A. We found that there was much in that.

Q. Have you any suggestion to make, as a representative of consumers, as to how that is to be overcome or limited?—A. We should have a consumers' league all through Canada and we should educate people to have the cash and carry or else have a central delivery as they have in some other places.

Q. Do you know anything of the central delivery?—A. We have some one in our league whom we intend to let you examine, if you are willing to—some women who have taken an active part in the matter who would be glad to give you information.

Q. Have they had experience in the cash and carry or the central delivery?—A. These women have been greatly interested in the matter and they also wanted to say something about the meat packers.

Q. They have evidence to offer to the committee in regard to the packing industry?—A. Yes.

Q. Is it valuable evidence?—A. They claim it is valuable.

Mr. Stevens: Of course we are anxious to have all the evidence we can get so long as it bears on the subject.

By Mr. Devlin:

Q. You are an alderman of the city?—A. Yes.

Q. Do you know that those people you spoke of a moment ago who go selling their goods in hotel yards are breaking the law unless they have a pedlar's license?—A. Well if they are farmers, if they are producers, I don't think we can stop them. I think there was a case decided in the Privy Council on that particular point.

Q. Do you know anything about the Producers' Milk Company?—A. Yes, they endeavoured to lower the price of milk in Ottawa.

Q. When did they go into business?—A. About 7 or 8 months ago.

Q. This spring?—A. Not this spring, 7 or 8 months ago. That would be last year.

Q. Had the fact of their going into business and putting teams in the streets delivering milk the effect of reducing the price?—A. We found that the fact of their going into competition was reducing the cost of milk. The manager was telling me that they were going——

Q. We will not mind hearsay evidence, but from your own personal examination by how many cents was there a drop in milk?—A. There was a drop, through competition of two cents—three cents I should say because the Ottawa Dairy started by lowering to 11 cents, then the Producers retaliated by lowering to 10 cents, then it was lowered to 10 cents.

[Alderman W. Guertin.]

Q. What is it now?—A. 10 cents.

Mr. STEVENS: You are a mighty lucky city. It is 15 and 16 cents elsewhere.

The WITNESS: It was a question of competition and also of selling direct from the producers to the Producers' Dairy. The shareholders of the Producers' Dairy are the ones who are producing the milk.

By Mr. Devlin:

Q. And they can take less profit, for instance, on the delivery of the milk than otherwise they might?—A. Yes.

By Mr. Nesbitt:

Q. I would like this gentleman to go back to the market. Your market in Ottawa is open. As a matter of fact any farmer can go on the market if he pays for his stall or, if he stands outside, he does not need to pay for his stall?—A. If he comes on the market he has got to pay ten cents for his stall, ten cents for each time.

Q. Do they sell meat and vegetables?—A. Yes.

Q. And butter and eggs?—A. Yes.

Q. And there is nothing to hinder any citizen of Ottawa from going to the market to buy what he can buy?—A. No.

Q. Do the local butchers have stalls on the market?—A. Some of them, yes.

Q. And you can buy meat there from five to ten cents a pound cheaper?—A. No, unless you buy it by the hind quarters. There is no selling of meat by the pound.

Q. Who are the men you say who sell it cheaper?—A. The local butchers in the small shops.

Q. Is there anything to hinder any citizen from going to the local butchers?—A. There is nothing, but some of them are not inclined to buy from local butchers. I don't know for what reason.

Q. There is nothing to hinder them?—A. No.

Q. And they can get it at five, eight or ten cents a pound cheaper if they do. You have no quarrel with that?—A. Not at all.

By Mr. Devlin:

Q. If you cross the bridge and go to Hull you can get it cheaper still?—A. Yes, cheaper still. You can get that class of meat cheaper in lower town than in upper town.

By Mr. Nesbitt:

Q. You don't see anything wrong with that?—A. I don't see anything wrong with it either. It just illustrates the fact that these small butchers have not got so much in overhead expenses to meet. That is why they can sell cheaper.

Q. Then it is the fault of the consumer if he does not buy from them?—A. Yes, it is the fault of the consumer.

Mr. NESBITT: I don't see how you can rectify that if they go to the man who sells dearer.

By Mr. Devlin:

Q. As I take it, in this city, you have a wealthy class with a great deal of wealth and then you have a large class of labouring people. The labouring people will go to these smaller butchers you speak of and the wealthy class will insist on having their meat delivered by order over the telephone, and they want a more expensive meat although they clamour for cheaper meat. What they want is better meat sold cheaper.

[Alderman W. Guertin.]

Are there enough of the smaller butchers in Ottawa city to supply the general demand?—A. No, there are not enough.

Q. A great deal of them go to Matthews?—A. Yes.

By Mr. Stevens:

Q. Of course there is this about it—that in the large concerns the meat is all inspected. In the smaller shops there is no inspection and you don't know whether the meat is good or diseased?—A. That is the reason why so many people won't go to the smaller shops, because the meat is not inspected.

By Mr. Davis:

Q. What is the cost of inspection?—A. That is done by the abattoir.

Q. There is no provision for inspecting in the butcher slaughter houses?—A. No, we have done something in the city. We want to have each butcher to have a license so that we may be in a position to inspect later on.

Q. What was the object of the Consumers' League?—A. The object was to find out if we could operate on the co-operative basis, if we could start on a small scale.

Q. Have you worked out any of these plans?—A. The Consumers' League was only formed recently and we have not yet been able to judge the facts.

Q. How long?—A. About a week and a half.

By the Chairman:

Q. Have you established any co-operative distribution of foodstuffs?—A. We have not done anything but that is our intention. We intend to have Mr. Desjardins, the founder of the co-operative system in the Province of Quebec—what they call the Caisse Populaire—which I understand has been of very great benefit to the labouring classes.

Q. Can you from your own knowledge, give the committee any evidence of the effect these things are having of the saving that is being effected?—A. We have for example ,the Civil Service Co-operative—they may be able to tell you better than I can—they can buy goods three or four cents cheaper than any other person in town. That was the evidence brought out before our committee.

By Mr. Nesbitt:

Q. Who can buy goods cheaper?—A. The Civil Service Co-operative store.

Q. Do they sell them cheaper?—A. Yes, two or three cents cheaper than at the other stores.

By Mr. Douglas:

Q. Do you belong to the Civil Service Co-operative Association?—A. No, but we had evidence submitted before us, that is the committee.

Q. What is your business?—A. I am a lawyer.

By Mr. Nesbitt:

Q. On your own market, on your local market taking this spring as an illustration, could you buy eggs. cheaper there than in the stores?—A. There was practically no difference.

By the Chairman:

Q. Who were selling eggs on the market, the farmers?—A. The farmers were.

Q. Were they selling butter?—A. Yes.

[Alderman W. Guertin.]

Q. Could you buy butter any cheaper there than at the stores?—A. Maybe a few cents. I may say here that last spring was very bad for the farmers on account of the bad roads. The farmers could not come in.

Q. Leave out the Spring. There are good roads now. Can you buy eggs on the market cheaper than in the stores?—A. We can buy dairy butter a little cheaper.

Q. How much?—A. Three or four cents for dairy butter.

By Mr. Nesbitt:

Q. Than the dairy butter in the stores?—A. Yes.

Q. But the stores don't keep dairy butter very much?—A. No, they keep the creamery butter.

By the Chairman:

Q. Is there an ample supply of dairy butter on the market?—A. Lots of it.

Q. And people can get all the butter they want?—A. I don't know whether they could if the whole city went down. I don't suppose they would have enough to supply the people.

Mr. Stevens: A great many people won't eat dairy butter? They want the fresh creamery butter and of course if they want creamery butter they have to pay the price for it.

By Mr. Davis:

Q. Have you any special knowledge of the retail trade. You have never been in trade yourself?—A. No.

Q. Have you any knowledge other than the ordinary consumer has?—A. Not myself.

Q. Have you carried on any investigations yourself?—A. We have been carrying on investigations.

Q. Extending over how long a period?—A. About three or four weeks, but Mr. Tulley of the Civil Service, who is present, could give you information.

Q. You have no special knowledge yourself?—A. No.

Q. No knowledge gathered under your hands at the present time which you could give to the committee?—A. No, I would like to suggest, if you feel interested in the co-operative system, that the best method you can adopt is to get Mr. Alphonse Desjardins, of Quebec City, who is the founder of the co-operative system in Quebec. We have at the present time a system of the Caisse Populaire which has not the force of law in the province. They have had it in the Province of Quebec. It is a very great help to the people.

Q. Have they started it in Ottawa?—A. Yes, we have seven or eight and they are proving wonderful.

On the question of engaging counsel, the Chairman announced that Colonel MacFarlane stated that he was willing to act but wanted the Committee to know that he was a stockholder in the Dominion Textile Company. Thereupon, Mr. Stevens seconded by Mr. Davis, moved that the Chairman be instructed to get counsel.

Mr. Devlin: ——who is not in any way engaged as counsel for, or interested as a stockholder, in any of these companies.

The Motion carried.

The Chairman: I would like the Committee to consider submitting an interim report. If they deem it wise, I would like to get their opinion as to whether we should recommend to the House of Commons the appointment of some permanent court or commission or board to deal with unfair practices in the business way, that any one

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may come before them from time to time as a competent body to deal with any case that may arise—whether we should submit that report. Personally, I am very strongly inclined to the opinion that there should be established some permanent independent body to deal with cases of unfair trading that will come up from time to time from one end of the country to the other. I am not in a position to say how the details should be worked out, just exactly what form it should take, but I believe that there should be such a body.

Mr. NESBITT: The Labour Department now have the right to investigate.

The CHAIRMAN: I know they have the right to investigate.

Mr. NESBITT: And they have the right to order.

Mr. DAVIS: Not only that, but under that Order in Council, they have given powers to local committees to investigate. I have never heard of a prosecution under it

The CHAIRMAN: Is there not a general consensus of opinion that the local committee is prejudiced by local prejudices and influences and all that sort of thing.

Mr. NESBITT: That does not hinder the Labour Department from prosecuting themselves.

Mr. STEVENS: I think perhaps the difficulty is this: That anybody who takes action now must take action under laws and regulations which were not construed with a knowledge of modern conditions. They were formulated say five, or ten, or thirty or more years ago. They are somewhat obsolete, somewhat impracticable, and I had in mind this—I hope to submit it to the committee on the first opportunity and the committee can modify or change or reject it just as they consider fit—but I do believe personally, that there should be formulated some definite court, call it a court of commerce or whatever you like, to have jurisdiction over commerce, very similar to the jurisdiction of the Railway Commission over railways and transportation, and telephone and telegraph companies and so forth. This case in Toronto, for instance, is a strong illustration of the need of such a court. Here are business men who claim they are unfairly discriminated against. We have also evidence before us of the United Farmers' where, they stated, they found repeatedly that it was difficult to buy goods although it is a bona fide institution, and, not only that, an institution recognized throughout the country as desirable. According to them, they could not buy goods except under the most humiliating—I think that is the best term—humiliating conditions. Now, there ought to be a body to which an organization of that kind or an individual could appeal instead of having to go through all the fearful and irritating conditions surrounding an ordinary court because if a man prosecutes now, he is doing a rather serious thing. He cannot put a grievance before a court unless he has got some particular, definite charge to make. I believe the organization of a board or court of that kind would be very useful. Unless the committee were absolutely opposed, I think it would be best to bring it before the committee in the form of a definite resolution.

The CHAIRMAN: If you are going to submit any report of that character, as an interim report, it should be dealt with at an early date or else legislation could not be passed this session.

Mr. DEVLIN: In other words we were appointed too late to be of any use.

Mr. STEVENS: Nevertheless, I think we should make the very best use of the time we have.

Mr. DEVLIN: I see a great deal of sense—if you will pardon that language—I say so far as my humble judgment goes, I see a great deal of sense in what you, Mr. Chairman, and Mr. Stevens say. But I take the position that we are each one of us constituted judges of inquiry and to make a report at the present juncture, before

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the case has been heard, would be to take sides of necessity. We have got to hear the whole evidence upon the different points submitted to us before we can make a report and we have heard very little evidence so far, extremely little evidence.

Mr. STEVENS: I am not assuming to judge the great question of the cost of living, but I think we have gone far enough, at least I feel we have gone far enough, to say this: That as soon as we rise there will continue to come forward before the public many perplexing problems and questions and there will be no group or court or authority to deal with them adequately. The rest of the inquiry certainly should proceed as it applies to the issue of the cost of living. But that does not, in my mind, affect the point of which the Chairman has spoken, namely, the establishment of such a competent body.

Mr. DEVLIN: It would be thrown into debate, I presume, in the House of Commons.

The CHAIRMAN: Our report would be referred to the House of Commons. That is the only place to which we can report.

Mr. DEVLIN: And there they will begin a general debate—the different interests in the House—and that debate will last anyway till the end of the present session, if the session is to end in decent time.

The CHAIRMAN: Well, we will consider that question between now and to-morrow morning.

Mr. NESBITT: Before you leave that question, in my judgment, the Labour Department have all the authority that any court could be given and I would like to have the Deputy Minister of Labour summoned here—if you doubt that—to find out just what authority they have got. My own judgment is that they have got all the authority you can give to any court.

The Committee adjourned at 1 p.m., to meet at 4 p.m. in Room 318.

The Committee resumed at 4 p.m., the Chairman, Mr. Nicholson, presiding.

Mrs. Albert HORTON: Called.

The CHAIRMAN: It was given in evidence before us this morning that you might be in a position to give the Committee some facts with regard to the cost of foodstuffs, particularly meat products, and dairy products, wholesale and retail, with the spread between the wholesale prices and the retail prices, and that you might also be able to give the Committee some valuable information with regard to the possible means of narrowing that spread and of reducing the cost of distribution. It was stated to us that you were connected in some way with the Citizen's League that has been investigating the cost of foodstuffs.

WITNESS: I am not on any committee; I do not believe in women's organizations. I am an individual and anything I may say is said on my responsibility. I did belong to the Citizen's Improvement League at one time.

By the Chairman:

Q. But you are no longer a member?—A. I really do not know whether I am a member or not.

Q. Can you give the Committee any information with regard to the cost of foodstuffs? We will begin with butter, wholesale at any period you wish to take, say during the month of April or May last. What was it costing wholesale in the City of Ottawa?—A. I cannot give you that information, Mr. Chairman; I cannot see why you have not that information already.

[Mrs. Albert Horton.]

Q. We have certain information obtained from certain sources, but a gentleman giving his position as that of the President of the Citizen's Consumers League gave us your name as that of one who would like to give evidence, and who could give evidence?—A. I did not know anything about it until noon to-day. I thought that some person had suggested that I might express some ideas; I have more ideas than facts.

Mr. J. DOUGLAS: I think I am responsible for Mrs. Horton being called. I was given to understand that Mrs. Horton had made certain investigations as a citizen of Ottawa, and had some ideas on this subject. I do not think she can go into details as to the prices, but I did imagine Mrs. Horton would have some ideas with regard to a possible solution of the trouble.

WITNESS: I am very much honoured by your suggestion that I may have some ideas. I think that any person who does household work and who buys ought to have some ideas. As to whether I have any facts that would be interesting to the Committee, that is another story. I do not suppose that there are any facts with which the Committee are not already acquainted.

The CHAIRMAN: The Committee is honestly anxious to find, if it can, the cause of the high cost of living, to find the base of the cost of production, and the spread between the producers' cost and the cost to the ultimate consumer. That is really our object.

WITNESS: You do not want to go back to the producer; you want to begin at the produced article.

The CHAIRMAN: We are willing to go back as far as we possibly can, but in so far as meat products and dairy products are concerned, the producer is the farmer.

WITNESS: Quite so; you do not mind going back to the farmer.

The CHAIRMAN: That is the place that we want to start from, the money the farmer is getting for his produce and the price to the ultimate consumer; to find out whether the channels of connection are as they should be; whether there is too much in distribution, and whether the spread is too great. We are anxious to get information with regard to your own sources of supply, from which we can draw conclusions with a view to suggesting a remedy if one can be suggested. As Mr. Douglas pointed out, his object was to get your ideas, and I think the Committee would be very glad to have a brief statement showing what your ideas are.

WITNESS: Well, I have no cut and dried ideas. If I had, I would require a little more time to prepare them. I was preparing what should have been a cheap dinner when I received the Committee's request to appear. I was using at least two protected articles, protected by Members of Parliament, and I do not mind telling you that if it were not for the foolish protection of those articles, my dinner would have been cheaper.

By Mr. Douglas:

Q. What were the protected articles?—A. Codfish from New Brunswick prepared by Mr. Loggie, and some marmalade manufactured by Mr. E. D. Smith.

Q. Is that Mr. Loggie the Member of Parliament?—A. Yes, they are strictly parliamentary goods.

Q. And marmalade?—A. Yes, and biscuits. They are protected too. In fact, everything I cook with is protected except the water and the milk.

By Mr. Devlin:

Q. Have you made a study of economic conditions at the present time? You are interested in the study of economics?—A. I am, very much so.

Q. Leaving the details aside, as you say you have not prepared anything, can you give the Committee your own idea as to what would reduce the high cost of living to-day?—A. I may say that I have several ideas of how the cost of living might be reduced. It has got into such a hopeless muddle that one must begin with palliatives now. I belong to the School of Surgery who go to the bottom of things and cut out all the offensive parts. Until we do, I have no objection to giving opiates to the patient.

Q. You follow the policy of elimination?—A. Yes, I believe that prevention is better than cure. I have followed that policy in regard to the health of my family and in regard to my work. It is just as scientific to avoid unnecessary work as it is to endeavour to avoid disease. So I think I could have shown how to avoid the muddle but they did not ask me.

By the Chairman:

Q. Would you mind telling us how?—A. If now they do not get much satisfaction or help in getting out of the muddle they have themselves to blame.

By Mr. Devlin:

Q. We have to make suggestions to the Government, and I would ask you how you would advise the Government?—A. I would have advised the Government a week or two ago to have brought in a different budget. Since that all that we eat and wear is drawn from the natural resources of the earth, it follows that these things must be left as free as possible in order to make the best possible use of production. My child could tell you that or my laundress who is working for me, and who told me a lot to say. I would have brought in originally a different budget, and I would have admitted a tax on unimproved land along with a tax on unimproved men, meaning bachelors. We tax married men with families, and if you want to discourage bachelorhood, to make more homes, you make it less desirable for men to remain in that state, if you tax them.

By the Chairman:

Q. What would we do with the unmarried women, tax them too?—A. Certainly, that is if there are the men to go round. But you cannot compel forty-five women to marry forty men. If the Government taxed the incomes of the unmarried men more heavily than the incomes of the married men, they would not only get more revenue, but would discourage that state. If there are too many dogs running about the street, you tax them. Then you tax the farmers' implements, what he uses and nearly all that he buys, although he is engaged in production. I mean wheat-growers and farmers of all sorts.

Q. Have you ever given any thought as to what the real increases in the cost of producing farm produce is, as a result of taxing the farmers' implements?—A. I do not know that I have, but I think it ought to very materially increase the cost. Of course, that is only a part of the increase in the cost of producing. Another cause is the high prices the farmer pays for the things he buys.

By Mr. Stevens:

Q. Your remedy or palliative would be free trade?—A. Yes, as nearly as you can get to it, only instead of using words which frighten people and send the protectionist scurrying, I should name some specific object which I wished to tax, and I think it is not a new suggestion to tax unimproved land. It has been already suggested. I mean to say, as one of the new voters, that that is one of my remedies. In regard to the difference between the cost of the product after it is produced and its price to the consumer land again enters into that. I am not one of the consumers or one of the householders who find that all retailers are villains. A lady in Montreal said the other day that although she had a quarrel with her grocer over the high cost of living, she was on good terms with all the clerks. I do not quite understand that, but it may be understood later when she comes to explain. I do not quarrel with my retailer. There are some very decent men retailers. One of the things I would like to point out is that

[Mrs. Albert Horton.]

they pay rent. They do business on land, besides handling all the products that come from land, and with the increased cost of land they have to add more to the goods they are selling.

By Mr. Nesbitt:

Q. Would you give them their buildings free?—A. Certainly not, until we have free land. Try free trade first and see what it will do.

Q. Will it give you free land?—A. No, it won't, but it will make land freer to the user. I would give the land to the user.

By Mr. Stevens:

Q. If you increase the tax on the land, would you not increase the rental under natural economic laws?—A. Not if you go about it in the right way.

By Mr. Nesbitt:

Q. What would be the right way?—A. There is a gentleman here who asked to appear before the Committee this afternoon. I do not know what he is going to talk about, but since I am the only woman present—

Mr. DOUGLAS: No, there is a lady behind you.

By Mr. Douglas:

Q. Taking conditions as they are—I do not suppose we can change the question of the land—your argument there is that the high rentals are one of the causes for the increased cost of doing business on the part of the merchant?—A. It is a contributing cause.

Q. Following that up, do you think in your experience that the retail dealer is getting more money than he should from the article, as a middleman?—A. Well, no answer could cover a hundred per cent of cases? I should say in many cases he is not. In the majority of cases he is not getting more, under the conditions in which he finds himself, with the rental and taxes he pays, and the cost of all the necessaries of life to himself. I do not think in the majority of cases he is getting more than a fair profit.

Q. What would you think of the method of doing business in Ottawa prevailing to-day, in the matter of deliveries for one thing, and the matter of credit for another, which is, after all, as one dealer described to us ,a question of service, that the people of Ottawa demand service, and means more clerks than are necessary to handle the business, more deliveries than should be required, which entails expense, telephone service, and the one hundred and one things that go to make the service in the store. You go into a store and you want to be waited on within two or three minutes of the time you enter—I am speaking of everybody—and he has to keep clerks employed there to serve his customers quickly, whereas if people were more patient they could get served by waiting ten or fifteen minutes, and the employees would be working all the time. Have you any suggestions along the line of cheaper merchandizing methods outside of the big questions of the land and tariff?—A. Yes, I do think that the cost to the consumer, and the retailer's profit, might be considerably reduced by more economic methods such as a few shops adopted during the war. I carried home parcels during the war, but I did not profit by it in any way.

Q. Mr. Crabtree gives an advantage of 8 to 10 per cent to any one who would do that—A. He began about 2 per cent, but everybody cannot do it. It is a matter of time. My time is the equivalent of money. I have a high-priced girl, and when she goes away I realize when I am doing my own work just how my time is equivalent to money, and I find it much more convenient to do most of my shopping by telephone, and I would not insult my fellowmen, or the majority of them, by saying that I cannot get an honest dealer over the phone. You can, but you cannot always get what you want, but I find women have a fondness for going to shops just for the fun of looking over things and

[Mrs. Albert Horton.]

handling a dozen heads of lettuce, when the shopkeeper would send you a good one if you asked for it and were willing to pay the price.

Q. You think the telephone is not one method of increasing the cost of doing business?—A. It is not. It should not be.

Mr. NESBITT: One witness, a retailer, said that it very materially added to the cost of doing business.

Mr. DOUGLAS: I think that is on account of deliveries.

WITNESS: It gives more deliveries. I personally carry more parcels home, but if you are going to deal with broad questions, you cannot assume that you are going to give the people consciences when they have none. If you will pass legislation which will develop a Canadian conscience superior to any other, all these questions would be solved, and when you will be able to do that I do not know. I am not a moralist.

By Mr. Stevens:

Q. It is a fact—and a great deal of the evidence points that way—that one of the causes of the high cost of living is the expense of the distribution system; that is the delivery—a large number of parcels and several deliveries going to the one house in a day, and if that is a fact is it not a proper subject for an inquiry from you as a consumer to see if there is any way of investigating?—A. It is such a very small part of the subject, and such a very small part of the cost—and I think the tariff is a very much greater part of the cost——

Q. Our evidence is that this is the largest portion?—A. When you say the cost of distribution, do you not include the transportation from the producer?

The CHAIRMAN: Oh, no. Just from the retailer to the final consumer. We have evidence before us given in two cases. One man sells his goods and his customers go there and take the goods away. Another retailer sells his goods and delivers them to the people's homes as they order them. In the one case it costs double as much money for doing the business as it does in the other; or in other words, in one case the man can do business for 9 per cent added on to his gross turnover, and in the other case it cost from 18 to 20 per cent, and the difference between 9 per cent and 18 per cent is greater than the total spread between the producer and the retailer.

WITNESS: You cannot suggest the doing away with all delivery. There are certain classes of goods too heavy and inconvenient to be carried by hand.

By the Chairman:

Q. Those two men are each conducting an identically similar business, both of them in the retail meat business, and that is the evidence which we have. Another point,—have you considered anything in connection with the question of market, purchasing goods at the market, and carrying them home?

Mr. DEVLIN: Excuse me, but have you stated that we have evidence here before us that ladies can carry home a roast of beef?

The CHAIRMAN: We have evidence before this Committee by two men following each other in direct succession where Mr. Barton, one of them, says that his customers carry home practically all their own goods and the evidence of another witness is that he delivers all his goods. I did not say that the ladies carried home a roast of beef but that Mr. Barton's customers carried their goods from the store, and he is doing a larger business in volume than the other man, and he, by so doing cuts the cost of distribution in two.—A. But Mr. Barton's customer who has to carry the goods may have to go a long distance; it is a long distance to carry home these goods, and think of the labour involved on the part of the customer. I think that must be added to the cost, the trouble and time of the consumer.

Q. Of course that brings us down to the 9 per cent that the other is charging extra; the customer has no right to say that this is an addition to the cost of living; that is a case where the customer is taking it for granted that it will be better to pay the 9 per cent than go and get his own goods.

By Mr. Devlin:

Q. That does not take into consideration that the majority of people who go into that man's store do carry their groceries in Toronto and, I venture to say in Ottawa they have their own automobiles and carriages.—A. Or street car, do not overlook the common people who ride on the street car. These things are small, they are details, but if you are considering our subject carefully I think that possibly there might be a saving in deliveries, particularly in groceries, but it seems to me, I will say, that the important point is to begin at the beginning and if you want to reduce the cost of living we will have to begin with the production of the necessities of life.

Q. If the evidence were brought to you to show that, compared with the time you take the beef animal from the farmer who produces him, to the stockyards, and until the meat is landed on your table for cooking, and it can clearly be shown, that the spread between the retailer and you is almost 50 per cent greater than all the spread prior to that, what would you say? Let me illustrate it in this way?—A. Well, I would have to be shown.

Q. If it can be shown that from the time that the animal from out of which the beef is produced is taken from the farmer until the retailer gets the beef, the spread between the price is only 4 per cent, and that from the time the retailer gets it until you get it the spread is 20 per cent, that is according to the evidence we have before us, what do you say in reference to that?

Mr. Devlin: I know that Mrs. Horton does not require any protection, but as I understand her evidence it was this, that when at the beginning she dealt with the question of protection she was dealing with the question of foodstuffs which were not produced within the immediate vicinity but had to be imported, and she said, according to her study and examinations into the question it was her opinion that the tariff should be lowered. Then you put to Mrs. Horton a hypothetical question, but she does not concur perhaps with one of the premises and whatever conclusion she would come to would not be her own conclusion.

By Mr. Davidson:

Q. How does Mrs. Horton come here, as a tariff expert?—A. No, as a consumer, an independent citizen.

By Mr. Douglas:

Q. When you go out of foodstuffs what do you find about clothing?—A. I am very glad you asked that question because, personally, I am not complaining about the high price of foodstuffs as much as about the high price of luxuries, and nobody makes very much kick about that.

Q. When you talk about the matter of clothing for instance for men and women is that in your judgment at an artificial value?—A. I am not prepared to say that it is an artificial value, but I think it is the tariff that is at fault.

Q. You would primarily lay the fault on the tariff?—A. I allow every possible sin that will crop up around the cost of living; every sin possibly is to be laid at the door of the tariff at the beginning.

Q. That is at the start, and after you get through that what about the retail shops of your own city, what about that?—A. Of course the prices vary.

Q. You say you do not think the grocer and the butcher is overcharging, and that they are not making any large profit. What would you say in regard to clothing, the dry goods people?—A. I do not know, I have not investigated their books, and I can only give an idea; I do not speak as an expert, merely as a more or less intelligent being who would like to contribute anything she can to the solution of problems that require solution. As I say the clothing dealer, and the dealer in furniture and any luxuries—I am not including the furniture as a luxury—but jewellery, books, furs and other things, musical instruments, automobiles, I imagine the prices there are not so fixed as in the price of foods. I may say that I am asked $35 for a very simple little hat, but if I wait for a few weeks I can get it for $15.

By Mr. Nesbitt:

Q. The moral is that you had better wait for a little while?—A. Oh, I always do, there is always one of last year's hats that can be obtained, and that is the way I do. I have very little sympathy with the ladies who a very little while ago demanded that the Government reduce the cost of butter. I had the pleasure of sending to the newspapers a little satire, which may or may not be understood, suggesting the advisability of petitioning the Government to bring down the cost of hats. We can do without hats but we cannot do without butter.

Q. Will you tell us why there should be such a difference in hats?—A. I cannot, I have never been a milliner, I have no idea, excepting that women are foolish. I regret to state that my sex are foolish enough to pay for things that appertain to their adornment when they are not willing to pay for good food.

Q. A hat is not particularly a luxury?—A. If you saw one that I was asked to pay $55 for you would consider it a luxury.

Q. That is the higher priced ones. A hat is a hat?—A. I will compromise and say that the trimming is a luxury and the hat is a necessity.

Q. Can you tell us why a hat should be priced at $30 and then be reduced to $15?—A. I cannot; the exigencies of the trade, I suppose.

Q. Who are the fellows that sell hats at $55?—A. I am not advertising any milliner. I do not think the milliners would care for my advertising.

Q. We want to get at the cost of these things.—A. I do not say that that is too much; I think it is too much, but I do not make rules for others.

Q. At any rate you do not require to pay that?—A. I was paying seventy-three cents for butter and I did not kick about it.

By Mr. Douglas:

Q. When were you paying that?—A. In the latter part of April. I am sure that the National Council of Women sent telegrams to the Government. The Chairman of that meeting urged her sisters to bombard the Government.

Q. Butter is very much reduced now?—A. I think so.

By Mr. Nesbitt:

Q. You say you paid seventy-three cents for creamery butter?—A. Yes. I get my butter usually from the Experimental Farm. I cannot say that it is protected butter; I cannot include it among the protected articles like Mr. Loggie's fish and Mr. Smith's marmalade.

Q. Do you mind telling us what you are paying now for butter?—A. What date is this? I pay once a month.

Q. What was the price of butter in May?—A. It varied a great deal from 65 cents to 60 cents. I think the Farm butter was only 60 cents. They give one price over the month, and when it goes up you run a chance of paying more than it is in the market, and you get the benefit if it goes down.

By Mr. Douglas:

Q. That is dairy butter?—A. No, creamery butter.

Q. Do they sell creamery butter at the Experimental Farm?—A. They have to make certain butters in connection with their experiments with milk, and they sell a large supply.

By the Chairman:

Q. It is the highest grade of butter?—A. I think it is. We consider ourselves specially privileged to be on the list. I would like to emphasize the necessity of freedom at the source of production. If you get the fundamental question settled right, you will settle all these things. They would work out. When that man asked me to pay $55 for that hat—

Q. Would you buy that hat cheaper in New York?—A. I am not making any comparisons. When you are dealing with conditions in one country, it is not necessary to make comparisons with another.

By Mr. Nesbitt:

Q. If you took the duty off, would that not reduce the price of the hat?—A. I do not know; I do not care about the price of hats.

Q. If you could find out what that hat was worth in the country that produced it?—A. Certain articles of clothing, and all luxuries, beyond their intrinsic value, have a value that attaches to them because of their desirability, so that they have a high value to one person and not to another. That hat is not worth more than ten dollars perhaps, to one person, but I presume some other woman in Ottawa might pay $55. Perhaps she has more money, or likes hats better. You cannot get any expert who could always tell you just why certain things are valued at a certain price.

By the Chairman:

Q. What about the retail price of boots and shoes for children attending school?—A. The same thing applies; boots are a necessity.

By Mr. Nesbitt:

Q. Not necessarily; when I was a boy I went bare-footed?—A. You had the good fortune to live in the country; you had no hot pavements to walk on.

WITNESS retired.

Mrs. W. C. HUGHSON called.

By the Chairman:

Q. Are you attached to that branch of the League which Mr. Guertin spoke of?—A. Yes, I am one of the Committee.

WITNESS: That pamphlet is illuminative as the basis of my information. Before I begin I would like to say that what I am stating I cannot vouch for. It would take a Royal Commission in order to get this information and people would have to be brought up to swear to these things.

By the Chairman:

Q. We can bring people here and put them on oath?—A. With regard to this pamphlet—

Q. When was that issued?—A. Last July.

Q. By whom?—A. By the United States Government. This Federal Trade Commission on the Meat Packing Industry was called by the President to investigate into the meat-packing industry and this is a summary of their report. At home I have two very large volumes which I did not attempt to bring, because they are so voluminous, they contain the inquiry during January and February of this year before the Central Agricultural Committee on this meat-packing industry and the lawyer who was instrumental in getting most of this evidence is Mr. Heney and he said, " You cannot convict a one hundred million concern, nor can you convict a ten million concern, because there are always men on the jury who may be bought. He had reference to the evidence which was brought out, most of which is in this document. I have here a summary of convictions which refers to the Big Five, as they are called, which means the five corporations, Armour and Co., Morris and Co. and Wilson and Co., Incorporated, Cudahy Packing Company hereinafter referred to as the "Big Five" or "The Packers". These concerns together with the subsidiaries and affiliated companies, not only have monopolistic control over the American meat industries, but have secured control, similar in purpose if not yet in extent, over the number of substitutes for meat, such as eggs, cheese and vegetable oils and products, and are rapidly extending their power to cover fish and nearly every kind of foodstuffs.

Then, on the next page of this document, it tells something about this firm, and it says the firm which used to be known as Sulzburger and Sons, secured control in 1916. It gives the names of the banks, and then it says there was an investigating committee, which said that the American company secured the control of one of the banks.

By Mr. Nesbitt:

Q. That was before the Senate Committee in the United States?—A. Yes.

Q. We want to know what is going on in Canada?—A. This shows that the five great companies control all these things ,and it shows that they control the land development, stockyard development, terminal and railway facilities of stockyards, banks, packers, machinery and supplies, cold storage warehouse, and miscellaneous things.

By Mr. Douglas:

Q. Do any of them do that in this country?—A. I cannot say positively, but we have information that leads us to think so—we have information that they have branches here—Armour and Swift.

Q. If we had free trade we would get rid of that, would we?—A. The United States Government is going to do something at Congress this year—at least people say so—to control these men, and I have some evidence here, a confidential letter from Mr. Hoover to the President in which he states that there will be a greater war than the war which has just closed, and that will be to control the meat packers.

By Mr. Stevens:

Q. That information which you mention is certainly very interesting, and points out perhaps that there is a big combine on the other side, but what we are struggling to find out is actual facts on this side in regard to things over which our Parliament may exercise control, and if you have any information that would assist the Committee in ascertaining whether there is such a combine here, or unfair competition, or unfair control or anything of that kind, we would be glad to have it?—A. I might say that I belong to the National Council of Women. I am convenor for the Public Health Committee of the local council, and I am very much interested in health matters, and when I learned that tuberculosis was on the increase, and that people were not being properly fed owing to the high cost of living, I looked into the matter. Ever since 1912 my committee has been trying to have a municipal abattoir here, and we have been told that a very prominent firm here has prevented this being done.

Q. What firm?—A. I do not think I ought to state that, because I have not the evidence, as I said before.

By the Chairman:

Q. If you give us the name, we will get the firm here?—A. I think I would rather not give the firm name, because I could not do that.

[Mrs. W. C. Hughson.]

By Mr. Stevens:

Q. You see the difficulty you place us in. You said there was a firm here, or representatives of some firm here that prevented the establishment of a municipal abattoir, which is alleged by you and a great many others as matter of neglect on the part of the Government for not looking after it. How can we remedy that if we are not made acquainted with the name of the firm?—A. As a matter of fact this municipal abattoir belongs to the provincial government and the local member brought it in last year, and he was told if he brought it up early in the session it would go through to the municipal committee, but he had hardly brought it in before he was asked to withdraw it, and that the feeling against it was much stronger last year.

By the Chairman:

Q. That is purely a municipal matter?—A. Yes, the municipal council drew up a resolution asking to have it amended.

By Mr. Stevens:

Q. It is for the municipality to obtain power to establish an abattoir?—A. Yes, they said it would not be useful unless they had certain amendments to the Act, and he hoped this Act would be amended, and he was hoping he would get it through the municipal committee, and they would not let it go that far, and he was asked to withdraw it, and he preferred to withdraw it rather than have it defeated.

By Mr. Nesbitt:

Q. You are speaking of the high cost of living to the consumer. Do you think the establishment of a municipal abattoir would reduce the cost of living?—A. I certainly do.

Q. What makes you think that?—A. I have a confidential letter from Mr. Hoover to the President that states that very fact.

Mr. Douglas: That is not evidence.

By Mr. Nesbitt:

Q. We have evidence of two municipal abattoirs that did not produce that result. —A. You are referring to the one in Toronto.

Q. Yes, one of them.—A. I was told some aldermen there objected to having it, and as soon as it was established they put in a man who had been with one of the meat packers, one of the firms, the Gunn people put him in there as manager, and he started out at once to make it a financial failure, and it has been such.

Q. Can you prove that?—A. No.

Q. You should not assert it, because I do not think there is any truth in it?—A. I have been told so by a person who seems to know.

Q. You have been told a great many things. We do not want hearsay.—A. I began by saying that I could not prove what I have here in this report, because it was given to us in secret. We were asked not to state the name, but if you do not care for the report—

Mr. Douglas: I do not think you should go on with that under these circumstances.

The Chairman: You place the committee in this position that alleged facts are placed before us that certain people are doing certain things. If any one will come forward and give us the names of any one who is doing these things, we will get to the bottom of it, if there is any way of doing it, but it is not fair to simply read these allegations without giving us the names of the people who make these statements. This is a public inquiry and these aspersions will be sent broadcast throughout the country. Unless we can get some tangible evidence that we can follow up as to who the parties are, it is not fair to the business man to allege he is doing certain things. We cannot take these statements unless some one is prepared to come forward and substantiate them.

[Mrs. W. C. Hughson.]

Mr. Stevens: Mr. Chairman, I would suggest that this is a rather important and delicate question, and the existence of a packing combine may be a little beyond the scope of our investigation, but supposing Mrs. Hughson can give us some information regarding a variety of matters that all women are brought into contact with, such as household expenses, groceries and so forth.

The Chairman: I hope, Mrs. Hughson, you will understand that as far as this committee is concerned we are not endeavouring to circumscribe in any way what you wish to say, but when certain things are alleged, such for instance as that a combine exists that causes a monopoly in the abattoir that we should in fairness to the committee be given some clue to the evidence that will enable us to ascertain the identity of the parties operating it and what the nature of the combine is. If it is alleged that the manager of the Municipal Abattoir in Toronto has deliberately used his office to kill the abattoir and, to that extent, to work against the interests of the public we should know, and the public should know that.—A. I do not know myself, I can only speak to the person from whom I got the information.

Q. If you can give us that information you can rest assured that this committee will take the matter up and go into it thoroughly.—A. I want to say in connection with this food investigation that what I read to you was from the official report in reference to the investigation into the meat packing business in the United States, and we get newspaper clippings from the United States, showing that it did exist for years, and that is the way they came to get this Federal Commerce Report and if you had the time to read that report you would find the way they do things because this action was continental. I brought the subject to the attention of my committee who thought it was so important they sent it up to the National Council and the National Council, at our meeting here in March, appointed a committee consisting of our president, Mrs. Hansard, Mrs. Shortt and myself to interview Sir Thomas White. We met Sir Thomas White and Mr. Meighen and, if I might read our resolution—I might say before doing this that in December the packers asked, here is a newspaper article saying that the packers are asking that the regulation putting a limit on the profits should be withdrawn. So we asked that this committee be appointed to go and see the Government and present the following resolution:

> Resolved that the Executive approach the Dominion Government to request that the Cost of Living Commission be put on a permanent basis which shall have under its supervision production, transportation and sale of food with power to control trade conditions and practices.
>
> First to investigate and report to Parliament the profits of meat packers, millers, and other manufacturers and wholesale dealers in foodstuffs and other necessaries of life.
>
> Second: To issue recommendations for action in case prices are unfair.
>
> Third: To retain, pending further legislation, order 26 (re holding in cold storage) and order 48 (re profits to wholesalers of meat and produce) as well as other desirable orders issued under the Canada Food Board.
>
> We would also respectfully request that the name of Cost of Living Branch, be changed to National Food Commission, and that it be independent of politics similar to the Railway Commission.

The deputation went to interview the Minister of Finance and Mr. Meighen on March 15. The reason we did that was because we saw that the packers asked to have all the restrictions on the meat profits removed, and that the control of profits should be dropped, that the regulation in reference thereto should be revoked, and here is an article in the *Citizen* of February 17 which stated that the High Cost of Living Commissioner urges that action be taken to protect the consumer. If you wish to hear it the situation is shown here in a nutshell.

By the Chairman:

Q. If you will pardon me interrupting, your organization would recommend the establishment of what you might term a National Food Commission?—A. Yes.

By Mr. Stevens:

Q. Your Council considered that question very carefully?—A. Yes.

Q. And they are strongly in favour of that?—A. Oh, very strongly and that is what we asked Sir Thomas White.

By the Chairman:

Q. If this Commission were broadened to deal with the whole matter of Internal Trade and Commerce you would not have any objection?—A. No, and if Dr. McFall's powers were enlarged—

Q. Not Dr. McFall's?—A. Well, if the powers of the Cost of Living Commissioner were enlarged and he had the powers that it has been suggested he should have, we think it would bring down the cost of living very materially, as under the circumstances at present there is no control over them.

By Mr. Devlin:

Q. Might I ask what reply Sir Thomas White gave?—A. Not any, we have not any reply yet.

By the Chairman:

Q. Do you or would your society, approve of the continued manufacture and importation of oleomargarine?—A. We do, very strongly.

Q. Have you any information, any specific information that you can give the committee with regard to the cost of the necessities of life to the retailer, and the spread between it and the price which the consumer pays? Will you tell us whether in your judgment the profit that is taken by the retailers in the city of Ottawa is too great, having in mind the service they render to the public?—A. I have not much information, but I would not think so. I haven't anything against the retailers in the city of Ottawa at all, but I do have a great deal against the meat packers, and the meat packing industry, and I have it all here in a nutshell.

By Mr. Devlin:

Q. Can you possibly leave that pamphlet here?—A. Well, the Chairman has one here and this is the only one I have. If you care to have it here is a summary of it.

Q. Would you file that?—A. Certainly (summary filed).

Q. You also spoke of having a statement which you prepared yourself?—A. Yes, I sent the papers to Mr. Nicholson. There is one thing I would like to mention. I noticed in December, I think, that this matter of the meat packers in the United States was brought up in the British House, and it was said that there was a combination of meat packers. It was denied by the Food Controller, I believe. I would like to tell you of a report by a man—I cannot tell you his name, but he was a banker—who said: "At the beginning of the war, the British Government offered to purchase the great quantities of foodstuffs the meat packers had stored in Great Britain, but the packers demanded such a high price that the British Government declined to buy. Later, the British Government commandeered the lot. This action so provoked the meat packers that they brought their influence to bear upon the New York banks and prevented them from investing in the Anglo-French loan, which would have been a failure had not the British Government paid the meat packers an additional $50,000.-000 for the foodstuffs they had taken.

[Mrs. W. C. Hughson.]

By Mr. Devlin:

Q. Could you leave that statement with the Committee?—A. This is to be found in my report, a copy of which I sent to the Chairman. I may add that I recently noticed that the British Government is asking the New Zealand Government to help in giving supplies so that they would not have to buy from the American packers' combine. That to my mind confirms this report and shows that there was something in it. It came from a banker, I think.

Witness retired.

F. A. ACLAND, called, sworn and examined.

By the Chairman:

Q. You are the Deputy Minister of Labour?—A. Yes, sir.

Q. Evidence was given before the Committee of the existence of a combine between the packers and the retail grocers or provision merchants in the city of Halifax to put up the price of bread to an abnormal degree. Evidence was given that the whole matter had been reported to the Department of Justice, but that nothing had been done. Can you give the Committee any information in regard to that?

Mr. DEVLIN: Dr. McFall made the statement that it was referred by you to the Department of Justice and that no action was taken.

Mr. STEVENS: Dr. McFall said, in reply to a question, "I have made recommendations which would amount to that, for the whole of Canada. I did that last fall. I have no copy here." Then in reply to another question:

> "What was the general nature of the recommendation?—A. Generally speaking, it was that the price of bread should not be advanced in any part of Canada until the increasing costs of the baker showed that there would be less margin left to the retailer than one cent a loaf."

WITNESS: Perhaps I may be allowed to say that the Department of Labour, as such, has no control whatever over these matters. Under the statute by which it operates, it has no control over prices. A good many years ago, it began collecting prices, and in that way it became more or less associated with the subject. One or two of its officers paid some attention to the subject and perhaps gathered a good deal of valuable information; but we had no authority. There was a good deal of agitation after the war started, and an Order in Council, under the War Measures Act was passed, which constituted the Minister of Labour a commissioner of the cost of living. The Minister acted through an officer called the examiner, who is not a permanent officer of the Department of Labour. In the first place Mr. O'Connor was appointed examiner. A year or two afterwards Mr. O'Connor resigned and Dr. McFall was appointed. These gentlemen—first Mr. O'Connor and then Dr. McFall—acted directly under the authority of the Minister of Labour. They did not act through the Department of Labour, and the Department as such knew little or nothing of what transpired. Personally, I knew nothing of it. I had to pay the cheques when authorized by the Minister, but otherwise I knew little of it. I saw in the newspapers what was being done, and sometimes I would have a conversation incidentally, but I had my own work to do, and it was not under my authority in any way. As to the Halifax matter, I know nothing of it.

By the Chairman:

Q. Nothing whatever?—A. It did not come to me in any way.

Q. Not through the department?—A. It did not come through the department. It might have come through the minister. The minister gave instructions direct to the Commissioner of the Cost of Living, not through me on any one occasion.

By Mr. Devlin:

Q. Here is the actual statement which Dr. McFall made (reads):—

"Dr. McFall, called, sworn and examined.

"*By the Chairman:*

"Q. When the committee arose, you were dealing with the question of bread?—A. I believe we were discussing the Halifax bread situation, and particularly I was mentioning that we had put up to the Justice Department the fact that there was a combination in the city of Halifax among retail merchants, which was promoted by Mr. J. Cuthbertson Doyle, secretary of the Retail Merchants Association. The combination agreement stated that the retailers who affixed their names to the paper would not handle bread unless they could get 20 per cent for handling it. That meant two cents a loaf virtually."

Do you say as Deputy Minister of the Department of Labour that this man Dr. McFall did this?—A. I know nothing of it.

Q. If the Justice Department were asked to act, would the Justice Department be asked particularly by Dr. McFall, or through your department?—A. I do not think that Dr. McFall would ask directly. I think it is more likely that the request would be made from the minister's office. But it was not made through the department to the best of my knowledge. I have no recollection of it.

By Mr. Stevens:

Q. Who would know of it in your department?—A. You say last fall; Mr. Crothers was minister last fall. The Hon. Mr. Robertson became minister in November. I do not know at what time it occurred. Mr. Crothers was minister until just about the time of the armistice.

By Mr. Douglas:

Q. Dr. McFall said he understood it was in February that instructions were given to prosecute?—A. I thought it was in the fall.

By the Chairman:

Q. Does Dr. McFall act independently of the department. You have no knowledge of the investigations that Dr. McFall pursues?—A. Not necessarily.

Q. And you have no knowledge of the result he achieves. It is a matter directly between Dr. McFall and the minister?—A. I may have heard of it occasionally by accident.

Q. Not as a matter of departmental routine?—A. No. I may say that during the last few months the department has been getting closer to it than before, but the matter was between the minister and Commissioner McFall. And lately, of course, we have a change of minister, but it was really expected that this ordinance would last, giving place to something else, or by the declaration of peace we shall have no power. The committee might perhaps understand that after the declaration of peace this order lapses, unless action is taken to continue it.

Q. If you have no information in regard to the Halifax matter, is there any other matter in connection with our inquiry which has to do with getting at the facts in connection with the cost of living, that you could give us any information on? Is there anything that you do know of that would be of interest to this committee? You know what our object is?—A. Yes, entirely.

[Mr. F. A. Acland.]

Q. There is no use wasting your time and our time, unless there are matters of which you have personal knowledge?—A. I come somewhat in touch with it, of course, but not from any position in which I would have any power to deal with it.

The CHAIRMAN: It is not a question of power, it is a question of knowing the facts.

By Mr. Stevens:

Q. As Deputy Minister having for some years followed the departmental practice in these matters, what would you say as to the establishment in Canada of a court similar to the Board of Railway Commissioners, whose functions would be to inquire into these problems and to have power to deal with cases brought before them, for instance, similar to this Halifax alleged case, or the one referred to at Toronto, where they claim there is a combine?—A. I have spoken of it several times to different people, and I have strongly recommended it.

Q. You would strongly recommend it?—A. I have recommended it in the past to different ministers, but I quite realize that there may be many things which would make it impracticable.

Q. You think it would be a good move?—A. I think it would be one of the best moves. I think it would have more authority—it would speak with much more authority than the officer of any department could speak.

By the Chairman:

Q. Whatever tribunal would handle this matter should have the authority of a court?—A. I had something of this kind before me for some time and I have a memorandum in regard to it and the proposals are as follows:—

> "1. To investigate and report upon alleged or apparent combines, agreements, business practices, etc., contrary to law or reported to be or appearing to be not in the public interest.
>
> "2. To inquire into any withholding from sale of goods, or undue accumulation of goods, or offering of goods for sale at unreasonable or unjust prices.
>
> "3. To investigate and report upon the methods and customs prevailing in the production, trade and transportation of goods, with a view to ascertaining the most economical and profitable means for the production and supply of the necessaries of life."

Perhaps that is going farther than it should go.

> "4. To consider, inquire into, and report upon any question relating to the trade, commerce and industry of the Dominion or upon any matter relating to the cost of living, or upon any matter referred to it by the Minister of Trade and Commerce or by the Governor in Council."

What department is a matter for consideration, but Commerce seems to be the proper one. My memorandum continues—

"The board is empowered:

> 1. To hold inquiries in public or in camera, to take evidence under oath, to subpoena witnesses, call for the production of books, documents, etc., the reports to the Minister on such inquiries to be published in the *Canada Gazette* or to be laid on the table in Parliament within two weeks of the next sitting.
>
> 2. To require any information as to production, sale of, and dealings in any goods, from dealers, producers, etc.
>
> 3. To appoint an examiner to investigate any business, premises, books, etc., and take evidence under oath in camera, and report to the board.
>
> 4. To delegate its powers of inquiry to any of its members or to any of its officers.

[Mr. F. A. Acland.]

5. To appoint fair price committees in any district or locality in Canada, whose duties shall be to inquire into the cost of living conditions in that district or locality, to make recommendations to the Board as to any excessive prices paid, practices, etc., in that district or locality, and as to fair prices, margins of profit to be fixed by the board, or other means of preventing undue enhancement of the cost of living. The members of such committee shall be appointed as having the confidence of the local government, of labour, of the merchants and women with such other members as may be appointed by the board, and shall be vested with the powers of a fair price committee, under P. C. 3069, December 11, 1918, and with such other powers as may be delegated to them by the Board.

The Board shall have the power of a commission appointed under the provisions of Part 1 of the Inquiries Act.

All the powers and duties at present vested in the Canada Food Board, the Fuel Controller, the Canada Trade Commission and the War Trade Board are hereby transferred to the Board, and also the powers of the Minister of Labour under P.C. 3069, December 11, 1918.

The Board shall appoint an Advisory Council, including representatives of trade, financial, industrial, agricultural and labour interests. The Council shall be called together whenever deemed expedient by the Board and its members shall receive such allowances when engaged on the business of the Board as may be determined by the Board, payable out of the moneys at the disposal of the Board."

By Mr. Nesbitt:

Q. Did you have an Order in Council passed authorizing the municipality to make all these investigations?—A. That is the Order under which something is being done now.

Q. Did you not have authority to prosecute under that Order?—A. Not directly.

Q. Did not your Department have power to prosecute?—A. I think not.

Q. It was so advertised in the paper?—A. It has never gone through my hands, but here is the Order in Council dealing with the matter, and it reads as follows—(Par. 6):—

"The Council of any municipality may appoint a committee of three resident tax-payers thereof, to be known as "The Fair Price Inquiry Committee,' who shall have power to make a preliminary inquiry into the cost of any necessary of life specified by such council and the price at which such necessary of life is held for sale or is being sold within such municipality.

"Such inquiry shall be held in camera.

"Immediately upon the close of the inquiry the committee shall report to such council, whether in its opinion and in the interests of the public the Council should order an investigation as is hereafter provided.

"(7) Upon receipt of the report of the Fair Price Inquiry Committee recommending further investigation the Council of such municipality may appoint a commission, composed of three persons, one of whom shall be a judge of the county or district court of the county or district in which the municipality is situated, who shall be chairman of the commission, one a representative of labour or of consumers and one a representative of the trade dealing in the necessaries of life under investigation, to investigate—

"(*a*) The amount of any necessity of life reported on by the Fair Price Inquiry Committee and held by any person for sale or disposition within such municipality.

"(*b*) The time when any or all of such necessary of life was required, produced or brought within or into such municipality."

[Mr. F. A. Acland.]

Then follow the different items, and paragraph 8 reads—

"All lawful expenses incurred by the said Fair Price Inquiry Committee or by such commission shall be payable by the municipality."

And that evidence may be sent to the Minister and he may send it to the Attorney General of the province.

By Mr. Stevens:

Q. Have you or have you not received objections from the municipalities that in some way this Order in Council was not practical?—A. I have seen one or two myself, and I have passed them on; one came not long since from the mayor of Vancouver.

Q. What was the point of his objection?—A. It was to the effect that it did not give sufficient power to the investigation.

By Mr. Davis:

Q. What opinion have you as Deputy Minister of the Labour Department in that regard?—A. I passed it on to Dr. McFall, who replied that he would name someone to be appointed as examiner, who would be appointed by the Minister, and that examiner would have full power to inquire into everything.

Q. Is not that provided for by section 5 of the Order in Council which allows the department to appoint an examiner to report to the department and the department has the power to start action?—A. The Minister has the power.

Q. Was this examiner appointed in that case?—A. I think the reply was to the effect that it would not be sufficient.

By Mr. Stevens:

Q. The main thing is this. I understand that the committee in Vancouver and, I believe, the committees in one or two other places objected that even that was not sufficient, that they had not sufficient power to examine thoroughly into the question; and you say the department has offered to appoint an official examiner?—A. Offered to appoint an examiner.

Q. What is the objection to giving the judge who is chairman of the committee the full powers of official examiner?—A. That I am not able to say. I had nothing to do with drawing up the Order in Council.

By the Chairman:

Q. If a food commission or a trade commission such as outlined in the memorandum were appointed would there be any objection to clothing that commission or court whatever you wish to term it, with the same power as the Railway Commission has to make an order that would be just as binding as the order of any court?—A. I see no objection.

Q. Without any question of having to report back to somebody else and somebody else to report to another authority, if there were something to give them authority by which something could be done?—A. That is to say that the department should have this power?

Q. That the department should have the power?—A. I doubt if it would be desirable, for the Board to transfer such powers to every Fair Price Committee.

Q. No, no, but a court that will consider cases. The Railway Commission, for instance, authorizes one of their agents to go out and make an investigation, and their agent reports to them and if the Board is satisfied that his report is correct and that there is something that should be remedied, they immediately make an order remedying that?—A. Some powers could be given to the Board and I would say they should have some such power as you have referred to.

Q. In your opinion would that be a wise course to follow in order to give the quickest relief that can be given where there are charges of unfair trading or charging

[Mr. F. A. Acland.]

unfair prices, or combinations of certain groups of certain business men in restraint of trade such as we have heard alleged in connection with the bread situation in Halifax, instead of having to wait for 3 or 6 months or a year?—A. If such a court as has been suggested were established I think that in the case of any abnormal current in the direction of high prices it would be naturally taken advantage of, and they would have power to deal with it directly without referring it to any Minister.

Q. One more question: would the existence of such a Board with powers such as we have been discussing have the effect of causing people to be a little more careful in doing these things? There would not be such a tendency if they all knew there was a body ready to step in and make an order that would prevent them; would it have that affect?—A. My impression is that it would have a decidely good effect and, I fancy also, that while they may have the powers held in reserve the mere publicity that such a court would be able to use in connection with any apparent infraction would render it very largely unnecessary to exercise these larger powers, but they should have these powers in reserve.

Q. The powers would be held in reserve, and would be an incentive for the man to keep from transgressing as much as he possibly could?—A. Possibly it would affect it a good deal.

By Mr. Nesbitt:

Q. That clause in reference to the judge in your Order in Council; what power does he have?—A. I suppose he directs the proceedings.

Q. Suppose he found a man guilty, what power has he?—A. It goes on (reads):—

> "Immediately upon the close of the investigation the said Commission shall report its findings to the Minister and to such council and shall publish over their signatures in the paper or papers published in the said municipality, or where there is no such paper in a paper published at the nearest point thereto a fair price to the consumers in that municipality of the necessaries of life investigated, and whenever in the opinion of the Council, there is evidence disclosing any offense against these regulations the Council may take such proceedings thereunder as they may deem proper, or may have the Commission remit the evidence to the Attorney General of the Province within which such offense shall have been committed for such action as such Attorney General may be pleased to institute."

Sometimes when it is sent to the Attorney General he refused to take action upon it. Then the next prargraph reads:—

> "Except in investigations made by such commissions, whenever in his opinion there is evidence disclosing any offence against these regulations, the Minister shall take such proceedings as he may deem necessary, or shall remit the evidence to the Attorney General of the province within which such offence shall have been committed for such action as such Attorney General shall be pleased to institute."

By Mr. Nesbitt:

Q. Then the Attorney General of the province would bring the case before an ordinary court?—A. He would have the opportunity, whether he would or not.

Q. Have there been any prosecutions under that?—A. I do not know, I do not remember.

By Mr. Davis:

Q. That Order in Council is limited in its scope; is it not confined to the middle man and not to the manufacturer so that he could not cover the whole range of trade?

[Mr. F. A. Acland.]

—A. This order was drawn after conference between various officers of the Government. I had nothing to do with it. I presume they looked carefully into all these points.

Q. Never mind who drew it up, is it not a fact that this is confined to the middleman and does not enable you to reach down to the manufacturer now? If it were you could go pretty far down?—A. Under the clause "Necessary of Life" it means "a staple and ordinary article of food (whether fresh, preserved, canned or otherwise treated), clothing, fuel, including the products, materials, and ingredients into, from, or of which any thereof are in whole or in part manufactured, composed, derived or made, and any other item of common or ordinary household expenditure."

By Mr. Devlin:

Q. They had all the powers that this committee has, had they?—A. The Cost of Living Commission has, yes.

Q. They had the same powers as this committee, they could gather the same information as we could possibly gather, they made the same statements, not to the department, not to the department as a department, but to the Minister in charge of that department. Now, as deputy minister of the department, can you tell us where these statements went to after they were read by the Minister? Were they destroyed, or were they kept on file, and if they were can we get them?—A. Many of these statements were published in the daily press from week to week.

Q. I mean the originals, where are they?—A. I imagine the originals would remain in the Cost of Living Commission; then there were various reports in pamphlet form, Mr. O'Connor published several reports and they came to your committee I believe.

Q. But the originals would be kept in the department?—A. I presume they are in the office of the commissioner.

Q. Dr. McFall said this in reference to the Halifax bread report:—

> "Mr. Devlin asked a question, 'You said you made a report on your findings, how long ago?—A. With regard to Halifax it was made about the end of February, I was down there in February and it was immediately following that I made the report. I sent it to the Minister of Labour.' "

Then he was questioned again. (Reads)

> "And the said Minister sent it to the Justice Department early in May? —A. Yes."

Would he be referring to the original report? He said he did not have the original report?—A. I do not know. I am not sufficiently in touch with Dr. McFall. He dealt with the Minister, and I presume that through the Minister's office it was forwarded to the Department of Justice. I presume so; I have no knowledge.

Q. Dr. McFall stated that he found in other places, notably in St. John, combinations existed, but he could not state where these reports were. He had a distinct recollection of such reports, but he could not tell us where they were. Referring to the Halifax matter, he said he had knowledge that he reported to the Minister, and that the report had gone to the Justice Department. He said "Mr. Lynn found there was one in the city of St. John." I do not know who Mr. Lynn is?—A. He is a bread expert, I think.

Q. Is he in the employ of the Government?—A. No, I believe he was in the employ of the Food Board at that time.

Q. You had no personal knowledge as Deputy Minister of the Department, acting under Mr. Crothers, or subsequently, of any of these combinations going on within the knowledge of the Government?—A. It did not come to my knowledge. I myself was very busy with my own duties. The Minister dealt directly with the Cost of Liv-

[Mr. F. A Acland.]

ing Commissioner, and gave him instructions. If he had occasion to communicate with the Department of Justice, it might have gone through his own office. He might have asked me, or said "Will you see to that;" but I do not remember that I was asked at any time to do so.

By Mr. Stevens:

Q. Has the Labour Department any power to deal with illegal combinations for the restraint of trade?—A. There is an Act known as the Combines Act, which was passed in 1910. It has been very little used.

Q. Does your Department exercise any functions under that?—A. We administer that, but there has been nothing to administer. It is initiated on the outside.

Q. Here is a case—I am not saying this critically—but to get information—here is a case of a combination clearly reported upon in Halifax and another suggested as existing in St. John. Would they not come properly under the Combines Act, or whatever you call it?—A. That is the name of it, the Combines Investigation Act. The theory of the Combines Investigation Act was that it might develop the establishment of various boards, something like conciliation boards, and that wherever there might be, as in the case of Halifax, high prices in bread or in any other article, six persons, who were consumers, who felt the high prices and believed there was a combine, might bring their complaint before a judge, make a preliminary statement on the subject, and have the judge—a High Court Judge I think it was—and if the judge found a sufficient reason for ordering the establishment of a board of investigation, the judge would establish it and notify the Minister of Labour accordingly. There has been only one such case, the case of the United Shoe Manufacturing Company in 1910. There has never been a case since.

By Mr. Nesbitt:

Q. In Ontario, I think you allow the request to be made to a County Court Judge?—A. Yes, I think the judge to deal with it can be a County Court Judge. The judge of the Commission is a High Court Judge.

By Mr. Davidson:

Q. It is not initiated by the department?—A. No.

By Mr. Devlin:

Q. By whom?—A. By the public, the consumers, six.

Q. But in this case it would be initiated by the Government as the information came direct to the Government?—A. If they complained and were prepared to comply with the Combines Investigation Act, we should have carried it to a judge. But I do not think they would be aware of the existence of the Combines Investigation Act. It was brought you say to the attention of the Cost of Living Commissioner, so it fell within the scope of this department. But I presume attention was given to Dr. McFall's recommendation. I do not know anything about this.

Q. Would it not be a proper channel to direct the attention of the Justice Department to the matter, and request that the Justice Department should act?—A. Since it is outside of my jurisdiction, I cannot express any view. I do not know what the object would be in referring it to the Justice Department. I did not see the report.

By Mr. Davidson:

Q. In reference to the proposed court or board, was the idea to divide the country into different districts or territories?—A. It might develop in that way. It would not necessarily begin that way.

Q. Your idea was a central board for the whole country?—A. One central board which would have feelers, and which could appoint examiners where necessary and divide the country into zones.

[Mr. F. A. Acland.]

Q. How would it do to have one court for each province, say?—A. I have heard that suggested, but of course it would be more expensive.

Q. Would it not almost be necessary to have it work out right, to have a court for each province and then say a prosecuting officer to examine, whose business it would be to take up these different cases?—A. That might be done, but they might perhaps equally effect the same end by having a central board or court, and having under that court subordinate provincial boards or courts established temporarily or permanently. If you made permanent institutions all over, it would become very costly.

C. J. TULLY called: I am just making a statement and I give it as an honourable man, without the oath.

Mr. Chairman and gentlemen of the Committee on the High Cost of Living: At just a quarter to three to-day I was called——

The CHAIRMAN: In order that there may be no misapprehension or misunderstanding you do solemnly declare and affirm that the statements you shall make to this committee shall be the truth.

WITNESS: I so affirm. At a quarter to three I was called on the 'phone and asked, as a member of the newly-formed Consumers' League of the city, to come over and give evidence as to the factors in the high cost of living, and to arrive if possible at a conclusion as to alleviating those conditions. As I represent then, to-day, the Consumers' League of Ottawa, an organized body formed to study this question, I am compelled to define what we mean as consumers. If you will permit me I will make a short statement, and if you wish to question me after that statement well and good. Now, "consumers," according to my idea of economics, mean everybody in this country. Everybody in the universe is a consumer, but in order to arrive at a conclusion as to who could belong to the Consumers' League, we must divide them up, in other words, whereas everybody in the country is a consumer, not all consumers are struck by the high cost of living. It may seem a paradox but it is true. There are people in the country who are able to transfer any increase in the cost of living to somebody else, and thereby escape it. That divides these consumers into those who are struck by the high cost of living, or affected directly by it, and those who are not. Those consumers who wish then to alleviate the conditions existing must belong to that class of people who are struck by the high cost of living. I take it the only ones who are struck particularly and directly by the high cost of living are those who have no opportunity of passing the high cost of living to someone else. The secretary of the Retail Merchants' Association in my province a short time ago stated emphatically that all retail men were able to pass on the high cost of living to other people.

By Mr. Stevens:

Q. Not in its entirety the same as he would pass off his clothing?—A. Quite true. I grant you that, but they are able, inasmuch as the high cost of living strikes them, and inasmuch as they are dealing with certain proportions of it, they are able to pass on a certain proportion of it. As it strikes those people who might be called workers, or those who work for salaries or wages, I take it when the Consumers' League will establish itself it will bring in its ranks all that class of people. Now, you are here to find out the method of treatment if possible to remedy the high cost of living.

By Mr. Devlin:

Q. Whom do you class as workers? The men who work with their arms?—A. And brains. Every man who is doing anything to produce wealth is a worker.

Q. Take the man who uses his brain more than he uses his arms. Take the professional man who sits down in an office and dictates. He has to have the knowledge necessary to know how to dictate and what to dictate. Do you call him a worker and put him in that class of men?—A. I certainly do. Every man who is doing legitimate work that aids in the production of legitimate wealth is a worker, whether he works with his hands or his mind. I think we are quite clear on that. You have several methods of treatment with regard to this high cost of living into which many thousands of factors enter. You could sit here a whole year and bring in people representing all classes of life and society, and you would find they all had some little factor which would add to the cost of living. Some men would state to you—and I have no doubt men have already stated to you—that the cut-throat competition is the cause of it. The employer would come to you and say, "The increased wages my employees are asking for and striking for are factors in the high cost of living." Those factors which were mentioned to-day before you, which certain witnesses termed expensive services, enter into the high cost of living and things which one brand of retail merchant has tried in some way to overcome by getting his clientele to come and carry parcels away, instead of asking him to deliver them. Those are all factors in the high cost of living. You can deal with this matter in two ways. You can deal with it in a palliative way, or you can get down to fundamentals. With reference to the palliative method, price-fixing is the palliative. You may fix or ameliorate the high cost of living only temporarily by price-fixing, by striking a minimum wage. Increasing the wages in any factory just starts the wheel going round. The conductors on the street cars strike for increased wages and they get them, and the fares are increased, and the high cost of living is thereby increased, and all men who have to pay fares collect it over their own counters, or in other ways. These men who are consumers feel the high cost of living and strike for higher wages, and the wheel goes round, and no remedy is provided. Now, you can do it by charity. We have many religious and governmental organizations in dealing out charity in order to alleviate the condition of the high cost of living. You can arrange schemes, by which the Government enters into a proposition to assist people to build homes for themselves. That is a palliative method. You can bring in the co-operative organizations. I am in direct variance with some retail men in regard to co-operation. They say that co-operation is no use. I maintain that it is. I have practised it and I have saved money thereby. No man can tell me with any degree of certainty and truthfulness that co-operation will not succeed in relieving the high cost of living, but it only does it in a palliative way. It helps for the time being. We can only settle the question of the high cost of living by directing our attention to fundamentals. These will all aid for the time being, and I give my support to some of them, because they are palliatives, but they will not settle the question ultimately. In order to ultimately solve the situation we must get down to the production of wealth, and the production of wealth is brought about by two things. You have the great natural resources of the world, the natural resources of sunlight, air, water, and everything that goes to satisfy the desires of our own mind is taken from these things. I do not care where you trace it, from the wax on your collar, to the leather on the sole of your foot, it comes finally back till it gets to the proposition that by the labour to the natural industries, or resources of the world you can produce wealth. But in our complex society—this extremely complex society which we have at the present time—another factor comes in to assist in the production of wealth, and that is capital. Capital is a legitimate factor in assisting in the production of wealth. We have the three things in our complex society, natural resources, land if you wish, labour and capital. These all produce wealth. The great trouble in the high cost of living is the distribution of wealth. That is the great difficulty. This wealth is produced. You may do everything under Heaven to assist in the production of

[Mr. C. J. Tully.]

wealth to the community, but if you do not arrange for the distribution of it somebody will get hit hard, and is forced to form a Consumers' League.

Q. Mrs. Horton, dealing with fundamentals, attributed the tariff as one of the causes of the high cost of living?—A. Let me proceed. I will come to it in the natural order. Now, if land, labour and capital are the main factors in the production of wealth, then they exemplify themselves in three things. Your natural resources produce what is defined by all economists, Ricardo and the rest of them, as rent. The factor which goes to labour in this wealth distribution is either wages or salary, whatever it may be. You give him his salary or a stipend. All these things should be kept for their legitimate use. Now, instead of us legitimately, as straightforward business men, and Anglo-Saxons, dividing these things properly amongst the three factors of production, we take a toll out of them in many ways. We let rent go to individuals and pay wages to individuals, and then go to work, for public funds, and raise taxes, and amongst those taxes one form is the tariff, and not only does the tariff raise taxes, but it does something else. It empowers certain people in the country to collect money for taxes from somebody else—and these never get to the Government, it never came to the Government. Now, I can give you figures for this, if I have time; I could collect them and bring them for you. And if you will study the boot and shoe industry you will find that the amount of money that goes into the Government under the tariff is very small, a meagre amount, as compared with what goes to the taxes.

By the Chairman:

Q. Let me ask a question right here which I consider important. The tariff on boots and shoes is 35 per cent.

Mr. Douglas: 25 per cent.

The Chairman: Well, whatever it is we will presume it, as an arbitrary figure, 30 per cent. Is your judgment that the man who manufactures shoes in Canada adds to the cost of producing these shoes, which is the raw material, the waste, the labour, and the price of machinery he uses and everything else, and in addition to the reasonable profit he is entitled to for carrying on business, the amount specified in the tariff, we will say 30 per cent?—A. I think it can be shown quite fully that if he doesn't take it all he does take a fair portion of it.

Q. Over and above his reasonable profit?—A. One way to prove that is to get the statement of men who are in the business.

Q. In the shoe business?—A. Or in any other business.

By Mr. Stevens:

Q. Really I do not think you quite understand what Mr. Nicholson is asking you, it is a very serious statement if you do.—A. The point is—I suppose I am verging on the point of impropriety in even allowing myself to discuss the tariff, because I am a civil servant.

By the Chairman:

Q. That doesn't make any difference. But this is an exceedingly important statement and it is a very important point, it is simply this that firms who are now making boots in this country are using the tariff as the means of taking an unfair profit which can only be termed a dishonest profit from the consumer.—A. No, as to that I can answer very honestly without in any way imperiling myself. I make absolutely no attack on any individual as an individual, I say now that no man is deliberately doing any such thing at all, but that he is permitted to do such a thing by such legislation.

[Mr. C J. Tully.]

Q. That is apart from the question altogether. If the manufacturer assumes to take from the people something that is dishonest simply because the laws allow it that does not change the man's morals, but the whole assumption in connection with your statement is that the people who are manufacturing goods in this country are of a class that they will, after taking the actual cost of producing their goods and a reasonable profit thereon add then to the value, and take out of the pockets of the consumers, the sum total of the tariff which is 30 per cent in the case of boots and shoes?—A. Personally I cannot say how they can, but I hold to it that the conditions are right there, which permit these to do so. The figures in regard to the manufacture of boots and shoes show the number of boots manufactured in this country, and the price, and the amount of tariff raised on these shoes is shown to be a very small amount indeed; it shows also that the price of these shoes is much more in many cases than those that can be imported or bought on the other side of the line for a less amount of money. The difference is so large that you would naturally come to the conclusion that the manufacturer is able to make that profit by means of the tariff.

By Mr. Stevens:

Q. You do not take into consideration the factor of cost at all?—A. The factor of cost is already covered in the prices shown.

Q. But you do not take it into consideration in that rather bald statement that the manufacturer adds the total amount of tariff to his article?—A. I will qualify that to the moderation that if he does not he does add nearly all.

Q. Have you any figures to demonstrate that fact to the committee?—A. Except this small paper on boots and shoes, but I am quite positive if I undertook to dig this stuff out I could do so. You must remember I came here to make a statement; I was asked 15 minutes before three to come here and make a statement and in order to prepare a full statement I would have to have time.

Q. What we want to get is very accurate information?—A. Quite so, I am pointing out what I consider to be a factor in the high cost of living, and I am quite convinced myself, but to work it out in detail is another proposition. I have seen the figures often enough to convince me. Now with regard to the distribution of this wealth that is produced they have set up an artificial control of the distribution of wealth, an artificial control, surrounded by a considerable number of restrictions, and this control is represented by the banking interest, plus the railway organizations, plus the refrigerator car owners, plus the stockmen who own the centres in which the stock is taken to be slaughtered, etc.; you go around each circle and find a large number, as I have pointed out. Just by way of illustration I lived 25 years in the town of Picton, Prince Edward County, right in the heart of one of the finest agricultural centres in this country and the drovers go there and buy cattle, which they ship on certain days of the week, the cattle are brought into town and shipped to Toronto and Montreal where they are slaughtered. When you go down to the town of Picton to buy meat you buy meat there called "Western Beef" and you pay a heavy price for it and I maintain that is one of the tremendous factors in the price of living, in the town of Picton.

Q. Why?—A. Because you allow the meat to be carted out of Picton, you pay the transportation to Montreal or Toronto, load it up in the refrigerating cars, and you pay for that, and you direct it back to Picton and sell it there, whereas if you had an abattoir properly inspected, you would have your cattle slaughtered there to supply the home market without all that cost.

By Mr. Douglas:

Q. You said 25 years ago; is there any local slaughtering done now?—A. For 25 years I have lived in Picton; or rather I go there occasionally; my parents live there.

By the Chairman:

Q. Are they not slaughtering cattle in Picton?—A. They are slaughtering still but on a very small scale.

Q. Why do they do that on a small scale?—A. I think I could tell you.

Witness retired and the Committee adjourned.

FACTORS IN THE HIGH COST OF LIVING.

PROPOSED REMEDY.

(*C. J. Tully, Continued.*)

Review of the evidence placed before the Commission appointed by Parliament to investigate the High Cost of Living, Monday, June 16.

The speaker represented the Consumers' League of Ottawa. He classifies "Consumers" into two general classes. First, those who are not affected by the high cost of living due to the fact that they are able to pass any increased prices on to ultimate consumers and secondly, those including all workers who receive wages, salary, etc., who are not able to pass increased prices along.

The factors in the high cost of living are very many and to deal with each one separately would take many months of intensive investigation. Some state that increased wages is a factor, others so-called "Cut-throat competition," still others the extravagant services demanded of distributors by consumers, etc., etc., etc.

Method of Treatment.

The commission has two ways open to it for the treatment of the present conditions of the high cost of living.

1. The commission may deal in palliatives:—

Price fixing.
Minimum wage.
Increase in wages.
Charity organizations.
Housing schemes.
Co-operative societies, etc.

The speaker did not denounce the palliative method of treatment as these are useful for immediate relief but as a final solution to the high cost of living they are of no avail.

2. The commission may deal with fundamentals.

This brings us to the fundamental question in economics. First, Production.

The factors in production:—

Land or natural resources.
Labour.
Capital.

To land belongs rent which arises from the efforts of the community as a whole; to labour belongs wages, salary, stipends, etc.; and to capital belongs interest.

[Mr. C. J. Tully.]

APPENDIX No. 7

The result of the efforts of productions by the application of labour and capital to natural resources is wealth, all those things which go to satisfy human desires.

All wealth should be divided as rent, wages and interest, but we divide it still further on account of the fact that we allow individuals to collect rent into taxes of all kinds including the least understood of all tariff taxes.

The Distribution of Wealth.

First, artificial control and restriction.

Banks.
Railway corporations.
Refrigerator car owners.
Packing corporations controlling central slaughtering plants.
Cold storage.
Food speculation.
Cattle men.
Transportation embargoes, etc.

Monopoly.

By far the greatest factor in the high cost of living is what is understood by "monopoly" and under this heading the greatest is the monopoly of natural resources. Following are a few figures to show the extent of this monopoly.

Sir James Aikens, in a brilliant address before the "Travellers, Sales Managers, and Credit Managers Association" in the Royal Alexandra, Winnipeg, astonished 600 guests with the statement that of 100,000,000 acres of arable land granted homesteaders, soldiers, railway corporations, the Hudson's Bay Company, and various private interests only one-third was being worked.

The McBride Government in British Columbia has alienated 8,000,000 acres of timber land, 6,000,000 acres of fine agricultural land, along the G.T.P.R., 1,300,000 acres of coal lands to speculators.

We are told that the holders of these lands are not able to make their payment but are holding the lands and levying toll on every settler who enters the country. Many of these settlers need and are getting government aid.

The statement was made in the Manitoba Legislature that the following acres of Manitoba Land are held by absentee landlords:—

Rockwood	190,000
Rosser	35,000
Woodland	180,000
St. Andrews	80,000
Caldwell	56,000
St. Laurent	88,000

Lands alienated to foreign countries:—

The Pacific Mills Ltd., of San Francisco are capitalizied at $10,154,500. Their assets, almost entirely of timber, are in British Columbia.

The Michigan Pacific Lumber Co., Michigan, U.S.A., is recorded as holding British Columbia timber lands to the value of $1,500,000.

Other untaxed holders of Canadian Timber Lands in British Columbia:—

	Acres.
Bloedal, Stewart and Welch, Seattle	13,433
Rockwood	190,000
Fraser River Tannery, Minneapolis	43,672
Michigan Trust, Seattle	35,549
Quinn and Whitney, Saginaw, Mich.	35,360
Suttin Lumber Trading Co., Seattle	69,249

Fleishbacker Bros., and Johnson, San Francisco, hold 79,999 acres of pulpwood.

[Mr. C. J. Tully.]

The following figures are taken from "Rural Planning and Development" issued by the Commission of Conservation:—

The land area of the three Prairie Provinces Manitoba, Saskatchewan and Alberta is said to comprise 371,658,698 acres. Of this area about 187,504,678 acres have been surveyed and about 121,710,680 acres disposed of including over 60,000,000 acres given in homestead and pre-emptions and about 38,000,000 of railway and Hudson Bay Company's land. Of the land disposed of 16.9 per cent, being 27 acres in each quarter section, and comprising a total of 20,577,230 acres, are stated to be under crop in the three provinces. It is estimated that there are still vacant and surveyed lands within 20 miles of the railways as follows:—

Within 20 miles	15,443,200
" 15 "	12,705,440
" 10 "	8,914,240
" 5 "	4,491,680

The total extent of land in Canada within about 15 miles of the railway has been estimated to amount to the enormous area of 261,783,000 acres.

The Canadian Pacific Railway Company obtained grants of 28,737,399 acres, of which 23,057227 acres have been disposed of, 5,680,171 acres are still unsold.

The total area of land granted to railway companies by the Dominion and Provincial government amount to 55,740,249 acres, comprising some of the best and most accessible land in the country, a large portion being still unused.

Out of the total area of 977,585,513 acres in the nine provinces in 1911, 109,777,085 acres were occupied as farm lands and 358,162,190 acres was the estimate of possible farm land. These figures indicate how great are the land resources of the Dominion and give some idea of the scope and need there is for efficient government organization so as to secure the best conditions of settlement for such vast regions and how the lack of such organization may lead to great loss.

Land sold by the Hudson Bay Company during the war:—

1914—501,575 acres, value	$7,398,191	per ac.	$15
1915—192,801 " "	3,279,031	"	17
1916—354,846 " "	5,435,949	"	15

The company was able to add three to seven millions a year to their profit and, of course, they can keep land which is increasing in value the fastest.

Land in Montreal owned by churches and exempt from taxation is valued by the assessors at $131,504,182. Buildings upon this land are valued at $75,231,744, making a total of church property exempt of $206,735,926. This is one-third of all real estate values in the city.

In Ottawa there is $13,293,203 worth of church property untaxed.

The above figures say nothing concerning the monopolization of such natural resources as extensive forested areas, mine areas, water powers, building lots, etc., etc.

There are no figures yet in Canada showing the monopolization of forested areas but I hope to have these at some future date. It will be of interest, however, to note that Mr. L. F. Post, Assistant Secretary of Labour in the United States Government states in the June 7 issue of the "The Public," New York, that ten monopoly groups aggregating only 1,802 holders monopolized 1,208,800,000,000 board feet of standing timber—each unit a good square and an inch thick. . . . Those 1,802 timber business monopolists held enough standing timber, an indispensable natural resource, to yield the planks necessary over and above manufacturing wastage to make a floating bridge more than two feet thick and more than five miles wide from New York to Liverpool. It would supply one inch planks for a roof over all France, Germany and Italy. It would build enough fence 11 miles high around the whole coast line of the United States.

[Mr. C. J. Tully.]

APPENDIX No. 7

All monopolized by 1,802 holders for interests more or less interlinked. One of these interests a group of only three holders monopolized at that time 237,500,000,000 feet which would make a column one foot square and 3,000,000 miles high.

This is an object lesson that cannot be successfully assailed as to its fact and that is universal in its application as the natural resource monopoly the timber monopoly is typical. Similar vampire interests are sucking the life blood out of productive business interests of every kind. Coal deposits, iron deposits, copper deposits, water power, mineral oil, agricultural soil in the country, building sites in towns and cities, in a word every natural resource upon which business depends for its productive activities offers a strategic base for interests that do not produce wealth but only absorb it.

To be sure, there are parasitical interests besides such as flourish on monopoly of natural resources, but those cited illustrate all the rest.

They are also fundamental and all-powerful. How powerful they are is impressively stated by the Immigration and Housing Commission of California in a recent report on unemployment. After stating that investments in natural resources are unfortunate for the unemployed and explaining that such investments " do not need the assistance of labour or require the payment of wages," nor " compel owners of wealth to bid against each other for labour," the California Commission adds: Wealth may thus be invested and large gains realized from it by merely waiting without its owners paying out one dollar in wages or contributing in the slightest degree to the success of any wealth-producing enterprise, while every improvement in the arts, in sciences, and in social relations, as well as increase of population adds to its value. By this means we foster unemployment.

The comparative cost to the individual of taxes under our present method and under the taxation of land values:—

The Dominion—	
Receipts from Customs..	$134,043,842
Receipts from Excise..	24,412,348
Receipts from Dominion Lands..	4,055,662
Total..	162,511,852
Provincial, 1915-16—	
Total Revenue..	49,664,541
Municipal, 1915-16 (based on the City of Hamilton)—	
Total Revenue..	200,000,000
Total..	$412,176,393

Total land value in Canada $8,000,000,000 is to raise $412,176,393, $100 will raise 5 plus or say 5½ per cent.

The value of my lot is $1,800, 5½ per cent of which is $99. In 1917 the duty collected on imported goods was $147,623,230. The total cost of these goods was $516,681,305, therefore, the average amount paid by a family of five if we take 8,000,000 to be the population of Canada would be 516,681,305 divided by 8,000,000 multiplied by five or $325.

The present tax system costs me:—

Tariff..	$323 00	
Municipal taxes..	90 00	
Stamp taxes.. (about)	7 00	
Total..	$420 00	...$420 00

Let us turn now in order to see how this system of monopoly works with regard to building lots.

[Mr. C. J. Tully.]

On page 5 of Mr. Ellis' statements prepared for the special committee of the Ontario Legislature, September 2, 1912, the value of the land of Ottawa in 1895 is given at $2,158 per acre, the compound interest on which at 5 per cent for 1912 amounts to $2,788.13 per acre. Taxes paid per acre in 1895 to 1912 inclusive was $1,462.44 per acre, the compound interest on which at 5 per cent to 1912 amounts to $611.23. The land owners, therefore, paid per acre to 1912 a total of $7,019.79, but in 1912 the value of land in Ottawa per acre was $8,613 or $1,594 more than the cost of purchase and taxes. This means that not only did the land owner actually pay no taxes from 1895 to 1912 inclusive, but they were granted a bonus of $1,594 per acre.

There are 7,054 vacant parcels of land in Ottawa the value of which has been greatly enhanced by the construction of nearly 76 miles of improved streets. This land is monopolized and industry in order to get an opportunity to produce must pay a tremendous toll of increased land values, community-made values to these monopolists in order to get an opportunity to go to work.

The main factor, therefore, in the high cost of living is monopoly and its attendant false system of taxation. Never before has the tax question clamoured so loudly for adjustment. This year the Dominion Government will have to provide interest on a war debt of nearly two billion dollars and this together with the enormous drain on the public for municipal purposes should set the people thinking.

Taxation is the most important thing in human affairs and the vital question in taxation is how to do it. Nothing makes for unhappiness or misery individually or collectively in such a degree as our system of taxation. It is the omnipotent hand that opens or closes the door of opportunity.

Our present tax methods are one grand muddle. There is no business principle, no ethical principle, no economic law in our application of the taxing power. Every tax roll in the country is but a collection of guesses, a list of crimes of petty and grand larceny, a record of fines and penalties on business, production and thrift; while the sum total of the selling price or assessed value of the land is but the capitalized value of the yearly premium to be placed on idleness. We do not deliberately commit all these follies. They grow out of our ignorance of what taxation is and how it should be applied. The brightest concept we now have of the vital functions of raising taxation is that we need so much revenue and we go out and grab it wherever we can find it, utterly disregarding services rendered or value received.

The ultimate cure for the artificial high cost of living then will be brought about by setting all palliatives aside by a free untrammelled competition in production and distribution of wealth; by gradually abolishing all taxes both direct and indirect and the ultimate collection of all land value for purposes of the state and by the public ownership of all public utilities which of their nature are monopolies.

The Tariff.

I have been asked particular questions by the committee as to that iniquitous system of taxation known as the tariff. Two effects follow from levying a tariff on foreign goods. It causes an increase in the price of the foreign goods and second, it enables an increase in the price of home goods.

From this increase of price in both home and foreign goods there flow two streams of wealth and they flow directly out of the pockets of the people. One stream flows into the public treasury and the other flows back again into private pockets. That is the enhancement of the price of foreign goods due to the tariff goes to the Government. The enhancement of the price of home goods due to the tariff goes into private pockets.

Furthermore the stream which this tariff taxation pours into the public treasury is called Revenue Tariff. The stream which goes into private pockets is called Protective Tariff.

Now the stream of wealth, the amount can be found in the public record which goes to the government is justified under our present system, but what is the justification of that huge stream of wealth usually seven-fold greater which goes into private pockets? The approximate size of this stream can be found on examination of the public records.

Here then is a system of private taxation set up by law. It is levied on all the people for the benefit of some of the people. The protective tariff does not raise revenue for the government, not a single cent, only a revenue tariff can do that. A protective tariff is levied for the sole purpose and exclusive purpose of raising revenue for private pockets. That is it taxes all the people for the benefit of some of the people and its essential crime consists in employing the agency of public taxation for the benefit and enrichment of individuals.

In 1915 the manufactured goods imported amounted to $455,446,222. Those produced in Canada and sold to Canadians amounted to $1,200,000,000, nearly three times as much was evidently made in Canada as imported; call it two and a half times, then out of every three and a half dollars paid in extra prices due to the tariff one dollar represents duty and $2.50 represents extra money paid to the manufacturers, that is the total cost of the tariff to the Canadian people is three and a half times the amount of the duty.

Plunder on Boots and Shoes.

(Taken from the *Canadian Railroader,* page 54, August, 1918.)

Let us consider somewhat more specifically just what the protective tariff costs the people of Canada and how it affects wages. The Census Bureau gives the following data on the Canadian boot and shoe industry for the census year 1910.

Number of employees	1,717,227
Salaries and wages	7,698,333

The average wage per annum for each employee was $446 or about $1.50 per day, not an exceptional wage by any means and certainly not one that can justify the contention that the high tariff raises the wages of labour.

During the year ending March 31, 1911, Canada imported $2,045,835 worth of boots and shoes, the duty upon which was $585,996.71. In that year the Dominion imported six times the value of boots and shoes from the United States that it did from Britain and paid duty thereon amounting to $522,809.70, equal to thirty per cent. The value of the domestic product for that year is given as $33,967,248, of which $60,935 was exported. Now if our contention is sound that the manufacturer adds the full amount of their protection to the selling price of the commodity when disposed of in the home market the people of Canada paid that year by way of taxes the following sums:—

Value of home-made products	$33,967,248 00
Customs duties	585,996 71
To the manufacturer	10,177,893 90
Total	$10,763,890 61
Wages and salaries paid	7,698,333 00
	$ 3,065,557 61

[Mr. C. J. Tully.]

That is to say the Canadian people paid by way of taxes directly and indirectly more than three million dollars in excess of the total wages and salaries received by employees in the boot and shoe industry during the same period. If we were to consider the interests of the country and of the wage-earning classes alone it would have paid the people to have scrapped every boot and shoe factory in the land, handed over to the workers their full wages and have paid a direct subsidy to the government of more than three million dollars and the nation would have gained enormously thereby, especially if the artisan had been put at a truly productive work.

In Canada previous to 1907 prices were regulated largely by agreement between manufacturer but after the tariff revision in 1907 following the example of the United States, mergers were introduced into Canada.

One of the first was the Canadian Consolidated Rubber Company, Ltd., with an authorized capital of $7,600,000. Eighteen months later it was announced from Montreal that the United States Rubber Company which had practically a monopoly of the rubber manufacturing in the United States had secured a controlling interest in the Canadian company. About the same time April, 1907, a select committee of the House of Commons reported that a combine existed in the rubber trade in the prairie provinces, the object and results being to unduly enhance prices. The panic of 1907 caused a halt for a time, but commencing again in 1909 mergers followed each other in such quick succession that between January 1, 1909 and October 4, 1910, 135 companies had been absorbed. Among these mergers are the Dominion Canners Company and the Cement merger called the Portland Cement Company. In 1910 cement was selling for $1.05 in Duluth and $2.24 in Winnipeg. The freight charges from Duluth to Winnipeg were 70 cents per barrel and the duty 51½ cents. Now $1.05 plus 70 cents plus 51½ cents would be $2.26½. That is to say the Cement Merger added the full difference in freight and all duty except 2½ cents, just enough less to allow them to cut under the American price. For more of this kind of statistics see "Sixty Years of Protection in Canada," by Edward Porritt, and "Hansard," Vol. LIII, No. 72, page 3452.

Sir Thomas White stated on the floor of the House that one of the objects of the protective tariff was to encourage home industries. The placing of duties on goods produced in Canada allows the home manufacturers to add this amount to their prices and he frankly admitted that in most cases this amount was added. The chief officials of the Customs Department have verified this, saying that there was not the slightest doubt but that as a general rule the home producer added either the entire duty or almost the entire duty to his prices. Refined sugar is an example where only about one quarter of the duty is added by the Canadian manufacturer but as a result of this he has a practical monopoly of the Canadian market.

To show how quickly manufacturers take advantage of any increase in the tariff to add the extra amount to their prices one instance might be mentioned as follows: In 1905 the duties on white leads were considerably increased, so anxious were the manufacturers to levy this extra toll that they sent out telegrams to their commercial travellers instructing them to add this extra amount to their price lists. Mr. Henry Timmis, a business man in Westmount, Montreal, stated on the public platform here that when asking tenders for the supply of a certain machine used in his business on which the duty was $150, American firms tendered for its supply at $600 and Canadian manufacturers at $747. Mr. Timmis stated that he placed the order with the United States for patriotic purposes so that the duty would go into the hands of the Government instead of into the hands of the Canadian manufacturers.

C. J. TULLY.

TUESDAY, June 17, 1919.

The Special Committee appointed to inquire into the cost of foodstuffs and other necessaries of living met in Committee Room 318 at 11 o'clock this morning, the Chairman, Mr. G. B. Nicholson, in the Chair.

Members present: Messieurs Davidson, Davis, Devlin, Douglas (Strathcona), Euler, Fielding (Hon.), McCoig, Nesbitt, Nicholson (Algoma), Reid (Mackenzie), Sinclair (P.E.I.), Stevenson, and Sutherland.

The Chairman explained that, in accordance with the instructions of the Committee he had engaged Mr. R. A. Pringle, K.C., to assist the Committee. This would not circumscribe in any way the right of the Committee to ask questions of the witness or pursue the inquiry along their own lines. He suggested however that Mr. Pringle should take the witness in hand first, and that the Committee should take note of the questions being asked and the answers received, and that they should proceed with any questions they desired to ask after Mr. Pringle had finished.

Mr. REID: Is Mr. Pringle permanently engaged?

The CHAIRMAN: He is the permanent counsel of the Committee, and will assist us as long as the inquiry lasts in getting evidence and preparing a report.

Mr. W. E. PATON called, sworn and examined.

By Mr. R. A. Pringle, K.C.:

Q. What is your official position?—A. I am manager of the Paton Manufacturing Company, Sherbrooke.

Q. Incorporated?—A. Yes.

Q. Dominion or provincial?—A. Province of Quebec charter.

Q. A very old charter. You have a capital of about $600,000?—A. Correct.

Q. You have a paid-up capital of $600,000 and no bonded indebtedness?—A. None whatever.

Q. And no preferred stock?—A. None.

Q. All common stock?—A. Yes.

Q. It has been suggested, and most of us recognize it as a fact, that tweeds have been advancing very rapidly in price of late years?—A. Correct.

Q. Earnings also have been advancing with some rapidity with the manufacturing companies, with the woollen manufacturing companies throughout Canada. You take, for instance, your own case. Your earnings, I find, in 1912 were 3·32 per cent of your capital. In 1917 you apparently had got that up to 46·81 per cent of your capital. Is that correct?—A. I have not got the figures here, I think that is approximately correct. Remember, that is on a $600,000 capital.

Q. All incorporated companies have their securities listed with the Stock Exchange. They give the Stock Exchange a statement showing their capital and showing their earnings, etc. That is correct, isn't it?—A. I believe so.

Q. And you furnished a statement to the Montreal Stock Exchange, and in that statement you show earnings for 1917 of 46·81 per cent. Now, in 1916 you show earnings of 35·38 per cent, and in 1915 you show earnings of 26·15 per cent. Your increase in earnings has been something phenomenal, hasn't it? You jump from 1914 when you apparently earn 6·68 per cent up to 1917 when you earn 46·81 per cent. Has that got something to do with the high cost of clothing in Canada?—A. It has no doubt a bearing on the high cost.

Q. It has a particularly great bearing hasn't it? An increase of over 40 per cent in a period of three or four years in your profits would have some bearing, and a great bearing on the cost of clothing?—A. Our production increased to $1,735,000 in 1917. I do not recollect what it was in 1912, but it was considerably less than half of that.

Q. What do you manufacture? First, tweeds?—A. Tweeds, rugs, fancy worsteds, overcoatings. Briefly, woollen and worsted suitings for men's wear and women's wear and sleeping rugs.

Q. Can you tell us the advance in the price of men's wear,, tweeds for men's wear and for women's wear? What has been the advance from 1914 up to 1917, that being the last year that I have got your figures for?—A. Do you mean the percentage?

Q. Yes.—A. No, I could not answer off-hand.

Q. Can you tell us the prices paid for ordinary tweeds, the price you were paying in 1914, and the price at the present date?—A. In the ordinary tweeds I should think the tweed at $2.35 to-day would compare roughly with the price in 1914 previous to the war—I am really at a disadvantage, if I had a little more time I should have prepared this information for you.

Q. Have you any price list with you?—A. I have no price list with me. I would be making a guess at it.

Q. Can you come at it approximately? They have advanced 100 per cent, would you think?—A. I should not think so.

Q. 80 per cent?—A. About 80, I think.

Q. How do you contend, if you do contend, that an advance of 80 per cent is justifiable?—A. Our prices are based on the cost of raw material and wages that go to make up a yard of clothing.

Q. You apparently were content with a moderate return on your investment of 6 to 8 per cent, or of ten per cent on the investment before the war, while now you require a return of over 46 per cent.—A. I do not think that that is a fair way to figure it. The profit should be figured on the value of the production.

Q. The greater your production the less your cost per yard.—A. That is the case for the overhead charges, but not for wool or dye stuffs or oil or materials.

Q. That may be the case. The larger the production you have the lower you can get the cost for production. Your overhead costs are less, and your selling costs are probably less proportionately?—A. And if the variety is less your production is more.

Q. I suppose you will say that an earning of 46·81 per cent, which was the net earning as shown by this statement in 1917, is a reasonable earning?—A. You can figure for yourself. It is 46·81 per cent of $600,000, or one third of that figured on the $1,735,000 production.

Q. Is it not earnings on your capital? You have a capital of $600,000, and you are able to get a production of over a million dollars, and your earnings are earnings on the $600,000?—A. It is earnings on the capital and surplus.

Q. Have you a large surplus?—A. Doesn't it show it on the statement there?

Q. $644,000 seems to be the balance of credit in 1917 according to this. Have you a statement there?—A. I think I have.

Q. Mr. Paton, this statement of the Paton Manufacturing Company of Sherbrooke covers its affairs for the year ending on January 31st, 1917. What do you mean by a balance of credit on January 31, 1917? Is that your surplus? It is shown here as $644,955. I should not say that was a surplus?—A. That was the balance standing at our credit. There is a capital paid up of $600,000.

Q. A surplus would be just the amount in excess of that?—A. It was an accumulation of bonuses extending back for fifty-two years.

Q. Your balance of credit on January 31, 1917, according to this statement, was $442,050.60. You balance of credit on January 31, 1917 is also shown here as $644,-955.34. Is there something wrong here?—A. There are dividends to take off the latter amount.

[Mr. W. E. Paton.]

Q. As $314,311.35?—A. That is correct.

Q. That makes 40 odd per cent, I imagine. Then you paid less business profits war tax, and so on, for the year ending January 31, 1915, $26,976.77. You paid as well in a donation to the Sherbrooke Patriotic Fund $5,000, $1,000 to the Sherbrooke hospital, bad debts $704.89, altogether $33,404.61.—A. The business profit tax in 1917 amounted to $106,313.37.

Q. $202,904.74 has been added to your credit balance in one year alone while you pital, bad debts $704.89, altogether $33,404.61.—A. The business profit tax in 1917 amounted to $106,313.37.

Q. That isn't until the next year. You paid a dividend of four per cent and a bonus of two per cent, altogether six per cent. That was paid on September 6, 1916. On March 15, 1917, you paid a dividend of four per cent and a bonus or 2½ per cent, declared payable on March 15, 1917. That amounts to $78,000, and you carried forward a balance out of profits of $202,904.74. So that you had on January 31, 1917, a balance and credit of $644,955.34, or an amount greater than your capital.—A. That is from 1868 to 1917.

Q. But it has been largely accumulated in the last few years, since the war.—A. No, I don't think it has been entirely accumulated since the war.

Q. $202,904.74 has been added to your credit balance in one year alone while you were paying 8, 10, 12 and 13 per cent dividends?—A. That is because we work 21 hours out of the 24.

Q. You cannot tell what your profits are for 1918 as yet?—A. yes.

Q. What are the profits in 1918?—A. I am very glad you have asked that.

Q. I see they have fallen off according to the statement you furnish?—A. Our fiscal year ends on January 31st. On the 31st of January, 1918, our profit was $108,332.

Q. You earned 17.07 per cent? Your percentage fell down in 1918?—A. Exactly.

Q. On the capital stock?—A. Practically, yes.

Q. After taking out the patriotic fund and so on?—A. Yes. We haven't any bonds or preferred stock to pay on.

Q. Have you a statement for the year ending January 31, 1919?—A. I have.

Q. Your profits seem to be going up?—A. A moment ago they went down, remember.

Q. They went down in 1918 for a temporary period. But you show profits of $437,833.52 for 1919, for the year ending on January 31st, 1919.

By Mr. Stevens:

Q. What percentage would that be?—A. About 72.9 per cent.

By Mr. Pringle:

Q. So that your balance on credit on January 31st, 1919, subject to the Government war tax for the years ending 31st January, 1917, 1918 and 1919 has become $1,010,472.68 Have you a statement for 1914 or 1915?—A. I have not, but I can get them.

Q. I wish you would produce similar statements to those we have just had for the years 1916, 1915 and 1914. I suppose, Mr. Paton, you would still contend that 70 per cent is a reasonable return upon your capital?—A. I do not know any particular reason why you should come to that supposition. I think it is a very handsome return on the capital and the surplus, but it is not, as I suppose you would contend, such a big difference on the amount of production of the three years that we have just had under review as compared with the three years previous to the war.

Q. Now you have not done badly. Take the three years previous to the war. In 1910 you paid a dividend of six per cent, in 1911, 1½ per cent, in 1912 and 1913, six per cent. In 1914 you begin to pay six per cent plus three per cent, which amounts to

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nine per cent, in 1915, seven plus three per cent or ten per cent in all. In 1916 you pay eight per cent plus a three per cent bonus, or eleven per cent in all. In 1917, you pay eight per cent plus five per cent, which makes thirteen per cent in all. Now, then, let us see your net earnings. There have to be lean periods?—A. We have eight years of lean periods when we didn't pay a cent.

Q. In 1912, your net earnings were only 3·32 per cent, in 1913, they were 9·71 per cent, in 1914 they were 6·88 per cent. Now comes the jump. In 1915, you jumped to 26·15 per cent. In 1916 you jumped to 35·38 per cent. In 1917 you jumped to 46.31 per cent. In 1918, you came down to 17·07 per cent, and during the last period you have gone up to 72 per cent?—A. That is always on a capital of $600,000.

Q. So that in five years you have made 197·41 per cent on a capital of $600,000?—A. Are you taking into account the business profits that we have paid and have to pay?

Q. This is after deducting for contributions to the patriotic fund. I think it is after deducting statement for the war tax and so on?—A. The only business war tax is for 1917. We paid for that the other day. It was over $106,000. That is continued.

Q. Now, Mr. Paton, the class of tweed you manufacture is used largely by our Canadian people, by all classes of our Canadian people? Is that correct?—A. No, that is not correct.

Q. Then, what particular classes of our Canadian people use your tweed?—A. The people who buy medium to fine tweeds and worsteds.

Q. Does not that pretty well take in our whole male population?—A. No, it doesn't.

Q. Why?—A. Because a very large proportion of our male population in Canada wear a lower class of tweed than we make, such as these made in the Colne Valley District in England and in mills in Canada making a lower grade of goods than we do.

Q. If an artisan wants to buy a Canadian tweed manufactured, we will say, in Sherbrooke, he would be getting a better tweed than the cheap grade tweed manufactured in the Old Country?—A. Infinitely.

Q. Infinitely better, but he has to pay a price which will give you people a return of 70 per cent on your capital. Is not that true?—A. I do not see it in that light exactly.

Q. If you are getting 70 per cent, and the wholesale man another 70 per cent and the retailer another 70 per cent, where will we stop off at?—A. My answer to that is like this. If wool were at the same price as before the war, and dye stuffs and material generally, and there had been no rises in wages in the meantime, I contend that with the increased production, the increased yardage, and the lack of variety in goods that we have had to make during the war, there would have been very little difference in the price of tweed outside of the price of wool.

Q. You got 72 per cent on your capital. Supposing you had had a return of 10 or 12 per cent, which would be a reasonable return on your capital, and you were to give the benefit of the remaining 50 or 60 per cent to the consumers in this country, would that not reduce the cost of the tweed to the man who has to buy it very very materially?—A. Naturally. It would not reduce it 72.9 per cent, though.

Q. No, but it might reduce it 25 to 30 per cent, which would be quite a saving to the man who has to clothe his children to-day?—A. If you figure the percentage of profit on the production at twenty-five per cent, and then, reduce prices 25 per cent, it would be sold at cost.

Q. Is there not any way, Mr. Paton, to get the cost of these tweeds lessened?—A. Yes, there are many ways.

Q. Tell us one way?—A. Here is one way. Here is a letter from the agent of a firm of clothing makers in Bradford. I was told on or about May 15 or May 20, that I could place an order for 30,000 pounds of stock for from 47 to 51 pence. I said that I would like a definite price. He said, "We will cable over and find out." I asked

[Mr. W. E. Paton.]

him to cable over and get a price on 30,000 pounds, 15 tons, of stuff we use. He cabled, and the answer came back that the stuff which was from 47 to 51 pence had risen to 58 pence. We delayed a few days, and then we said, "All right." The price was high, but we thought we might take five tons at that price. On his communicating that to Bradford, they replied that they had sold tops at 60 pence. That was the very same stuff on which I wanted to place an order at 47 to 51 pence. Then it had gone to 58 pence. I had delayed three or four days or a week, and then it said that we would only order 10,000 instead of 30,000 pounds. Then comes this cable saying that they had sold tops at 60 pence, and were now asking 62 pence subject to confirmation from Bradford. The market advances daily.

Q. And immediately upon receipt of that information you put the price up on tweeds?—A. Not being as nimble-witted as the distinguished counsel here, we overlooked that. May I read this letter? There doesn't seem to be anything private in this letter. The balance sheets have gone in. This letter might as well. This is from the Secretary of the Canadian Wool Commission at Toronto. The Commission was appointed by the present Government, and any wool we had to get we took it from the Wool Commission and took it when we could get it. When we took it we did not know what prices we would pay. The letter runs as follows:—I am in receipt of your favour of the 27th, May, and note that you have asked for 10,000 pounds at 58 pence. I regret very much to have to inform you that since I quoted that price, and sold a big quantity at that price, and since then an even larger quantity at 60 pence, these prices have advanced, and they are now asking 62 pence subject to confirmation from Bradford. Prices are advancing five or six pence daily there, for what reason I do not know. Orders for everything are piling up on Bradford to such an extent as was never known in the history of that place. Most factories are filled up, and won't accept another order for yarns." The bearing this has on our business is easily seen. I wanted to buy this stuff to keep our work people employed, because we know that that article could not be produced here fast enough for our machinery.

Q. I am glad to get that information, but it is not just what I want.—A. You asked me to explain how we could bring down the price of tweed. This letter shows that we could bring down the costs of tweeds by bringing down the costs of raw materials. That would make a difference.

Q. Couldn't you do it by bringing down the cost of profits?—A. No doubt.

Q. How many mills are manufacturing tweeds in Canada?—A. I could not tell you offhand, but I suppose from 100 to 150.

Q. Have you all got one price for these tweeds?—A. I do not know about other manufacturers.

Q. Have you an association?—A. Not that the Paton Company belongs to.

Q. Is there an association in connection with the tweed business in Canada?—A. With regard to prices, not to my knowledge; or not that we have anything to do with.

Q. Do you fix your prices to correspond with prices of mills which are manufacturing the same class or quantity of tweeds that you are manufacturing?—A. No, we fix the price according to the figured costs.

Q. According to the figured costs. And your profits? You figure the cost, and then figure what you should be allowed as profit?—A. We figure the cost and selling price at the same time.

Q. You have what amount of protection?—A. To-day 30 per cent. I am not very sure, because I have not the budget relating to the abolition of the five per cent from Great Britain.

Q. For the last two or three years that you have been making these reasonable profits we have spoken of you have had the advantage of a 30 per cent ad valorem duty and the advantage besides that of 7½ per cent.—A. Five per cent from Great Britain. It was 7½ per cent from the United States.

[Mr. W. L. Paton.]

Q. Your competition comes almost entirely from Great Britain?—A. In pre-war times, yes.

Q. Consequently you had protection against Great Britain of 35 per cent?—A. In pre-war times, 30 per cent.

Q. In pre-war times 30 per cent, in war times 35 per cent?—A. That is right.

Q. As against the United States you had 37½ per cent? Now, then, during the war, owing to the difficulty of transportation and owing to the unsettled conditions in Great Britain, tweeds were not coming into Canada to the extent that they were coming prior to the war, and you as manufacturers in Canada were enabled to put up your prices so that you could earn on your capital something like 72 per cent?—A. I think you have put that in a very nice way if you wish to make a point from your own point of view, but you would have put it the right way if you had said that the tariff had nothing whatever to do with it. You would be nearer the truth in saying that. The countries at war were not able to send goods here.

Q. Quite so, and there was an elimination of competition from sources which had given you competition before, and you as manufacturers in Canada, owing to that elimination of competition were enabled to put up your prices to an extent which would give you a return of 72 per cent on your capital. That is correct, isn't it?—A. No, I do not think it is.

Q. Why isn't it correct?—A. I have told you earlier.

Q. You told us that owing to war conditions in Great Britain, and owing to the difficulties of transportation from Great Britain, Great Britain was not in a position to compete with you in the way she did prior to the war, and consequently you were in a position to advance your prices so that you were enabled to take out of the people of this country profits to the extent of some 70 per cent on your capital. Is not that correct?—A. I will say it isn't, and I will say this, that owing to the goods not coming into the country, and owing to the fact that we had more work than we could turn out, we ran our plants night and day. We had a lack of variety and a larger volume which produced the results shown in the statements.

Q. Will you answer me this——A. I will answer any question you put to me if you do not put words into my mouth.

Q. I have no desire to put words into your mouth.—A. You have done it already this morning. I am giving you full information to the best of my ability. All I wanted was a little while to prepare my case. I did not have half time enough to prepare it

Q. No more had I. I have just come into it.—A. I have not your ability.

Q. I want to be absolutely fair.—A. So do I, and I will be truthful too.

Q. I have it in my mind from what has come out here that owing to war conditions in Great Britain and Great Britain being unable to send any manufactured tweeds to the extent they sent them in the period prior to the war, you, as manufacturers here of tweeds that are used by our people, were enabled to get your earnings up to 72 per cent as against 6 per cent prior to the war?—A. One would infer, without knowledge, from your statement, that the company of which I am manager and all other companies manufacturing these goods, all cotton mills, knitting mills and so on were working to supply the civilian trade of Canada alone, whereas many were working for the United States Government.

Q. There is no doubt that you worked for the civilian trade and on Government orders as well. But you have had most substantial profits?—A. The point I want to elaborate is that it is not the fact of high prices that have contributed to the result so much as the fact that it is a lack of variety in the classes of goods turned out, and therefore in the volume. This allowed people to purchase more in any particular line. Manufacturers did not know what they could produce until the variety of goods made was lessened, and the greater volume and comparatively smaller expenses as a result are reflected in the profits.

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Q. Do we not get back to this, if you had had British competition, you would never have been able to get the prices for tweeds which you are now getting?—A. I do not agree, because I was asked to supply goods to the British Government, who wanted to buy them here because they could not get enough goods over there.

By Mr. Sutherland:

Q. What is the date of the letter from the Secretary of the Wool Commission?—A. May 28. It was not written in his capacity as secretary but in his capacity as agent for James Hill & Sons, Bradford. That is for wool tops partly manufactured.

Q. Is not wool down to five per cent less than a year ago?—A. It is the very reverse.

Q. Looking at prices on the wool market, it would indicate that there is that reduction.—A. I can give you my experience, if it will be of any interest. I tried to buy wool at public auction in Boston, and I put limits that I thought would be high enough. My first limit was $1.66½ clean. I tried to get 200 bales, and got 20. I raised the limits to the broker to $1.77 clean, and he missed the wool. It was sold at public auction at $1.80 and $1.98 on clean. The wool is quite greasy, and we figure it on the clean basis. In addition we pay two cents a pound on greasy stock for storage, commission and drayage.

Q. How about the wool in the farmers' hands? Have the prices mounted as well? —A. I can answer that question exactly. I was offered in Montreal a week ago Saturday by the Canadian Co-operative Wool Growers Association—I do not think I betray any confidence, but if I am betraying any confidence I will have to be exonerated, because you asked for the information. I was asked 74 cents a pound for wool, and I bought all the wool at Lennoxville, Pontiac and Lachute last year at a round price of 73½ cents, this year they graded the wool into different grades. Last year I bought everything at the round price of 73½ cents. This year the price for the top grade was 74 cents a pound. Last year they sold them all in a lump to me, representing the company, at 73½ cents. The prices this year range from 74 cents a pound for the top grade to 67, 66, and one at 65 cents a pound. There were odd lots of coarse and rejects offering at much lower prices, 50 cents or 40 cents, I do not remember the exact price.

By the Chairman:

Q. What proportion of the total would be the top grades offering at 74 cents?—A. The bulk would be sold at 67 cents as against the all-round price of 73½ cents a pound last year.

Q. Then it is lower this year than last year?—A. Canadian wool was sold lower by the Canadian Co-operative Wool Association to us than last year, the difference being roughly that between 67 and 73½ cents.

Q. In what condition is Canadian wool sold?—A. Usually as it comes from the sheep, but graded as to quality.

Q. As to fines and coarse?—A. Yes.

Q. You can buy coarse cheaper than you can buy fines?—A. Yes.

Q. What is the difference between the wool you buy in Boston and the wool you buy in England?—A. The wool I had in mind, the wool referred to in this letter, was what is called 50's quality, whereas in Boston what I was after was the 60's quality. It is ten counts finer. In Boston it was a better quality than that referred to in this letter. There seems to be a greater demand for finer qualities the world over. I think there is wool in the world but the trouble is you cannot get it transported to the manufacturers. For instance, a man may be manufacturing in Bradford, and there are 40,000 pounds of wool put up at auction. If his machinery is actually hungry for the wool, it does not alleviate the situation to let him know there is any amount

[Mr. W. E. Paton.]

of wool in the primary markets of Australia, New Zealand and South America. He knows it but it will not keep his machinery going, his hands employed, or keep his organization together. There is to-day a machinery hunger, and people have gone into the market, and paid whatever price they had to to get wool.

By Mr. Douglas:

Q. What is the percentage of Canadian wool as compared with them?—A. It varies entirely according to the dictates of the trade. For instance, we have often bought between 400,000 and 500,000 pounds of Canadian wool in a year.

Q. How much wool do you handle in a year?—A. I could not answer that offhand, but between 400,000 and 500,000 pounds, Canadian wool would be a very large amount of that wool for us to handle.

Q. The bulk of the wool is Canadian wool?—A. It depends largely on the fashions. During the period of the war when wool was controlled by the Canadian Wool Commission, we bought through them very largely from New Zealand and Australia, and one of the difficulties we had was that we could give an order for 2,000 bales of wool, specifying the qualities we wanted, and the wool would come back badly graded and one thing or another. There wasn't even a specified invoice. You did not know what you would pay for it until the bill came in. There might be a revision up or down. In some cases we had the revision down. We have a case pending now where the revision is up. After selling the wool we have a bill which puts the price up.

By Mr. Nesbitt:

Q. The fine wool you get from Boston. What do you use it for?—A. Suitings, gray suitings, something like that gentleman has on there. It is quite a soft quality.

By Mr. Stevens:

Q. What is the percentage of wool used to the total? Give us a rough percentage. —A. One year you might use 100,000 pounds, and next year not 20,000 pounds. It depends on what the salesmen ask you to make. Since the war started I do not think it would run 10 per cent.

Q. You paid 67 cents, this year for the Canadian wool you used and last year 73½ cents. For the very same wool?—A. Yes for the same wool I paid the wool growers this year 67 cents.

Q. The same general quality?—A. Exactly that.

Q. That is 6½ cents, lower that you could reduce the price of your tweeds?—A. You see we have to provide prices a year in advance owing to the uncertainty in the markets. Nevertheless we have not made prices for the spring of 1920.

By Mr. Pringle:

Q. This Committee would like, if you can give it to us, your actual costs, and also your actual costs including overhead of the different classes of tweed. You will be able, no doubt, to give us that and file with us. We want to see where the retailer comes in and the difference between the price that you put your output at and the price that the ordinary citizen like myself has to pay for this tweed when we go into a store?—A. If you will give me a memo of that I will furnish it.

Q. What is your selling system? Do you sell through an agent in Montreal?—A. No.

Q. Or do you sell direct to the trade?—A. We sell direct to the trade.

By Mr. Stevens:

Q. To the wholesale trade?—A. Yes, and to the manufacturers and we have paid representatives, and there is no commission allowed at all. They get paid a salary.

[Mr. W. E. Paton.]

By Mr. Pringle:

Q. I did not know whether you had an agent in Montreal as some of the cotton companies have?—A. We did not have a commission agent. We have a representative. We have our own offices in Montreal and Toronto.

By Mr. Douglas:

Q. Do you deal with the retail trade at all?—A. If in the retail trade you include the T. Eaton Company, we do, we sell them, but we do not sell retailers at all.

Q. You do not sell tailors?—A. No, we sell to the distributing trade, to the clothing manufacturers and direct to Eaton.

By the Chairman:

Q. Would you as a manufacturer consider it advisable to sell direct to the retail trade—I mean to the tailors?—A. It is a matter that we have never given any serious consideration, and I would not like to answer that offhand. You have a good deal to do to run a woollen business, and I see a gentleman here who is an attentive listener, who will probably confirm what I have to say, that it is enough to run that business without going into the retail business.

By Mr. Reid:

Q. Do you consider Mr. Eaton a retailer?—A. I do not. Certainly they sell to the consumer.

Q. Is he a wholesaler?—A. Well, in the manufacturing department of it they are wholesale.

Q. Does Eaton not retail?—A. I am not terribly well posted about the Eaton Company's business. What I think is with a lot of goods we sell them, that they make them up into garments in their own factory, just the same as if we sold to a manufacturer of ladies' suits and cloaks. I do not know whether they send out travellers at all.

Mr. Reid: No.

Witness: They put them into their different departments, and bill them to the different departments, and they sell them to the consuming public.

By Mr. Reid:

Q. Do you know that Eaton retails the suits which he makes from cloth right in his own establishment?—A. That is my belief.

Q. How do you expect a small retailer who has to go to the wholesaler and buy your goods and pay a profit there which Eaton does not pay, to compete with Eaton? —A. I do not think they can do it.

Q. I do not think they can. Are you not discriminating them against the small retailer?—A. I do not know——

By Mr. Stevens:

Q. Would you refuse to sell a retailer if he came to you with a fairly good order of stuff?—A. Not if he was as big as Eaton's. Do you mean a custom tailor on the street?

Q. Yes.—A. Yes, I would.

Q. You would refuse to sell him?—A. Yes, on my own responsibilities, I would, yes. If a proposition was put up to me like that, I would turn it down.

Q. You would tell him to go to the jobber?—A. I would tell him if he wanted our goods, he could go to somebody in the large centres who was distributing our goods in the wholesale way, that we did not sell to the retailers.

Q. You said that you had fixed your price on the cost of production?—A. No, I am sorry if I was understood to say that. I said, if I remember correctly, that in figuring the profits shown in our statement—and which I may tell you is an honest statement—no padding in it——

[Mr. W. E. Paton.]

Mr. PRINGLE: I hope not.

WITNESS: I mean by that we had not any assistance to make this statement.

By Mr. Pringle:

Q. The only rival you have now is the Dominion Textile Company. They ran you pretty close last year—63 per cent on their preferred.—A. I daresay if we had help from outside sources, and issued a couple of million bonds that our profits instead of being 72·9 on a small capital, it might have been 7·2 on a large capital, and if it had been that way we would not have had these remarks to-day, but our statement is an honest one and we have not been going into the issuing of bonds and stock.

Q. Anybody that knows the Paton Manufacturing Company knows that they would not come before the Committee with anything but an honest statement. There is no question about that?—A. I am glad to hear you say that.

Q. It is one of the oldest and best established businesses in the country?—A. We have never failed to pay our operators for a week, and we have failed to pay our shareholders as much as eight years, and we think if we conduct our business with a certain amount of intelligence and buy at the right time and take the risk, that our shareholders are entitled to average from the time they bought their stock about six or seven per cent from the day they went in, and taking it for fifty-two years, I do not think they have got over 7 per cent on an average.

By Mr. Sutherland:

Q. What did you pay the Canadian Co-operative Woollen Growers last year for the raw wool?—A. The wools were not very well graded last year down in our district?

Q. I am speaking about the Canadian Co-operative Wool?—A. I am speaking of them.

The CHAIRMAN: He said he paid them 73½ for all grades.

WITNESS: That did not include the inferior grades.

By Mr. Sutherland:

Q. I am speaking of the long wools?—A. The Leicester Wools?

Q. Yes?—A. Well, the more coarse stuff we did not take last year, but what grades we took they made us the round price of 73½ cents, and the wools were not properly graded, and that is the reason they came and asked us to buy. For the wools we paid that last year. We have ordered them this year, 80,000 pounds I have ordered; 60,000 they call their low medium combing. That is the bulk of it, and I think what you want to get out of me is an honest opinion as to the difference in price between a year ago and to-day.

Q. I was asking you what proportion of the long wools you use, or if you had been buying last year, and what price?—A. The combing wool?

Q. Yes?—A. The answer to that is 73½ as against 67 this year, but as against the 73½ we paid last year, a proportion of the wool was 70 cents, but I did not buy it. Their average price last year was higher than their average price this year, and I put it as fairly as I know how. If you put 67 as against 73½, you would come within a fraction of the difference in the price.

Q. Did you not pay anything more than 50 cents a pound last year to the Canadian Wool Growers?—A. No, not last year. That may be two years ago.

Q. I am speaking of 1918?—A. I am speaking about June a year ago when I bought the wool for our company both at Lennoxville and at Pontiac, and to the best of my knowledge we paid 73½ cents. That is all round, fine and coarse.

Q. I am speaking about the good wool?—A. Yes, and it had a large percentage of low medium combings, for which we are paying this year 73. If I had bought the highest grade this year, I would have paid 74 cents, not the highest grade this year, but the highest grade for last year was 73½.

[Mr. W. E. Paton.]

Q. But for choice long wool, last year, can you tell the committee about what price you were paying not giving the average at all, because we know that a large proportion of the wool you bought was fine wool, but you did buy and the Canadian trade secured long wool, and a great many mills did not use that at all. But for the best quality long wool what was the price you paid last year?—A. We paid the Canadian Co-operative Wool Growers—

Q. Did you buy from Ontario?—A. No, we did not buy any from the wool growers at all from Ontario, and we paid 73½ cents; that is to the best of my knowledge and the information I have.

Q. For the best grade of wool?—A. I cannot explain it any more, but I can give you the grades, the bulk of it was what is called low, medium combing. That was the bulk of it; some of it was called medium combing, and some of it was called lustre, as near as I can remember last year, all around, the price was 73½ cents.

Q. Will you give me the prices in the different grades?—A. I have explained to you they did not sell them by grades last year, but they sold them in one lump. I can tell you this year from memory the price of the highest grade is 74 and the next grade 67 and the next 66 and 65, but the stuff at 66 and 65 would shrink more, and the clean pod would be just as dear as the 66 and 67.

Q. I am speaking about last year's wool; two years ago what was the price that was being paid for wool?—A. I do not know about any other mills. The Canadian Co-operative Wool Growers sold, I think, down to 51 per pound?—A. To Canadian Manufacturers?

Q. Yes?—A. For the Province of Quebec?

Q. For the whole Dominion?—A. I think if you will look into it you will find that there was a great deal of wool exported to the United States. I can speak positively of the wool I bought from Mr. Arkell, representing the Canadian Wool Growers, I have the matter fixed in my mind, and I think I got 155,000 to 165,000 pounds, we took that quantity from them, and if the price should have been 53 cents there is a rebate of about 23½ cents coming to us.

Q. Mr. Arkell can give us the information?—A. He can confirm my statement.

By Mr. Nesbitt:

Q. Can you tell us the labour and material cost in 1915 and the labour and material cost of your goods in 1917?—A. I haven't the information here. It will be futile to attempt to do that with the number of goods we make. What I presume you want to get at is what is the cost of cloth in our mill; you would not want to know the percentage of wool, oil, dyes, and what was the percentage of labour?

Q. I want to know what was the labour cost and what was the material cost without the addition of overhead cost. I want to get at the spread you had in 1914 and the spread you had in 1917.

The CHAIRMAN: And the selling price of the goods?

Mr. NESBITT: No, I do not want that, I want the cost at the factory, the cost of your goods; your statement must always be so furnished that you know the factory cost of your goods without adding your overhead; when you have arrived at that then you have to add your overhead and your selling as well?—A. I could not tell you offhand whether we have it in our books just that way, but every line of goods that we put on the market we figure as near as we can the cost of that line which we hope to sell say at $2, with a profit if we produce say $800,000 of that the profit on that line might be wiped out, but if you run the mills lickety-spittle for 21 hours out of 24 hours while we may figure out a loss we may yet get that profit at the end of the year.

Q. I can appreciate that, but this statement is covering the year, I suppose, but I am not quite certain, that your factory statement would show it.

By Mr. Stevens:

Q. Do you keep a cost system?—A. We do not keep an elaborate system.

Q. You do not segregate the cost into labour and material?—A. If you mean what was the labour last year we can give that to the cent, but you want to know what the wool cost?

Q. Your raw material?—A. Including shuttling and all other expenses?

Q. Yes.—A. I think we have it in our books.

Q. You cannot answer that question offhand?—A. It would be futile.

Q. You have given us the profits made on your capital?—A. I think Mr. Pringle has elaborated that very carefully indeed.

Q. Will you tell me what the profit on your turnover was?—A. Fortunately I brought with me, not knowing what I would be asked, the last 3 annual statements, 1917, 1918, and 1919, which, I presume would be the period under review. And in 1918 we made a profit of 46.81 on our capital, and which I considered profit on capital and any surplus in the business, that year we made $314,000 on a production of $1,735,342.

Q. What was the percentage of your profits?—A. Our profits were $314,311 as I understand, that is without the war tax.

Q. That is 16½ net profit and taxes off $280,000; the net amount is $280,000.

By Mr. Nesbitt:

Q. I do not want anything to do with that deducting the war tax but the net profit on the turnover which was $314,000.—A. Pardon me sir, the war tax has to come off that.

Mr. STEVENS: And taking the war tax off it, the amount is a little over 16 per cent.

By Mr. Nesbitt:

Q. Taking off the war tax what is it?—A. That is roughly $208,000 which, divided by 1,735, just to get it roughly about 12 per cent.

Mr. PRINGLE: About 12 per cent?—A. Is that clear? The profit is $314,311 and we have paid for business profits tax $106,313, and subtracting that leaves $208,000 roughly as our profit and to make that $208,000 we had to purchase and sell $1,735,000 worth.

By Mr. Nesbitt:

Q. Now your capital was $600,000, and you take your statement of 1917 and in that statement you show a liability of $600,000 of capital stock and surplus $644,955? —A. That is in 1917.

Q. And adding these two together makes your working capital, does it?—A. I would say that is a fair way to put it, if a promoter wanted to sell the stock to-day.

Q. $600,000 of capital stock and invested in the business $644,955, is that right?—A. That is fair.

By Mr. Stevens:

Q. What form is that in?—A. We have some investments.

By Mr. Nesbitt:

Q. Your investments are small?—A. Supposing we buy $100,000 of war bonds, we would be getting 5½ per cent, and if we wanted to have $100,000 to buy wool with, we would pay 6½ per cent for the money so that we would be out one per cent.

Q. That $695,000 is your accumulation?—A. Absolutely.

[Mr. W. E. Paton.]

APPENDIX No. 7

By Mr. Davidson:

Q. That is your actual capital?

Mr. DOUGLAS: It depends on whether he uses it; if he does not use it, it is not.

By Mr. Nesbitt:

Q. What was the capital allowed you under the business profits tax?—A. That did not come under my personal attention at all. That was looked after by Mr. Breadner.

Q. They allow you your capital investment and your surplus?—A. Mr. Breadner can answer that to a cent. What we paid for 1917 was $106,313.

By Mr. Reid:

Q. Would you put in a statement showing your actual capital say for the last four years, that is to say the actual capital you use in your business?—A. Give me a letter of instructions, and I will try to get anything for you.

By Mr. Reid:

Q. What is the percentage of increase in your wages as compared with pre-war times?—A. I have a statement that I brought with me which is made up from 1899 to date. It omits our weavers who are paid on piece work. We had 450 employees, and we have reduced that number I think to 430. I am excluding the piece workers, the weavers. In that time we have increased the wages in our concern $126,000. Comparing 452 employees with 430—we have reduced them to that number, and excluding our piece workers, the weavers, the increase in that time has been over $126,000 or equal to over 105 per cent.

By the Chairman:

Q. I would like to get from you a statement with regard to the volume of your business in the three years, 1917, 1918 and 1919?—A. I have it right here. For our fiscal year ending January 31, 1917, it was $1,735,342.

Q. That is for the year ending January 31, 1917?—A. Correct.

Q. Now for the same period, 1918?—A. It was $976,934. There was a big falling off because we did not work overtime.

Q. Then for 1919?—A. $1,780,310. We do not know what the business profits tax is for 1918. I do not think there will be any, but for 1919 we estimate approximately at $203,000.

Q. The percentage of profit on your turnover for the period ending January 31, 1917, is figured out at 12 per cent, and we get the same figures for 1918?—A. I do not see why not. In 1918 we have not got the business profits tax.

By Mr. Nesbitt:

Q. Why do you say you have no business profits tax for 1918?—A. Because our profits in 1918 were very much smaller.

Q. How much were they?—A. $108,000.

Q. Which shows that they did not allow the 7 per cent on your capital?—A. I think they do. I would not say that definitely. That would be in the hands of our auditors, but Mr. Breadner has the figures.

Q. They must allow it on your capital?—A. I think there is no doubt about it. I may quote from a letter which I have here. (Reads): "The business profits war tax for the year ending January 31, 1917, which has been paid is $106,313.37. For the year ending January 31, 1919, we do not think there is any tax payable. The taxation does not seem to be decided but if it should be on the same basis as previously we think it will amount in round figures to $203,000". I have a statement showing the increase paid in wages.

[Mr. W. E. Paton.]

Q. You should have come prepared to give us your factory costs, then we could judge what the spread was between the factory cost and your selling price?—A. I would like to call your attention to the fact that I got this notice from the Commiee on my desk about half-past eight on Monday morning, and it did not tell me what to bring. I had to take the 3 o'clock train and hustle to get here this morning. I had no idea of what information was to be asked. My instructions from our concern are to give any information I can and anything that is asked for.

Mr. NESBITT: I quite appreciate that, but from a public point of view it looks very bad that you should make 46 per cent on your capital.

Q. But you should have been prepared to show what your real investment was, which is your capital and surplus?—A. Well, the balance sheet we submitted to the Government—

Mr. STEVENS: You run about 11 or 12 per cent.

Mr. PRINGLE: On the turnover.

WITNESS: I thought I was going to be asked about rent and the price of coal when I came here this morning.

The CHAIRMAN: The figures show that on the turnover January 31, 1917, the gross profits were 12 per cent, January 31, 1918, 11 per cent on your turnover, nothing to do with your capital. Mr. Stevens is figuring January 31, 1919, on the basis of your profits being——

Mr. STEVENS: On 13 per cent the next year,—12, 11, and 13 per cent.

Mr. NESBITT: It could not be that.

Mr. PRINGLE: The turnover was smaller.

WITNESS: I think you will see we have been running on a pretty even keel.

By the Chairman:

Q. Let us get this clear: The turnover January 31, 1917, was $1,735,342, the net profits showed 12 per cent on the turnover. January 31, 1918, 11 per cent; January 31, 1919, based on your gross profits of $437,833.52, with $203,000 off for War Profits Tax?—A. Estimated.

Q. That makes 13 per cent?—A. I cannot tell you about the War Profits Tax, because I am not an authority, but this letter that is sent to me I would say is, with the information to hand, as nearly correct as any one could figure it.

By Mr. Davis:

Q. What advantage is the tariff in your business?—A. Since the war it has not been any advantage or disadvantage, but in pre-war times and in normal times—do you mean what advantage is it to us in the manufacturing?

Q. Yes.—A. Our competition comes very, very largely from Great Britain in normal times, and of course before the war from France, Belgium and Germany.

By Mr. Nesbitt:

Q. Especially Germany?—A. I think we had a surtax against Germany. We tried to hit them on the head before the war.

By Mr. Davis:

Q. You say that before the war it was an advantage, but since the war it was not?—A. I think it would be futile to say the tariff had cut any very great ice in our business when the people could not export wools from Great Britain, and we had other contracts besides civilian trade.

Q. How will the surtax operate?—A. You mean giving the preference?

Q. Yes?—A. It will operate to a certain extent, five per cent on the finished article is going to be a good deal more off than five per cent off our raw material

[Mr. W. E. Paton.]

we might buy in Great Britain. Supposing you are buying cloth at $3 a yard, and that five per cent is taken, that would be 15 cents, whereas if you are bringing in a pound at 62 cents, at $1.20 it would be 6 as against 15.

By Mr. Stevens:

Q. Did you not consider the fair and proper thing for the purchasing public in Canada would be to give them some advantage on your somewhat abnormal earnings during the last four or five years?—A. As well as paying the business profits tax? Of course that is a pretty large order, and I would like time to reflect on that, but speaking just offhand, with the risks you have to take, manufacturing risks in buying the raw material, the risks of bad debts, and all the other things that are connected with the business, I considered that the profit we figured on our goods was reasonable, but the reason that our profits got so high was because there was lack of variety, and we turned out more goods than we ever knew we could turn out.

Q. Having earned these profits the first year, why not the second year lower the price of your goods, or keep the price of your goods down so that the consumer could get part of the benefit of that abnormal earning?—A. Don't you think we have kept it on an even keel when it runs 12, 11 and 13?

Q. Yes, but you must remember one year was very low.—A. Pardon me. On the production in the low year it was 11, and then 12.

Q. It dropped?—A. It dropped for good and sufficient reasons.

Q. We are trying to find some way to help the consumers out.—A. You have asked a fair question, and I would like to be frank about it. I would rather, as a manufacturer—I am not speaking for the cotton manufacturing company, because I have not the authority to do it—but as a manufacturer I would rather sell cheaper and reduce the variety you give to the retailer. Some one made the remark. "How would you like to give it to the retailer?" You give to the retailer as much as he would buy, three or four pieces of one pattern. He would think you were crazy if you wanted to sell him fifty lengths of the one pattern. I want big quantities of one thing, and if we can get them, we can sell cheaper and would be willing to do so.

Q. As a matter of fact, you can sell cheaper, even under present conditions, with one article or with a dozen articles? By your statement you could lower the price? —A. We could certainly lower the price if we wanted to sacrifice the 11, 12, and 13 per cent on our reproduction. We could have sold at cost if we wanted to.

Q. Do you not think it is due to the public to lower the price?—A. Well, I may put it this way to you; there may be other people that have handled the same business we have handled in Canada, that might have a loss at our prices.

Q. You have been good manufacturers?—A. We have been a long time in it, and would be very foolish if we did not know anything about it. We bought our raw material at the right time. One year we could not.

Q. Should not the consumer get the advantage of your buying the raw material at a cheap price?—A. I will answer it this way: Our mill was built; it was not built for the glory of God, but to make money for the shareholders, and some years we have been very successful in making it, and for as much as eight years at a time they had to take their dividends out in prayers.

By Mr. Douglas:

Q. Not during the war?—A. No, certainly not, and I think a man who could not make a little money during the war with all the business he could handle—there is something wrong with his intelligence.

By Mr. Stevens:

Q. What year was that?—A. I think round the eighties.

Q. That is ancient history?—A. Not if you are a shareholder and want to average your dividends.

[Mr. W. E. Paton.]

Q. I can show you where you made it up in one or two years. Just on that point, you carried forward a surplus, January 31, 1919, $365,000. Your dividend that year was 12 per cent, which cost $72,000, and you carry $365,000 forward. That would pay five years anyway.—A. We do not deny that we have not improved our condition.

Q. I will carry you back to January 31, 1917, and you paid $78,000 in dividends; that is 13 per cent, and you carried forward $202,000, enough to pay three years' dividends. In two years you had a surplus carried forward to pay for eight years' dividends. There are other years since the war broke out where you had a big surplus also. So that I do not think you answered my question at all.—A. If you will compare our goods with other goods in the market, you will find they are cheap.

Q. You cannot fix your price with the poorest manufacture in the country?—A. We do not do it.

Q. That would not be a sound economic principle.—A. We do not do it and do not want to.

Q. You are not a member of a combine nor a price-fixing institution?—A. That is right.

Q. Well now, if that is the case you are perfectly free, I do not want you to concern yourself about the other fellows.

By Mr. Pringle:

Q. What about the distributors; are they connected with any association that fixes prices?—A. I cannot tell you whether they are or not, except to say this that we do not fix any price at which our goods are to be sold.

Q. Nor do you ask anybody else to fix prices?—A. Absolutely no.

By Mr. Stevens:

Q. The purchaser can sell if he wishes without making a cent of profit?—A. He can sell at a good profit, or he can sell at a loss. I have a case in mind of a man in Toronto who bought a line of goods from us at say $4, and he got frightened and cleared them out at $3.50; I think it would be a very foolish thing for him to do, and he could not do it very long, but when we sell our goods there is no string on them, a man can sell them at any price he chooses.

Q. Now that wools are down this year are you willing to reduce the price of your goods?—A. I am willing as far as I am concerned—for instance, if I bought my wools last year on the basis of $1.80 and if the wool has gone up in some cases to $2.20, as it has in some cases to $2.20, I would not be willing to sell those goods on the basis of Canada wool being 80.

By the Chairman:

Q. With regard to the goods you make out of Canada wool what is your position regarding that?—A. We base our price considerably less than last year.

Q. Have you lowered your price on that?—A. We have not made our prices for 1920, we are waiting to see what the prices are.

By Mr. Nesbitt:

Q. The wool you are buying this year has not gone into operation yet?—A. It has not been delivered yet.

By the Chairman:

Q. There is one particular in which what you have said with regard to profits made during the war does not cover the question by Mr. Davis and it is this that the whole Canadian people have been called upon to make very great sacrifices during the five years of wartime. Now, do you consider that the Canadian manufacturer in the face of that condition has the moral right to take added profits out of these people at a time when the cost of everything that a man uses or wears is abnormal and not share the sacrifices that the people have been called to make. Do you get the point of my question?—A. You mean that if a man has come out of a period of big losses that if he conducts his business intelligently and pays the business profits' tax that he shall not get the benefit.

Q. Now, if the manufacturer conducts his business on as close and profitable basis as he legitimately can during a period when all the people are thought to be sacrificing, as the Canadian people have been, during the war, instead of the Canadian manufacturer or any other business man taking added profits which, in the final analysis, must come out of the pockets of the people, is there not some obligation on the part of the manufacturer to cut his profits as close as they can be cut and carry on his business legitimately, instead of taking advantage of the four years of war to accumulate a sufficient amount of profit to cover up all the bad years previous to the war?—A. I am not going into any academic discussion about philanthropy or anything of this sort but I think a man should ask a reasonable profit, not an unreasonable profit.

By Mr. Stevens:

Q. In view of your statement to-day, and the profits you have made during the last two or three years are you willing to reduce your price to the consumer?—A. I made the statement when I started here that we based our cost on the cost of raw materials, materials and wages, and we figure a fair and reasonable profit, and that will mean reduction if the wool goes down in price.

Q. You are willing to state to the Committee that you are willing to reduce your price?—A. I am willing to state that as far as the authority I have as manager of the company. What I was trying to state here is fair and honest, I have not the authority to dictate the policy of the Paton Manufacturing Company.

By the Chairman:

Q. Let me put just one more question; do you consider that the profits during the years ending January 31, 1917, 1918, 1919 were fair and reasonable profits to charge to the Canadian consumer on your goods, having in mind the volume of your business and all things connected with it?—A. My answer to that would be yes, at the time we sold our goods; but I would like to add to that, as I have emphasized before, that on account of the reduction of the number of varieties we produced more stuff per machine than we thought it possible to produce, and that is one of the reasons we made more money than we figured

By Mr. Euler:

Q. It is not the duty of the committee to find out the opinion of the manufacturers. I would like to ask in regard to the last three years what is the percentage average rate of profit on your capital not including surplus.

The CHAIRMAN: That statement has been filed.

Mr. EULER: Usually in a case like this they call surplus a part of the capital; and argue that they are entitled to make profit on the surplus. I would like to ask whether or not that surplus is or is not built up entirely out of profits in the first place.

The CHAIRMAN: I think, Mr. Euler, that has already been covered.

Mr. PRINGLE: The position is, he gave us the cost statement for 1917 and we have asked him to produce similar statements for the years 1913, 1914, 1915 and that will show us just how the surplus is built up. Now, as to the other point you have mentioned, we have the figures in the statement showing a profit of 26.5 per cent for 1915.

Mr. EULER: It is simply a question as to whether that surplus is built up out of the profits?—A. Yes, out of the profit, we have done no stock-jobbing, and the capital was $600,000 in 1908 and it is still the same.

Q. Have you had surpluses in periods of years ago, or is it built up recently?—A. A lot of it has been built up within the last three years, and we have had a few years with surpluses and in other years we have had losses, so that sometimes the surplus we had built up has disappeared.

By Mr. Pringle:

Q. I would just say, so as to get this on record, in view of the question asked by Mr. Euler, I find that your profits for the years 1913, 14, 15, 16, 17, 18 and 19 amount to 197.91 per cent or in other words you made a profit during those war years of $1,187,046 on your capital of $600,000.

Mr. STEVENS: It would be better to use the word earnings.

Mr. PRINGLE: In other words, according to the statement I have here, they have earned $1,187,046 during the war years and out of that they have paid some dividends and the balance is surplus, all of which is on the record.

By Mr. Davis:

Q. You have given the Committee your profits for the past few years. Would you say that these are fair profits in your manufacturing business?—A. I have had 29 or 30 years' experience in the business, and it was only when we got orders in large quantities with a small variety that our profits ever approached these sums.

Q. Take your rate of profit for 1914.—A. Mr. Pringle has asked for a statement for the years, 1914, 1915 and 1916.

Q. What was the average rate of profit on your turnover before the war?—A. It is quite simple to answer that question. Some years we had mighty hard work to pay six per cent. Some years we did not pay anything. Some years, away back in the history of the company, perhaps on a capital of $600,000 we might make $100,000 in the year, but that was what we called a banner year. That was when we were working normal hours. But since the war started to supply the demand and to comply with orders, I may say that instructions were given to us, and we had to grind out the stuff practically day and night.

Q. What I am trying to get at is this: Mr. Stevens asked a question which seemed to drop out of sight, how did you fix your cost of production?—A. Our system is, the gauge of the woollen market is the number of cards we have. Take a machine of a certain size, and a one-run yarn has 16 yards to the pound. We figure out how many machines turn out that in a day, and that is practically the basis of it so far as wages are concerned.

Mr. PRINGLE: He has promised to file a statement of the cost.

By Mr. Davis:

Q. Will these statements show all your products and cost on the various products, and the selling prices?—A. I will have to show exactly what is wanted. If I have to produce everything that has been asked for to-day, it is going to be a big job.

By Mr. Euler:

Q. This company no doubt knows exactly what it costs to produce its goods. What principle do you follow then, having ascertained the cost, in fixing the selling price?—A. We figure on a margin of profit and fix the selling price.

Q. But how?—A. That varies according to circumstances.

Q. Is it according to what you can or according to the cost?—A. It varies according to the cost.

Q. That is the principle?—A. That is the principle.

Q. You think that 12 per cent would be a fair advance to make on the cost of producing your article?—A. I have already said that I have never had before the experience of getting orders in such quantity and with so little variety.

[Mr. W. E. Paton.]

Q. You would have a basis on which to fix?—A. In round figures we ought to get at least a net ten per cent.

Q. If you say ten per cent is a fair advance on cost, that is ten per cent on turnover, that must make a very high rate on the capital?—A. It depends on what you call capital. If we have the surplus, we do not have to borrow money to run our business.

By Mr. Devlin:

Q. At the time the war broke out, had you very much stock on hand?—A. Speaking from memory I should say a moderate amount.

Q. Enough to meet the usual demand?—A. That is the idea, yes.

WITNESS discharged.

Committee adjourned until 3 p.m.

The Committee resumed at 3.00 p.m.

Mr. FRANCIS G. DANIELS called, sworn and examined.

By Mr. Pringle:

Q. You are the General Manager of the Dominion Textile Company?—A. Yes.

Q. Of what mills are the Dominion Textile Company composed?—A. You mean what branches?

Q. Yes?—A. We have branches at Kingston, Hochelaga, Montreal, St. Anne's, The Colonial Bleachery, The Merchants, the Mount Royal, Montmorency and the Magog Cotton and Print.

Q. You were organized I understand in 1905?—A. Yes.

Q. As the Dominion Textile Company, Limited, and you have a capital stock authorized now of $7,500,000?—A. Yes.

Q. And you have outstanding some $5,000,000?—A. Yes.

Q. And you had a preferred issue of $2,500,000 of which you have outstanding $1,940,600?—A. Yes.

Q. Then you have the bonded indebtedness of the different companies which you control?—A. Yes.

Q. Now what was this capital stock composed of, this common stock, was it stock subscribed or was cash paid for it?—A. At the time the company was organized there was a half a million dollars in preferred stock issued.

Q. That was subscribed for?—A. Yes, by the people who organized the company, for which $500,000 cash was paid. $500,000 was paid for the stock for the $5,000,000 common that was issued.

Q. So that the common stock which was issued amounting to $5,000,000 really cost the amount of the preferred stock, or $500,000?—A. No, there was $5,500,000 common and the preferred issue was for $1,000,000.

Q. As I understand it for $500,000 you took over the stock of these different companies which you took over subject to the bonded indebtedness of the different companies?—A. Yes.

Q. Then what do you say that $5,000,000 represented, that is what I want to get at, whether that $5,000,000 represented actual cash or whether it simply represents the $500,000 which the original incorporators of this company subscribed for in the way of preferred stock, and then they, with that $500,000 took over all the stock of these companies?—A. No. They issued $500,000 preferred stock for which they paid $500,000; they also paid $500,000 for $5,000,000 of common stock.

Q. I think that will probably bring the correct position, that is to say besides the stocks and bonds which were given in exchange for the capital stock of these four companies the sum of $500,000 preferred stock was taken at par and after that they further subscribed and put in an additional $500,000, and they took $5,000,000 common stock for it?—A. They subscribed $500,000 for $500,000 of common, and also the same amount for preferred; there was preferred stock issued in part payment of the companies that were taken over.

Q. How much was issued?—A. All told $1,940,000.

By the Chairman:

Q. Preferred stock?—A. Preferred stock, yes.

By Mr. Pringle:

Q. Now to get it down as quickly as we can; the $5,000,000 common stock does not represent $5,000,000 paid?—A. At that time it represented $500,000 of actual money put in.

Q. That is what I want to get. Then the $5,000,000 of common stock at the time this company was formed simply represented $500,000 of actual money put in?—A. I would not say that.

Q. But you did say that?—A. That is what they bought it for, but behind that—

Q. All right, I am not going back into ancient history. I want to get what this company paid for $5,000,000 common stock, and I understand from you that they purchased it for $500,000?—A. Yes.

Q. So then, their capital investment in this company would be in the first place $500,000 which they paid for $5,000,000 common stock, then they have taken it subject to certain bonded indebtedness?—A. Yes.

Q. There are the bonds of the Dominion Cotton Mills Company amounting to $758,500?—A. That is the textile bonds as issued against the common stock of the Dominion Cotton Company—the old outstanding from the cotton company.

Q. Then the merchants cotton company, there was a bond issue of $1,162,000?—A. Which was issued in the same manner.

Q. And the Montmorency Cotton Mills Company, there was an issue which was called series C of $1,000,000, and of the Colonial Bleaching and Printing Company, series D, $450,000, making a total bonded indebtedness of $3,370,500. Now then what was actually paid for the preferred stock? You have the issue of preferred of $2,500,000 but there is outstanding $1,940,600, is that cash?—A. The statement that you have before you shows how the balance of that preferred stock was issued: $500,000 was in money put into the company, and the remaining $1,440,000 was given to the common shareholders of the companies which were purchased. Now, permit me to correct your previous remarks; the common stock of the Dominion Textile Company was only issued after the buyers had made their arrangements to purchase the stock and we made these agreements to give them payment by accepting responsibility for the underlying bonds, and were to pay them for the common stock in the proportions of 50 for Dominion Cotton, 85 for Merchants Cotton, 120 for Montmorency, and 166 and two-thirds for Colonial. After that had been acquired the new proprietors issued the common stock of the Dominion Textile Company. Now these companies were bought largely on their earning capacity at the time of the purchase, not on their physical value. And while they only put in $500,000 in capital which was considered, I presume at the time, as ample there was a much greater value behind the common stock at the time.

Q. I am not going to discuss with you what value is in the common stock, but what I want to arrive at is the actual money the Dominion Textile Company, Limited, has in these plants, and, as I stated, to start with, there was this preferred stock $1,940,600 that was given to the companies that you were purchasing?—A. Yes, with the exception of $500,000.

[Mr. F. G. Daniels.]

Q. With the exception of $500,000, then the $5,000,000 of common stock which you acquired, and which makes the capital of this company, you really obtained for the issue of another $500,000?—A. A subscription of $500,000.

Q. A subscription of $500,000, so that insofar as this company is concerned, $500,000 represents the actual cash in common stock and then you have preferred stock, which you say you operated with in purchasing which is equivalent to cash; instead of paying cash you paid them with preferred stock, and you acquired this stock?—A. Yes.

Q. That is all I want to know in regard to that. Have you your annual report for 1919?—A. Yes (document produced).

Q. Now your sales for 1919, or for the year previous, amounted to $23,666,215.56 compared with $16,850,278.78 in the previous year, an increase of $6,815,937.78. Now your net earnings, including interest on investment amounted to $3,434,752.58?—A. That is, of course, not net. That is gross: Out of these earnings—

By Mr. Stevens:

Q. What year?—A. The year ending 31st March, 1919.

By Mr. Pringle:

Q. Out of those earnings, you have paid interest on Dominion Textile Bonds, on D.D.C.M. bonds, interest on Montmorency bonds and the Mount Royal Mills, dividends proferred stock, $135,842. I suppose that is 7 per cent on the outstanding preferred stock?—A. Yes.

Q. You have paid $400,000 on the $5,000,000 of common stock?—A. Yes.

Q. Which as you say represents $500,000 in cash?—A. As you remarked before, that was ancient history.

Q. And you earned on that last year $400,000. You put away a reserve for War Income Tax Pension Fund and replacements $1,100,000, and you took over a balance to credit of $3,349,083.06?—A. That is the accumulated profits you are quoting as carried over.

Q. Yes, there was a balance at credit March 31st, 1918, of two million odd, and then there were your earnings in this year $3,334,752.58, making $5,623,947, out of which you made those payments I have referred to, and you are able to carry a balance to credit of $3,349,063. The first year they had a balance of $2,189,194.98. What have your earnings been on the common stock, take it at the $5,000,000, during the year ending 31st March, 1919. Can you give us that? What per cent did you earn? —A. About 31 per cent.

Q. Is that before or after deducting taxes?—A. No, that is before it.

Q. Before you make your deduction for war and income tax, Pensions Fund and replacements?—A. Yes.

Q. That is your gross?—A. Yes.

Q. Do you know what the per cent of your net earnings would be?—A. It was the difference between the carry over—$1,400,000 on a common dividend paid one million six.

Q. The dividend paid was $400,000?—A. I have added that. We carry forward to the credit of profit and loss about a million two, so that we pay about $400,000.

Q. So that after paying the common dividend, 8 per cent, you could carry forward one million two hundred thousand?—A. Yes.

Q. That is after providing for war and income tax, and so on, your earnings have been going up?—A. They were very large last year.

Q. How were they in 1918? Have you the annual statement in 1918? I would like the statement put in.—A. Here it is.

Q. I see the profits for the year ending 31st March, 1918, were $1,873,371.41, and you paid a dividend, I should say, of 7 per cent on the common stock of $350,000;

you paid your dividend on preferred stock, and bond interest, etc., and carried over a surplus?—A. Yes.

Q. You had a surplus at credit March 31st, 1917, of $1,544,166.91, and the profits for the year were $1,873,371.51. I should say that those run about 11 per cent. I see you have got on the margin 11 per cent. Have you figured that out on your common stock?—A. No, that 11 per cent, I presume, is on the turnover.

Q. You earned on your common stock $5,000,000—over 20 per cent?—A. About 21 per cent.

Q. A million dollars would be 20 per cent. For 1918 you earned about 291 per cent?—A. Yes.

Q. Have you got the year 1917?—A. No. The information I got in the wire yesterday at 11 o'clock did not call for it.

Q. I think you had better file your statement if the Committee so desire it for 1913-14-15-16-17, so that we will know just exactly what your earnings were before the war period and during the war period. I understood there were exceptional circumstances in 1919 which permitted you to earn the 31 per cent?—A. Yes.

Q. Explain that to the Committee? I took that from a newspaper item I saw in regard to the large returns.—A. I may add, we bring forward $3,349,000 that there are two years more profits back to be deducted from that, we could not find out what our taxes would be last year and so we were not able to enter them in our statement.

By Mr. Stevens:

Q. Is not this $1,100,000 marked here as "reserve" really the income tax, pension fund and replacements; is not that provision for the anticipated war tax?—A. Yes.

Q. Then the item over here of $3,349,083.06 on the balance sheet is after the deduction of that sum?—A. Yes.

Q. Then your 31 per cent that you speak of was figured after making this provision of $1,100,000 for the war tax. What are your gross earnings there, it is not shown here, probably it is in the balance sheet; this statement does not show the gross earnings at all, and therefore it does not give us an opportunity of finding out what the amount would be which will make a very great difference to the conclusions this committee will arrive at on this subject?—A. That is the gross earnings from the trading account after all charges of manufacturing have been deducted up to but not including the bond interest.

Q. Why do you call that your net earnings?—A. That is perhaps an error in wording it that way, but that is the wording that has been used year after year. The statement as you see it audited by T. S. Ross & Son, who are not going to let anything by that is not correct.

Q. I am not saying that it is not proper, but it is not clear to any person looking into the matter; it may be perfectly all right.—A. You wanted some explanation with regard to the size of the earnings, Mr. Pringle.

By Mr. Pringle:

Q. Yes.—A. Well, as we advised the Finance Department on March 31st, 1918, we carried over 13,000,000 pounds of raw cotton, taken into inventory at 22 cents. The cotton business, unfortunately, for the past few years, has been day to day gambling; I have a chart here showing the range of the future market from which it appears from the 23rd of May last year the January option, which sold on that day at 22·36 cents per pound went up to 36·35 cents per pound by the 3rd of September or a sheer advance of 14 cents a pound. With 13,900,000 pounds of raw cotton on hand at 22 cents we would naturally take the profit on that margin on the way up.

Q. Let me ask you this: on the 31st of March, 1918, the Dominion Textile Company found themselves the happy possessors of 13,900,000 pounds of cotton taken in

[Mr. F. G. Daniels.]

at 22 cents a pound on a rising market and that cotton you say advanced?—A. The future market advanced to 36.35.

Q. Now tell me this in estimating your sale price did you consider only the cost of the cotton to you or did you consider the replacement value?—A. We naturally considered the replacement value; if we did not take that we were certainly going to take the loss when we had cotton taken in at the top of the market as is bound to happen at some time.

Q. I am not going to argue with you as to the proper method, we have heard a great deal of discussion on that point, but you consider that the replacement value is the proper method?—A. Yes.

Q. If you found yourself on the 31st March, 1918, with 13,900,000 pounds of cotton and you could not replace that cotton at the time at less than 36.35 and you were disposing of your goods you would fix the price at which you would sell, and the cost of the product, on the basis of 36.35?—A. Yes, or at whatever the market price was on the date of the sale.

Q. And that is the only reason why you made, I might say, this abnormal profit on 1919, because you had on hand this large supply of cotton?—A. That is one of the reasons, that represented a profit of approximately one and a half to one and three-quarters, it is difficult at this stage to say what it was.

Q. Do you think it was altogether fair to the consumers of this country when your raw material cost you 22 cents a pound that you should fix a price in the selling of the manufactured product to them on the basis of cotton at 36·35, or whatever the market price was at the time.—A. Well, reverse the position, had that cotton gone down?

Q. I am not asking you about reversing the position, I am asking you if you consider it fair that the man who had to purchase that cotton had to pay 14 cents a pound more than the raw cotton cost you?—A. That is not the way to put it at all.

Q. Why isn't it?—A. Because supposing we started out a new plant with no cotton on hand whatever, we would have to pay 36·35. On the other hand supposing we had started out on the 31st March, 1918, with 13,900,000 pounds of cotton at 36.35 and it went down to 22 would you pay us that price for it?

Q. You manufactured the article in that instance at a time when the market was falling?—A. We have to follow a falling market the same as on a rising market.

Q. Your theory is, I am not arguing it with you, that the proper basis to fix your selling price is the replacement basis?—A. Absolutely.

Q. You consider that is the proper method?—A. Absolutely. And the same way on the 1st of April this year when prices had slumped although we had approximately $10,000,000 worth of orders on our books we made a new list and put every order in our books down to the new price.

Q. Was that because you were under contract to do so?—A. No.

Q. The moment you were under contract to deliver goods to a certain man at certain prices, you had to follow your contract?—A. Yes, and if we had a contract with a man to sell him at 10 cents we had the power to force him to take it at that price; but instead of that the company gave it to him, as we did, at 8 cents.

By Mr. Nesbitt:

Q. As a matter of fact you had no clause in your agreement whereby you were forced to take care of the market?—A. None whatever.

Q. There are such contracts made, but as a matter of fact you did, willingly take care of your customers in accordance with the market prices?—A. Yes, we reduced our list and put all the orders on the new basis.

Q. Were all these orders at 10 cents such that the purchasers were bound to take them?—A. Yes, they were firm contracts in every case. Now, cotton manufacturing

[Mr F. G. Daniels.]

is an absolute gamble with a market like this; we had a January option of 32·36 cents a pound, on the 23rd of May it was 36.35 and at one time on the 24th of January it was at 21 cents.

By Mr. Stevens:

Q. You took this 13,000,000 that you bought at 22 cents and you had that as a carryover in March, 1918?—A. March 31st, 1918, at the close of the year.

Q. And it advanced up till what period?—A. It had a steady advance from the 3rd of January, it started on the 3rd of January.

Q. When did it reach the peak?—A. It went up 2 cents and down 2 cents and by the third of September it had reached 36·35.

Q. And then it started to drop again?—A. It was very irregular, it jumped up and down 6 and 7 cents a pound.

Q. When were the goods sold that you made out of this 13,000,000 pounds of cotton that you got at 22 cents?—A. That 13,900,000 pounds of cotton represented almost 6 months of output.

Q. That would be September, you put it out in September, and you put it out during the summer time from time to time?—A. Yes.

Q. And you got for the goods largely a price based upon a price of 36·35?—A. Well now, the price was actually larger than that, but that is just the January option. As a matter of fact we actually paid 41 cents for some cotton during that period toward replacing it, it was going upon at the end of the year we had some cotton on hand that cost 41.

Q. How much did you have on hand, approximately 1,000,000 pounds?—A. Oh, yes.

Q. Did you have two millions or three millions of pounds.—A. Oh yes, we probably had ten millions purchased during the year that cost us 38 or 41.

Q. Well then, as a matter of fact your explanation of your abnormal profit being due to the profit on that 13,000,000 pounds does not really hold water?—A. Why?

Q. Because you were purchasing your cotton during the year at 36, 38 and 41? —A. That was for subsequent work.

Mr. Nesbitt: It holds water to over the extent of one million dollars, according to his statement.

By the Chairman:

Q. You figured that on account of having that amount of cotton on hand at the beginning of the year, it represented a profit to you of $1,500,000?—A. Yes, on the business.

By Mr. Stevens:

Q. When you make up your balance sheet at the end of the year do you value the stock at the market price, at the time, or at what you paid for it?—A. Usually the market price at the time of closing.

Q. Why do you say "usually", have you not some principle, do you not always do it?—A. Not always, a very large amount of the success of the company depends upon the judgment of the men buying cotton and at times we have felt that with a lot of cotton on hand we were in for a drop and we have tried to approximate that in taking our inventory. Then we would take the raw cotton on hand at the cost of the market on the 31st of March.

By Mr. Douglas:

Q. If you take the value at what it will be on that date, so far as some companies are concerned, you would have to make an adjusting entry in your books to show either

[Mr. F. G. Daniels.]

an upward or downward tendency of that cotton.—A. No, we take it in the inventory at the price at the time of the inventory.

Q. Supposing you have a million pounds of cotton that cost 22 cents and it is entered on your books at that value and you find when taking stock that you have still a million and value it at 38 how are you going to adjust that? You must have an entry to adjust it.—A. No, if the cotton cost was approximately 38 cents at the close of the period.

By Mr. Devlin:

Q. I would like to ask one or two questions. How long ahead do you look for the market?—A. It depends—you mean the goods or the raw cotton market?

Q. The cotton market?—A. At certain times in the year, after the 25th of September you try to guage your market for the next six or eight months and in the normal year, during the pre-war periods that was quite feasible, but during the war everything has gone by the Board, speculation has taken such a hold of things that it is absolutely impossible, it is changing from day to day with a heavy market.

Q. Well then as I understand you to say that ordinarily speaking you look at the market for six months ahead you were in possession of 13,900,000 of raw cotton and being in possession of that quantity, rightly, or wrongly you were able to increase the price of your goods, having them on hand, to a much higher figure than you would if you had not the same quantity of goods?—A. As a matter of fact during the months of April and May I did not and I do not think anybody else looked for anything like the tremendous increase in the price of cotton and that was brought about by the exceptionally bad weather in the cotton belts during the months of May and June.

Q. Then you did not except to have to pay so much for your raw material?—A. No.

Q. Therefore not having expected to pay so much you were not justified in looking for such an advance in the price of raw material when you fixed your price at the beginning of the war?—A. We sold our goods strictly according to the ruling price of the market when we sold them.

Q. With the exception of this 13,900,000 pounds.—A. That was a question of judgment, whether we bought or replaced them at the time, or used that cotton we had on hand.

Q. But the fact remains that the consumer was forced to pay higher prices on account of you having these surplus goods?—A. Not at all, he would not have had to pay any higher or any other price whether we had the cotton on hand or not. The fact that we had it, was our good fortune. On the other hand supposing we had taken the stand that the market was too high and for various reasons had not bought raw cotton when it was on the way up we would have lost.

Q. And the other fellows, you are making money buying at the price of an easy market, and you would have made money at the prices that you would have to pay for your raw material?—A. But supposing we did not have that raw cotton on hand.

Q. You would not have made so much profit I grant you?—A. No, but on the other hand it was our judgment to have a quantity of cotton on hand on the 31st of March. Suppose on the other hand that judgment had been bad and cotton had gone down to 32 cents and we were selling goods at the basis of 32 cents and we thought it was too high and preferred to wait till the market set and then it went up to 37 cents.

Q. I am not questioning your judgment. I have no doubt you have excellent judgment in business.—A. It does not always work out.

Q. I am simply eliciting from you the bald fact that you were enabled to make an unusual profit, having a surplus stock on hand?—A. Yes.

Q. And to take thereby advantage of the scarcity of the article on the market?—A. No, we are not taking advantage of it at all. We sold our goods on the ruling market.

[Mr F. G. Daniels.]

By Mr. Pringle:

Q. Did you vary from month to month the price of your goods?—A. To the manufacturing trade, yes, and to the jobbing trade also.

Q. If you fix a price of 36.35 for cotton, that was only for a temporary period?—A. I did not indicate that thirteen million was sold on the 36.35, but if you will notice the chart is made out showing the high and low of the month.

Q. Take the high; April, 32; May, 26.30; June, 25.19; July, 25. Then you have a jump in August to 35; then you have a break in cotton 24.49, and then 36.35, and that evidently stayed a day or two?—A. That does not represent any question of a day or two. That chart shows the movement high and low for a month.

Q. You may have had a series of days of high and a series of days of low?—A. You may have forty days out of the two months period of the high or low.

Q. September, 30.50; October, 33 and 27.30, and November, 29.50 and down to 25.30; December 30, 30.45. I do not see how you work that out.—A. In January it closed at 21.

Q. Would you change your scale of prices from month to month as the variation in the cotton price occurred?—A. Yes.

Q. You do?—A. Yes. In the manufacturing trade the business is based on a day-to-day quotation.

Q. I thought you arranged your prices with the wholesale trade for months ahead? —A. No.

Q. That is not done?—A. No, we would take an order from a shirt-maker or a manufacturer in February we will say, which is his usual time for placing his orders. deliver his samples in March, deliver sample pieces for him to make his shirts to go to his customers with in July, and we will deliver the order from October onward.

Q. Do you fix the price?—A. The price is fixed then.

By Mr. Stevens:

Q. When?—A. When the order is taken in February.

By Mr. Pringle:

Q. What was cotton worth on March 31st, 1919, when you made up this year's statement?—A. 24.75 was the May option.

Q. You entered the year with a surplus of cotton of nearly 14,000,000 pounds which cost you 22 cents; it closed the year with cotton at 24. You took stock of cotton at the end of the year?—A. Yes.

Q. Did you figure the profits on your cotton from month to month, or from what period did you figure it?—A. As we sold, we sold on the daily quotation. That might be four or five cents a pound more than the future month, because that only represents like the grain, an option. You buy a thousand bales for January delivery, and you can buy that in July, and you may contract with a jobber at the time you bought that July order to ship a thousand bales at a premium on the cost of buying and delivering it at your plant. To-day that runs anywhere from four to six thousand points or four to six cents more. Sometimes when we sell our goods and have not got the cotton on hand, we will buy a future option and convert that into cotton when it is possible, but in basing our price we will base it on the quotation we get at four or five cents a pound on the January option on that date, but we must clinch the contract then to buy the future.

By Mr. Stevens:

Q. You take no chances?—A. We cannot afford to take chances.

Q. You do not actually take any chances?—A. We do in this respect: We may have a quotation to-day of two hundred points on January to land cotton at our works. The crop during the present year was not a particularly good one, and I would rather wait for the new crop to come in. I may make a mistake and it may cost me four hnndred

[Mr. F. G. Daniels.]

points. Now, one cent a point on the total cotton we use in a year represents 7 per cent on our common stock. In other words if I carried over six months' sales on futures that I thought I was going to have left, at two cents a pound, and it cost me four cents a pound, I would be out 7 per cent on the common stock for a year.

Q. Can you give me figures of what you sold your goods at from month to month or did you fix them by monthly periods or weekly periods or what?—A. Daily periods.

Q. Have you got quotations there?—A. No, I have not, except that list.

Q. Last year's?—A. Yes.

Q. Can you give me what you sold for in the month say of June?—A. Do you mean the volume?

Q. No, the quotation. The price you sold at; I suppose there is a great variety.—A. We are making over three thousand lines of cloth.

Q. All varying?—A. Yes.

Q. What does the great bulk of your output consist of?—A. Grays primarily, but we have in this country practically every line of gray cotton that the trade or manufacturing industry use either in England or the States.

By Mr. Nesbitt:

Q. You go by numbers?—A. By grades and construction.

By Mr. Stevens:

Q. Have you got any one article you make more on than anything else, that forms a large portion of the output?—A. I can give you for instance a line that is used largely in the States. It is a bleached cloth, and we sell quite large quantities of it to the shirtmakers. On the 18th February our price for that was 17¾ cents. Our list was withdrawn. I am not sure just when but from that time until the 9th September we carried a day to day list.

Q. Would the month vary very much?—A. I cannot answer that; it would be up and down.

Q. Give me what you sold in May.—A. I cannot give you that.

Q. In June.—A. No. We issued no printed list between the 18th February and the 9th September; the market was so erratic that is was useless.

Q. You sold on a daily list?—A. On a daily list which we made out daily, as inquiries came in for the goods.

By Mr. Pringle:

Q. How did the Board in Washington fix the price in the United States?—A. Well, I just happened to take this line. This is a cloth that is sold largely in the United States. On the 18th February our price was 17¾. On the 9th September it had reached its maximum of 21⅛.

By Mr. Stevens:

Q. What was it in October?—A. In October it was probably about the same.

Q. In November?—A. I am not quite sure.

By Mr. Pringle:

Q. How would that price compare with the American price?—A. The American price for the gray cloth had reached 20¼ for the same cloth before the Government fixed the price at 15½.

Q. Your price would compare with the Government price of 15½, or rather your price would be 21 as against the American price fixed by the Government of 15½?—A. This is bleached and fine. I have only the American Government's grey price.

Q. What was your grey price?—A. That cloth is not sold in the grey in Canada. The grey price would be about 19¼ cents.

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Q. So that there would not be very much difference—about four cents?—A. There is just a little difference in the construction of those two. It is the same weight but theirs is 60.60 and ours is 60.64. That represents the number of threads each way in the cloth.

By Mr. Stevens:

Q. You cannot give me a quotation of some standard article there from February to December?—A. Unfortunately we did not have a list.

Q. Can you give me from September on?—A. No.

Q. Can you get them?—A. No.

Q. Cannot you supply us with a list?—A. No.

Q. Why?—A. Because the prices were made simply from day to day.

Q. But you have your invoices?—A. An inquiry came in in the middle of July, or an invoice going out, would not represent anything, because it may have represented goods sold 18 months before that.

By Mr. Douglas:

Q. Your method of selling is not from day to day; as a matter of fact in dealing with large jobbing houses in this country they receive a supply for over six months ahead and to fix that basis you must give them a price of some kind?—A. On the 18th of February we put that list out and the entire jobbing trade was canvassed, the list was in Toronto, and the market was advancing, and they bought then and placed their orders for quantities as they needed, and they repeated, and repeated on the date of the list.

Q. How long had you to fill those orders taken in February?—A. The orders taken in February were for delivery in June, July and August and the others to be filled in December or January.

By Mr. Stevens:

Q. But they were sold on the February figures for delivery in June, July and August?—A. Yes.

Q. What I am trying to get at, and I confess it is rather difficult, is that you say that you figured the profit of those 14,000,000 pounds of raw cotton that went up enormously in price, but what I can't get is an idea of how you fixed your price for the goods based on that?—A. I have tried to explain, but the trouble is that we did not have any day to day list from which to get that data, for instance that list would cover one range of goods and another would cover another range.

Q. Can you show anywhere in the balance sheet or in the statement, what you carried to your books of this profit on 13,900,000?—A. No, because it all goes into the cotton account.

Q. Haven't you any better expense account than this which shows that the profits are $1,300,000, but it does not show how that is made up?—A. We have the trading account or manufacturing account.

Q. But you admit that a simple statement showing net earnings as so much is not a very complete statement. We do not care what you pay out on bond interest but what we do want to know is what your gross earnings are?—A. You cannot show the gross earnings in any other way.

Q. Surely you can?—A. In what way?

Q. In the manufacturing, costs, insurance, taxes, and so forth?—A. That is the manufacturing account.

Q. I do not care what you call it, but certainly you would expect to have your accounts kept so that in some way they would show that?—A. We have the manufacturing account.

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Mr. Stevens: I think we ought to have that, Mr. Chairman, if we are going to size this up intelligently. I want to impress upon the committee this fact. I do not want to do anything wrong to the manufacturer, but there is a great deal of criticism and I want to get at the bottom of this question. I want to show that you have nothing here whatever in the profit and loss account that is of any value to the committee, there is net earnings, $3,434,000; the balance of the statement is what is carried forward, and on the other side the interest on bonds, etc.; that is of very little value to the committee.

By the Chairman:

Q. I think what Mr. Stevens wants is the manufacturing account?—A. The manufacturing or trading account.

By Mr. Stevens:

Q. You have a revenue and expenditure account in connection with that?—A. That is the revenue and the expenditure account, and there is the manufacturing account if that is what you want that only covers the items of cost of manufacturing.

Q. I am going to ask that the Secretary be requested to ask the company to produce that information, I do not suppose you have it with you?—A. I have a copy of the 1919 trading account (document produced).

By Mr. Devlin:

Q. Might I, whilst Mr. Pringle is looking over that account, ask you this question: you figured out your profits on the price at 36.25?—A. Some of them.

Q. Did you figure up the general profit for the year on that figure?—A. No.

Q. You did not?—A. No.

Q. Did you figure up the difference between 22 and 36 cents?—A. Part of that 22 cent cotton may have been sold on the basis of 25, part at 28, and part on 32 and so on.

By Mr. Nesbitt:

Q. And part on 22?—A. Well, it jumped immediately after we bought.

By Mr. Devlin:

Q. Did you not fix your price at 36?—A. No, we followed the market from day to day.

Q. If what you had credited on the basis of 36 cents the goods you had bought at 22 cents it would mean about $1,700,000 profit, have you divided that profit up in any other way,

The Chairman: He said it represented a profit of $1,500,000.—A. Approximately I should say it represented a profit of that amount.

Q. And you took advantage of that?—A. Certainly, that forms part of the $3,434,000 gross.

Q. It forms part of it?—A. And the profit we were able to make on our raw cotton is included in that $3,434.000. Another item in connection with the abnormal profits of last year is that one entire mill, a duck mill, was running day and night during the entire year on American Government work at American Government prices.

Q. Presumably that was profitable?—A. Rather.

Mr. Stevens: (after examining statement) This is the very statement that I wanted and a perfectly proper statement. Now this is a statement that shows as the net balance the figures shown on your annual report of $3,434,752.58, and now in your charges—first let me call your attention to this revenue——

Q. In your revenue, sale of goods, margins of waste and so on amount to about $24,000,000. Then you have here an item $2,807,000 on the revenue side of your account designated as stock, raw cotton That is cotton in stock?—A. Yes.

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Q. In your inventory?—A. Yes.

Q. What is that valued at?—A. The market value at the close of the month, 31st March.

Q. That is what?—A. 24¾ cents up and down, depending on grades and staples.

Q. Then you have here "Reserve for renewals", $631,000?—A. Yes, that is for depreciation.

Q. That is added to the other charges shown in your public statement. You write off $648,000?—A. It is part of the manufacturing plant.

By Mr. Pringle:

Q. Did you not charge a percentage for depreciation and arrive at it in that way?—A. Yes.

Q. What percentage?—A. Five per cent on machinery and 3¾ on plant.

Q. Is that not rather a heavy depreciation charge?—A. No, it does not cover it by half. Up to 1914 a spindle cost $3.27, and the price to renew that is $8 a spindle. The result is that we cannot put in half the number of spindles that we should throw out, and we have not been able to do any replacement work of any kind since 1914, on carding and preparation.

By Mr. Stevens:

Q. What is the value of your land, buildings and machinery?—A. You have it there.

Q. No, this does not show it. This mixes goodwill with it, which is very vague. The $12,402,625 is for land, machinery, buildings and good will?—A. The replacement value is something in the neighbourhood of $14,000,000.

Q. What do you say you wrote off?—A. 5 per cent on machinery and 3¾ on plant.

By Mr. Nesbitt:

Q. That write-off would make you put the life of a machine at 20 years?—A. Yes. I am in error in saying 5 per cent on machinery; it is 6 per cent on machinery.

By Mr. Stevens:

Q. What you have here in this statement is that you have written off 5 per cent for land, buildings, machinery and good will?—A. No. Our statement shows the deduction for depreciation because we have been unable to renew or put in any renewals for some years. Our machinery is all British machinery, and we are unable to get it, but our actual values on our books are considerably more than that. In other words, that statement represents the value less depreciation.

By Mr. Nesbitt:

Q. You deduct the depreciation each year?—A. Yes, we have deducted it from the value of the plant and building.

By Mr. Stevens:

Q. Do you show it in this statement?—A. It is shown as renewal.

Q. You have renewals $631,000, and you have another item here, repairs $894,000. That is an enormous amount for repairs. That is over 10 per cent of the value of your machinery and plant?—A. That is the steady wear and tear and daily maintenance of plant and buildings. That only refers to breakages. It does not refer to any renewals of worn out machinery.

Q. What I am trying to point out is that you have made very elaborate provision for depreciation and renewals in your manufacturing account, so that this item of $3,434,000 is actually your net revenue so far as the business is concerned?—A. No, we have not made any elaborate arrangements. We have that up with the Finance Department now, the question of altering the basis for depreciation. The depreciation, or

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as we have called it renewals, should go into your manufacturing account. In Great Britain, it has got to be provided for before dividends, $631,000 really was not enough last year.

By Mr. Reid:

Q. When you replace an old machine with a new one, how do you charge it up?—A. We charge it against renewal or depreciation account.

Q. You charge it against depreciation account?—A. Yes.

By Mr. Nesbitt:

Q. As a matter of fact you charge renewals to expense account?—A. Absolutely.

Q. And you allow at the end of each year, you say, 6 per cent on machinery which frankly I think very low in your business, and you carry that to renewal account?—A. Six per cent would be reasonable if the machinery account was written up to this replacement price, but whereas it is standing on our books as costing in 1914 about $3.27 a spindle, it would cost you now to replace $8 a spindle, which does not begin to let us out.

By Mr. Pringle:

Q. How many spindles have you?—A. Slightly over 450,000.

By Mr. Stevens:

Q. In your repair account what do you include? If you break a spindle and mend or fix it, is that not included in that account?—A. A spindle, or a break in the leg of a machine, or anything of that nature is put in there. That is part of the repair account.

Q. Having that in mind, the $631,000, which includes the 6 per cent on machinery, is a fairly generous provision?—A. Not at all, that has nothing whatever to do with the wearing out of the machinery. We have to keep repairing it because we cannot get new machinery. We have had to make parts in Canada in our own machine shops that ordinarily we would have bought in England.

Q. You charge that against your repair account?—A. Yes.

Q. That is what I am trying to tell you?—A. That is only bolstering up old machines.

Q. Very good, but at the same time you are including in the repair account what ordinarily would go into the renewal account?—A. Not at all.

Q. It is a generous provision?—A. You cannot put that into renewal account at all.

By Mr. Davidson:

Q. If you repaired a machine every year, it would still be worn out in 18 years, and would then have to be replaced entirely?—A. Absolutely.

By the Chairman:

Q. What amount of cotton did you carry over last year, January 31, 1919.

Mr. PRINGLE: He gives it in that statement, raw cotton $1,807,000.

A. If I may be permitted to complete that other question. There is another item in connection with the statement that helps to apparently increase the earnings on the common, which is the fact that approximately 25 per cent or 22 per cent of the production of the Company was produced in a leased mill not covered by any capital charge—simply the rental account. If you added the value of that plant to the capital and surplus work, it brings the whole to a very much lower percentage.

Mr. STEVENS: About eight million six hundred thousand pounds.

By the Chairman:

Q. Was the cotton put in stock at 21?—A. No, 24¾ and some variation up and down.

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Q. That was January 31, 1919?—A. Yes, less the cotton reserve which we have and which has been carried since 1911 or 1912. That same reserve was applied in 1918 and deducted from the value of the cotton on hand in 1918.

By Mr. Stevens:

Q. Where do you show that reserve in the statement?—A. It is deducted from the value of our raw cotton.

By Mr. Douglas:

Q. How many pounds did that amount to?—A. It is a lump sum.

Q. Is it very great?—A. It is a good sized sum. It has been there eight years.

By Mr. Stevens:

Q. It does not show in the statement?—A. Annually we deducted it from the value of the raw cotton on hand.

Q. It does not show on your books?—A. Yes.

Q. Is the reserve for stablizing your business?—A. Stablizing raw cotton and making provision for unfortunate deals where our judgment has gone wrong.

Q. You sell to the wholesaler in February for delivery in July and August? Last February you sold for delivery in July, August and September. How did you base your prices on a rising market in cases of that kind.—A. If we sold for instance in February and the future market we will say was 25 cents, we got a quotation from the jobber to deliver us cotton at our works for next September shipment. As a matter of fact we are getting those quotations from day to day.

Q. You take no chances whatever then. When you get an order for a certain quantity of cotton, you immediately buy cotton to replace it?—A. Or protect ourselves by buying futures.

Q. You base your price in February to the wholesale trade on what you consider the future might be when you deliver those goods. You have to estimate that?—A. No, we base that on the date we make our estimate.

Q. In February?—A. Yes.

Q. And you protect your wholesale customers on that first initial order only; any renewals they have to take at the market.—A. Yes, it may be that the list may be held for some time.

Q. Not more than two weeks, is it?—A. Well, yes, in some cases if a market is fairly stable it will be left on.

Q. If it is not stable it will not be left a minute.—A. No; until every customer has had an opportunity of going over the list of his requirements and placing his orders. Every man gets a chance at that price, whether the market a week after it is put up has advanced three or four cents or not. You see we cannot get round—our travellers cannot get round their trade, not under two to three weeks.

Q. Suppose you made a price on cotton at 17½ as early as February for delivery in July and August. Your wholesale man starts the traveller out and sells on that basis, and the retailer purchases on that basis.—A. Yes.

Q. Suppose the price goes down, do you protect the wholesaler?—A. No.

Q. And the wholesaler does not protect the retailer?—A. No.

Q. And it is a straight sale right through?—A. Yes, in this respect: On a rising market we always have to deliver the goods. On a falling market Mr. Wholesaler ninety-nine times out of a hundred says, "Well, trade is pretty bad, you had better hold it for a couple of months," and we usually hold it for a while.

Q. Do you make a guarantee you will absolutely deliver everything you sell?—A. We have delivered every pound on any order we took, although in some cases as late

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at 1917, we were delivering goods that were sold in November, 1915. We delivered stuff at 35 cents a pound and paid very nearly 40 cents for the cotton alone.

Q. You did that out of the goodness of your heart.—A. No, it was a contract that we lived up to. We were unable to get out for reasons that were beyond our control.

Q. It was your fault?—A. Yes. We were eighteen months to almost two years in some cases behind on deliveries, but what I want to point out is that one of the risks of the business is that the jobber or manufacturer when the market goes against him very frequently will ask the cotton manufacturer to hold delivery and that means that he is not going to take it.

By Mr. Pringle:

Q. Will you take a sheet of paper and see if you can get me exactly what your profits were for the year ending March 31, 1919. You have got earnings, including interest on investment $3,434,753.58. Out of that you pay the Dominion Textile bonds $193,230. Total that up to that point. Leave out the $400,000.—A. Leave out the common?

Q. Yes. That makes $774,864.50?—A. Yes.

Q. Now then deduct that from your $3,434,752.58 and you have your profits $2,659,888.08. It is only fair to deduct the $1,100,000 provision for war and income tax that leaves you a net profit of $1,559,888.08 on a capital stock which you state costs this company $500,000, or on a capital stock as shown in the statement $5,000,000, or a little over 31 per cent, so that you had a profit during the year ending March 31, 1919, which cost this company $500,000, you had a profit of $1,559,888.08. After making ample provision for war and income tax, pension fund and replacements, and considering the depreciation and every allowance that you think should be taken into consideration in connection with your manufactory?—A. That is the result. On the other hand, is it not——

Q. Can you tell me what has become of the $4,500,000 of stock for which no money was paid? What has become of that? Has that gone into the hands of the gentlemen composing this board, and have they now been able to sell that stock on the market, because I see the market price of it the other day was 119. Have they been able to put that $4,500,000 of stocks, which did not cost one cent in cash, on the market, and sell it to the public at 119?—A. I think you are wrong. It was not a question of not costing one cent in cash. They put in in the first place $500,000.

Q. I am leaving that out?—A. Why?

Q. There is $4,500,000; your capital stock is $5,000,000 and you say that capital stock cost in cash $500,000?—A. Yes, but what about the profits from the profitable purchase of that plant?

Q. We are now dealing with absolute facts; the fact is that this $5,000,000 of stock cost the men connected with the Dominion Textile Company $500,000 and they have made this year on that $500,000 over $1,559,888?—A. After fourteen years of work in accumulated profits.

Q. I do not care whether it is 14 or 20 years, but for this year ending the 31st of March, 1919, they have made $1,559,889.08, and they have sold their stock at the peak of the market, $4,500,000 at 119, and they have got for that stock, which has been got out of the public of this country some $5,000,000.—A. In talking about profits that is not a fair way to take it, but take it on their invested capital in the concern.

Q. I am taking it as it is; you had to tell us, no doubt, because it is here on record that that $5,000,000 of stock really cost the incorporators of this company $500,000 in cash. As for the rest they issued preferred stock which they sold, or which they handed over, and they got this stock, which costs them only $500,000 in cash and they have issued $5,000,000 of common stock to these, which cost them $500,000, and they have made a profit on that during the year expiring on the 31st of March, 1919 of $1,559,-

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888.08, and they have sold stock at the top of the market, at 119, and they have got that for that $4,500,000 of stock which cost them in money the amount I have named.—A. To go back to the outbreak of the war the Finance Department we thought, were fully convinced that our stock showed dollar for dollar; in any case they agreed that $75 a share in 1914 was a fair value for that stock.

Q. I see it sold at 70½?—A. It sold at 87½ before that.

Q. It sold at $86.58 which was the high point.

By Mr. Stevens:

Q. It might be well to ask the Finance Department to revise its valuation?—A. We have asked them.

Mr. STEVENS: We might ask them to revise it in another direction.

By Mr. Pringle:

Q. As far as I am concerned I find nothing that is of any value to us, to any great extent. We have got the facts that a very large profit was being made by this company and we ought to have a statement of the manufacturing cost for 1919. I think it is absolutely impossible for us to go into the three thousand different grades of material that they manufacture, but we ought to get a general statement and show the percentage of profit they have been getting from the public and the price at which they have been selling to the public over and above the manufacturing cost.

Mr. STEVENS: I would like to ask at this point a question, it would not be a very difficult question to answer, we touched on it before, but rather slid away from it. Mr. Daniels said, if I remember aright, that in making or recording a profit on this raw cotton, 14,000,000 pounds he was justified in doing that owing to the uncertainties of the cotton market, on account of the fact that he might make a loss at some future time, that is correct is it?—A. Yes.

Q. Now then, we discovered that Mr. Daniels has tucked away in his assets somewhere a reserve stock of cotton which he also told us is there for the purpose of providing for a rainy day in case anything in the way of a bad slump in the market should come, causing loss; that is the reason that stock is there?—A. Not a stock of cotton, it is a reserve account.

Q. Which does not appear in your statement. It does not appear in any of your statements and it adds that amount to your assets, that is true is it not?—A. Yes, that has been going on for years.

Q. Do not argue; I am quite willing to give you any reasonable leeway to meet the vicissitudes of trade but why should such a company as Mr. Daniels is appearing for claim the full right to take advantage of the vicissitudes of the market in making this profit out of 14,000,000 pounds of cotton, when all the time, he has a reserve account to meet exactly that situation?—A. What about that lean market that occurred on October.

Q. In addition to that your goods, we discovered, are practically all, I presume a very very large percentage at least, are sold upon a system of sale whereby you run very little risk at all; that it is a contract sale. It is true occasionally a contract may be thrown back on your hands, but that only occurs occasionally, and generally speaking, you sell on a system by which you are amply protected.—A. We are not fully protected all the time, we cannot be.

Q. In following the advance you did not want to be protected in the way of a Government bond, that the profit in this case was $1,500,000 on a $500,000 actual investment.—A. We were last year in a particularly fortunate position; at the present time we are not in the fortunate position that we were in in 1917. We do not make the price of raw cotton.

Q. I quite appreciate that. Now, let me ask you this question? Have you on your books recorded this $5,000,000 as paid up?—A. Yes.

[Mr. F. G. Daniels.]

Q. Then by what legal right do you regard it as paid up?—A. I presume for the good will.

Q. Then in your statement as I was pointing out to you just now you were giving me an explanation of your depreciation. Your statement shows land, building, machines, and good will $12,400,000. Then you deduct from that $4,500,000 for good will representing this common stock that is not paid.—A. Well, part of it will be located in another form; 4½ million does not stand on our books as good will.

Q. It may not stand on your books, but that is what it really is.—A. Now, there were alterations there that we effected and we cannot tell you just what the amount of good will on our books is, but it is not to that extent.

Q. What portion of this $12,000,000 is machinery and land?—A. I can tell you what the replacement value is.

Q. I do not want that; I want the actual value.—A. Permit me to say that the replacement value in 1914 was approximately $14,000,000.

Q. That is made up of what of the original cost plus the additional cost of improvements?—A. That was the actual appraisal made in 1914.

Q. Who appraised it?—A. The Canadian Appraisal Company.

Q. Was it made for the purpose of this transaction?—A. No.

Q. For the purpose of your own information?—A. For our own information made at that time. We have never added a dollar to capital expenditure since the company was organized in 1905. Year by year we have been improving and increasing the plant, and the value of it got far beyond what was showing on our books. We considered it advisable to have an appraisal made, which was done.

Q. What are the other textile companies doing business beside the Dominion?—A. There are the Montreal Cotton, Canadian Cottons, Hamilton Cotton and Empire Cotton.

Q. Have you any competition?—A. Yes.

Q. Do you ever meet and discuss prices?—A. No.

Q. Never?—A. No, there is no company that I know of that is under any obligation to any other company as regards prices.

By Mr. Douglas:

Q. The fact remains that there is not one-eighth of a cent difference in certain lines of goods?—A. What, for instance?

Q. In the special line of grey cotton there is not one-sixteenth of a cent of difference?—A. I do not know anything about that. Many of these lines are strictly our own, and whether anybody else is making them, I am not familiar with. But so far as any agreement on price is concerned, there is absolutely none.

Q. You consider you have competition in your particular line of goods in Canada?—A. In a great many lines, yes. In regard to prints, we have not.

By Mr. Pringle:

Q. What protection have you got?—A. On prints, 25 per cent from Great Britain.

By Mr. Reid:

Q. What from the States?—A. 32½, I believe. Against that we have a 7½ duty on raw cotton.

By Mr. Pringle:

Q. What have you got on other lines?—A. Grey cottons, Great Britain 15 per cent; whites, 7½ per cent; prints, 25 per cent. We have a duty of 7½ per cent on raw cotton, and that exchange in favour of the buyer in Great Britain. We have a net protection on grey cottons of approximately 9 per cent.

[Mr F. G. Daniels.]

By Mr. Stevens:

Q. Do you make the material out of which the ordinary overall is made?—A. Do you mean the printed overall?

Q. The blue jeans as they are called?—A. That is the Canadian cotton goods, they are raw stock buyers.

Q. You do not make them?—A. We make an overall with a printed stripe, an indigo print stripe.

What was the price of that manufacture in 1914, your selling price?—A. About 18 cents, I should say from memory.

Q. Is that accurate?—A. About 18 cents is approximately correct.

Q. What do you get for it this season, 1919?—A. I do not remember, about 31 or 32 cents just now, I think.

By Mr. Pringle:

Q. What is that called?—A. The 250 drill.

By Mr. Stevens:

Q. It was 18 cents in 1914, that was in the spring of 1914, before the war?—A. No, that autumn.

Q. Well, what was it in the spring?—A. It would be about two cents less.

By Mr. Pringle:

Q. Is that 36-inch or 37-inch?—A. Thirty-inch.

Q. It is now 32 cents?—A. Thirty-two cents.

Q. I find that the War Industries Board in the United States fixed the price for the 30-inch at 21 cents; that is the 30-inch, 285?—A. No, 250.

Q. Does that 30-inch, 250, correspond with what you are charging 31 cents for?—A. We have to dye with indigo and print and finish it.

Q. How did you find the prices of the War Industries Board in the United States compare with your own prices?—A. They were approximately the same up to that time. The American manufacturers have been selling at a higher price.

Q. And the War Industries Board lowered the prices, and you say that these prices were approximately the same as yours?—A. Yes. During last year British prices were at all times very much higher than any price we offered to put up. They sold their grey cloths for approximately 15 per cent more than we charged in Canada for the same cloth printed and finished. The difference between that 250 of 1914 represents a difference on the 18 cent basis of 7½ cents for our cotton and no duty, $13.60 indigo a pound as against to-day approximately 36 cents a pound for the raw cotton.

By Mr. Stevens:

Q. You do not pay 36 cents for very much of your raw cotton?—A. Yes, we do.

Q. When, this last year?—A. Yes.

Q. But during the years previous to that?—A. I am speaking of 1918 as compared with the present quotation of 32 cents.

Q. You mean that for that cloth you sold at 32 cents, the raw cotton cost you 36 cents. Did the raw cotton that went into it cost you 36 cents?—A. No, I am not discussing the cost; it is the value of cotton at the time the price was made. Indigo is costing 85 cents a pound.

By the Chairman:

Q. You made the statement that the replacement value of your plant in 1914 was $14,000,000. It seems to me that that is about four times as great as any amount of money that we have on record as having gone into the business?—A. Oh, no.

[Mr. F. G. Daniels.]

Mr. Stevens: There are the bonds.

Witness: There are about $7,400,000 of bonds.

Mr. Pringle: Bonds and stock, $14,323,000.

Witness: You must allow for improvement and accumulations during fourteen years. For years and years we held the dividend down to five per cent and put all accumulations in each year into the plant account.

By the Chairman:

Q. The difference between the cash that has gone into that business and the replacement value of the plant represents the profits you put back into the business?—A. Not entirely. When the companies were bought in the autumn of 1904 they were bought on a very low figure. The physical value was far greater than that represented in the price at which the shareholders sold out. The companies had not been paying a dividend, in some cases for five or six years, and they were practically sold on their earnings.

By Mr. Pringle:

Q. You think that the men who were shrewd enough to buy these properties at less than their value ought to be entitled to this four and a half millions?—A. As a matter of fact, the majority of the men that bought them did not know the first thing about cotton manufacturing, and I think at the time they seemed to me to be taking a long shot.

Q. They come out pretty well?—(No answer.)

Q. Regarding that mysterious reserve, would you give us the figures?—A. Do you think that is necessary?

Q. I think it is. If you will give us some very good reason why you should not, all right, but I do not see any reason. Where is that reserve?—A. It is deducted from the raw cotton carried in the inventory.

By the Chairman:

Q. I think it is wise it should be done. If you stop and think for a moment you will realize that, in your own interests as well as in the interests of the committee it should be done, otherwise there will be a statement go out through the press, without question that there is something held back, that the Dominion Textile has something up its sleeve. A. I do not wish—I have not any objection to telling the truth, but I have an objection to having it spread broadcast through the country.

By Mr. Stevens:

Q. Why do you object to that? I see no reason why you should object to it?

By the Chairman:

Q. If you will tell us any good reason we will be satisfied?—A. We have considered it advisable to carry it. If you had the difficulties we have had to contend with in the way of prices you will realize that it is a good proposition to have a little something.

Mr. Reid: A little what? What is this you are speaking of?

Mr. Pringle: A little reserve.

By Mr. Reid:

Q. But what is the reserve?—A. In 1911-12 and 1913, we were in a very fortunate position with regard to raw cotton; in 1914 particularly at the outbreak of the war we had taken a stand on the raw cotton market. We figured it was entirely too high. We were not selling our goods, and we hedged this against the raw cotton market.

We hedged at that time and sold at that time as a protection at 13 and 13½ cents, which we afterwards took in at 6¾. Now then those profits of that nature were put into a reserve account.

By Mr. Pringle:

Q. Better tell us the amount of that account and end it.

By the Chairman:

Q. That profit you put into a reserve account was accumulated as a result of speculation in cotton?—A. It was accumulated as the result of a protection against a falling market.

Q. I understand why it has accumulated, but if I caught your statement correctly just a moment ago the amount of the reserve, or to put it in another way the amount of cash you put into cotton and held in reserve, was accumulated through speculation in cotton—practically speculating?—A. Practically all cotton buying is speculation in one form or another.

Q. I want to differentiate between something you would make out of the manufacture of cotton and something you secured as a result of speculating on the cotton market?

Mr. Stevens: It was a profit on his cotton deal.

By Mr. Pringle:

Q. I imagine all cotton manufacturers have got to avail themselves of the market, to protect themselves?—A. Yes.

Q. The thing is down to this: you have got a reserve. You do not want to tell us what it is for reasons which we do not understand. Why do you not let us know what that reserve is?—A. I have not any objection to telling this committee, but I have an objection——

Q. Why should you have any objection to the public knowing you have this reserve? We have got your profits, we have got your other statement before us, why not tell us candidly what you have tucked away as a reserve as against any loss on the cotton?—(No answer.)

By the Chairman:

Q. Is it because you do not want to have the cotton market known that you have that reserve, or what the quantity of your reserve is?—A. Not the cotton market. That had nothing to do with it. In the first place when we put it to one side, going back to an old story, when I came to the company in 1909 I wanted certain expenditure. I wanted to be allowed to make certain expenditure. They told me I could spend all I made over the dividends, but they would not allow me to spend anything ahead of the game. When we made our reserve there was a constant clamour, and in every good year there was a constant clamour for an increase in dividends. Had we shown these reserves, I imagine we would have had to have increased—I do not think there is any question about it—we would have had to have increased our dividend this year. We considered it was in the best interests of the company to conserve that money because just as we had made it we were just as liable to lose it.

By Mr. Davidson:

Q. It is from your shareholders and not the public you want to keep the information?—A. Yes.

By Mr. Reid:

Q. You told us it was shown on your inventory?—A. No, deducted from it.

Q. You say it is deducted from your inventory?—A. Yes.

Q. How could you deduct it from your inventory if it is not shown?

[Mr. F. G. Daniels.]

Mr. PRINGLE: They show their inventory at so much, and it should be greater than that.

Mr. REID: Then it is not deducted.

Mr. PRINGLE: It is not shown. It just comes down to this: Why should we beat about the bush? If you gentlemen as members of this committee desire this information from Mr. Daniels all you have to do is to say so, and Mr. Daniels will have to comply.

Mr. STEVENS: We say so, and I move——

WITNESS: All I ask is that it would not be made public.

By the Chairman:

Q. This is a public inquiry?—A. All right, go to it. It is a million dollars. That did not come from last year. It has been there for years.

Mr. DAVIDSON: It came from the operation in cotton.

Mr. PRINGLE: It is a wise provision. They have a million dollars there, and if they go on the market again they may lose it.

By the Chairman:

Q. You say that for the year ending January 31, 1918, your total turnover was $16,850,278.78 and your profits $1,873,374.41?—A. I do not remember the figures.

Q. Or a gross profit of 11·11 on your turnover?—A. Yes.

Q. You say on January 31, 1919, your sales went up to $23,666,216.66, and your profits $3,434,752.58, or 14·5 per cent on your turnover?—A. Yes, approximately.

Q. Mr. Pringle asked you with regard to your profits January 31, 1919. After making provision for the war tax and all other charges properly chargeable against your total surplus it left you a net revenue of $1,559,888.08 or 6·6 per cent on your turnover. You had a profit which might all have been distributed to your stockholders without impairment of your assets in any way of 6·6 per cent on the total business you did in that year?—A. 6 per cent on the turnover.

Q. 6·6 per cent on the turnover of $23,666,216.66?

A. Yes.

Q. That is your net profit?—A. Yes.

Q. Is that correct?—A. I have not figured it but I presume that is approximately what it will be.

Witness discharged.

Mr. PATON recalled. May I read this, this is in connection with what I was asked this morning, I have the information that was asked for this morning, and with your permission, Mr. Chairman, I will read it so that it will go into the record.

OTTAWA, June 17, 1919.

G. B. NICHOLSON, Esq., M.P.,
Chairman, Cost of Living Committee,
House of Commons, Ottawa.

SIR,—Referring to the evidence that I gave before the Commission I was asked in regard to capital employed in our business and I now beg to report that the 31st of January, 1916, our capital stock was.................. $ 600,000 00

Surplus was..........................	442,050 60
Capital employed.........................	1,042,050 60

[Mr F. G. Daniels.]

On 31st January, 1917

Our capital stock was..	600,000 00
Surplus was..	644,955 34
Capital employed..	1,244,955 34

On 31st January, 1918

Our capital stock was..	600,000 00
Surplus was..	644,594 16
Capital employed..	1,244,594 16

On 31st January, 1919

Our capital stock was..	600,000 00
Surplus was..	1,010,427 68
Capital employed..	$1,610,427 68

The above figures taken from our financial statements must be classed as capital and is so recognized under the Business Profits War Tax Act, 1916, section 7 subsection 4 which reads as follows:—

"For the purposes of this Act the actual unimpaired reserve, rest or accumulated profits of an incorporated company shall be included as part of its capital."

I beg respectfully to submit that in my opinion the profits that we have made should be figured as a percentage on our production and in a percentage on the actual capital employed, which, in our case, is the capital stock plus our surplus as mentioned herein, and not in a percentage on our capital stock only.

I have the honour to be, sir,

Your obedient servant,

(Signed) W. E. PATON,

Manager, Paton Manufacturing Co.,
of Sherbrooke.

By Mr. Pringle:

Q. Part of your surplus is invested, according to your statement, and you get the return on the investment?—A. Yes.

Q. It is not invested in the manufacture of your product, it is put out in war bonds and other securities; it is quite true you give the credit for it, but you get the revenue for it?—A. Yes.

Mr. D. N. PANABAKER, called, sworn and examined.

By Mr. Pringle:

Q. Where do you carry on your business?—A. I represent the firm of R. Forbes and Company, Limited, Hespeler.

Q. Are you an incorporated company?—A. Yes, closed corporation.

Q. We do not find you listed on the stock exchange?—A. No, sir.

Q. Are you under an Ontario charter?—A. No, Dominion.

Q. Have you your annual statement?—A. No, I have not, I may say if you will allow me that I brought what I consider concrete information that probably the Committee will appreciate.

Q. You were asked to bring your annual statement, were you not?—A. Not that I am aware of.

Q. The Secretary of the Committee was instructed to ask you to do so?—A. I did not see anything about that in the notice.

Q. Will you read the summons that you received?—A. What I have brought here, Mr. Chairman, is just some concrete instances of standard lines of goods we make, the cost prices, selling prices and the profits.

Q. During what years?—A. I have shown the last two years in one statement. I have only shown our present lists in the other statement; the other is a comparative statement of the cost prices, selling prices and profits.

Q. Now then, according to the statement taken on June 16, 1919, worsted coating 12-13 ounce?—A. 12 and 13 ounces.

Q. Then you give "yarns, our spinning," "imported yarns," "average," "material cost," "labour and overhead," "total," and "sell"?—A. Yes.

Q. And the labour and overhead and the material cost amounts to $3.61?—A. Yes.

Q. That is $3.61 per yard?—A. Yes.

Q. Now the 14-15 worsted coating you give the same information, getting your total cost at $4.—A. Yes.

Q. And your selling price for 12-13 is $4.25, giving 17 per cent profit, and for the 14-16 it is $4.75, giving you 18 per cent profit?—A. Yes.

Q. In that cost do you take into consideration depreciation in your overhead?—A. That is all in the overhead, yes.

Q. Now on the 712, I suppose that is the number of the goods?—A. Yes.

Q. 13-14 ounce worsted serge that costs you $3.71 and you sold at $4.25 giving you a profit of 14½ per cent?—A. Yes.

Q. And on your number 717, 15-15 ounce the cost to you was $4.34 and you sold at $4.75 giving you a profit of 10 per cent?—A. Yes.

Q. And on the 718, 17-18 ounce the total cost was $4.75 and your selling price $5.00 and your profit 6 per cent.—A. Yes.

Q. And you state here "We have cheaper lines of cloth containing cotton selling at prices ranging from $2.35 per yard to $3.90 per yard" what are your profits on those lines?—A. They are approximately the same.

Q. You made a mistake, you should have been in the cotton business?—A. Yes.

Q. You also say "The five standard lines above specifically shown are made exclusively of yarns spun from pure Australian wools"?—A. We do not want the impression to go abroad that we are making them out of feathers and furs such as was mentioned in the papers the other day. I have another statement.

Q. Can you vouch for the correctness of that statement now produced and put in?—A. I would like to explain in regard to that, that it is perfectly straight, and I will vouch for its correctness. But our position in regard to the manufacture of these goods is this: we, up to the present and in pre-war years were able to buy the yarns to produce these goods at less money than we could spin the yarn for in Canada, hence we had not the equipment to make the yarns for these goods, we always depended upon England to supply a large proportion of yarns in the pre-war years, in fact during a part of the war years we have continued to secure quite a proportion of the yarns for these lines, and these are the prices at which we sold our net season's production; these are our estimated costs based on the average, that is to say 50-50 per cent cost of our own spun yarn. Now the position is this that the British production of yarns has been going up against us, the market is constantly going up, and we are in this position that unless we can make more than half of our own yarns we are not going to show this percentage of profit on the turnover; and there is every indication that we will not be able to produce that percentage.

Q. These figures are estimates which have been prepared?—A. They are estimates, and the goods are sold on these figures, actually sold.

[Mr. D. N. Pannabaker.]

By Mr. Douglas:

Q. They may not be delivered, but they are sold?—A. This is the present year's business, we have just balanced the book on these prices.

By the Chairman:

Q. Have you anything to show on what you delivered last year's business?—A. These prices are a little lower than last year.

By Mr. Stevens:

Q. Last year's would be more interesting to us because they would be actual?—A. Not necessarily.

Q. The year is closed and you know exactly what the results of your own business were?

By the Chairman:

Q. Have you the yarns on hand to manufacture?—A. No, we have not a very large proportion.

Q. Then if the price drops, you make a profit?—A. Certainly, there is that element in it.

By Mr. Pringle:

Q. What business do you do?—A. Between $2,000,000 and $3,000,000 during the war.

Q. How many people do you employ?—A. Between 700 and 800.

Q. What protection have you on these goods?—A. We have about 30 per cent against England.

Q. You have not that if the 5 per cent is off?—A. Yes.

Q. You still have 30 per cent?—A. Yes, that is as I understand the Budget.

Q. Does your production go largely to the manufacture of ready-made clothing in Canada?—A. You mean the cloth we produce?

Q. Yes?—A. I cannot give you very exact figures in that respect; a large proportion does. You will observe that the total value of the cloth in clothes does not exceed $17.50.

By Mr. Reid:

Q. How do they make suits for $21 a suit?—A. These are fine worsted goods.

By Mr. Pringle:

Q. For this cloth you would probably pay $50 or $60 a suit?—A. I will show you a sample of our goods.

By Mr. Devlin:

Q. Do your dyes hold out compared with the imported goods?—A. Yes, if you want to go into technicalities, they do.

Q. It is always said that you have not succeeded in perfecting dyeing so well as they have in other countries. Is that all wool?—A. It is absolutely all Australian wool.

By Mr. Pringle:

Q. And you sell that for $5 a yard?—A. Yes.

Q. How many yards to the suit?—A. Three and a half, or three and a quarter in some cases.

Q. That would be $17.50?—A. That is a line of cloth that we have only recently been making. This (showing sample) is $2.75 a yard.

Q. What would a suit of that cost?—A. Multiply $2.75 by three and a half.

[Mr. D. N. Pannabaker.]

By Mr. Stevens:

Q. Who handles your goods?—A. All the wholesale firms.

By Hon. Mr. Fielding:

Q. Are these the best class of goods?—A. Yes.

Q. How would they compare with the ordinary English goods? Do you claim that they are equal to them?—A. I do.

Q. Sometimes better?—A. I may say that more than one wholesale man has told us within the last six weeks that we are $1.50 less than they are in the English market.

By Mr. Douglas:

Q. Where do you do your merchandizing?—A. With the wholesalers.

Q. Wholesale dealers?—A. Yes.

By Hon. Mr. Feilding:

Q. Do you sell to the tailor or only to the trade?—A. Just the trade.

By Mr. Pringle:

Q. Do you know what the retailer pays for them?—A. I do not know.

Q. What is the price of that (pointing to sample)?—A. That is $4.25.

By Mr. Stevens:

Q. Are these the articles referred to in this list?—A. Yes, that line (showing sample) is a $2.75 line. We have only begun to make it recently.

Q. Is that all wool?—A. Absolutely.

Q. Is there a mixture of Canadian wool in it?—A. It is practically all imported wool.

Q. What is your capital stock?—A. $940,000.

Q. How much paid up?—A. All paid up.

Q. In cash?—A. This company was established before I was born, and it is an accumulation of that many years. There is practically no watered stock.

By Mr. Pringle:

Q. It is a close corporation?—A. A close corporation.

Q. What dividends have you paid?—A. Never more than 7 to 10 per cent, 7 per cent ordinarily, one or two years 10 per cent.

By Mr. Stevens:

Q. What surplus have you got?—A. I cannot give you these figures; I am not the finance man.

By the Chairman:

Q. Can you furnish us with the balance sheet say for the last six years?—A. It is a large order, but if you want it you will have it. It is not in my department, but I will try to get it for you if I possibly can. If the department of taxation has it it should be available.

Q. Has the Department of Finance got your annual balance sheet?—A. Yes, sir.

By Mr. Douglas:

Q. What was your rate of profit last year?—A. You mean the dividend?

Q. No, your profit?—A. I cannot give you these figures; I am not the finance man.

Q. You know the dividend; what was the dividend?—A. Seven per cent.

By Mr. Davidson:

Q. Have you increased your capital from year to year with the surplus?—A. Yes, we have.

By Mr. Reid:

Q. Is there no Canadian wool in the goods you have there?—A. Absolutely none. Canadian wool would not make it.

By Mr. Douglas:

Q. Does Australian wool come into this country free?—A. No.

Q. What is the duty?—A. Seven and one-half per cent.

Q. That is since the war tax was put on?—A. Yes.

By Hon. Mr. Fielding:

Q. You say that the cost price of material for a suit of clothes, that is for the best material, would be about $17.50?—A. That is the outside price.

Q. You know from general observation what a suit of clothes would cost in the ordinary tailoring shop?—A. I cannot give you a very concrete price. I do know that a friend of mine was inquiring in Toronto only recently the price of a suit of clothes. The tailor told him that the cloth he had in the suit he was wearing when made up would cost about $65, and he explained the situation by saying that the manufacturers' prices were constantly increasing and accounted for the high cost. My friend asked this tailor what he supposed the manufacturer got for that particular cloth. He did not know, but my friend was able to say that he got $14.50 for the whole suit, and he wanted to know where the rest of the $65 went to.

By Mr. Pringle:

Q. How do your prices compare with the other mills?—A. I cannot tell you exactly. One mill I heard of was under-selling us.

Q. What about the Caldwell mill; how do their prices compare with yours?—A. I have no idea, their line of goods is not like ours.

By Mr. Douglas:

Q. They manufacture with Canadian wool?—A. Probably to a larger extent than we do.

Q. Is the Canadian fingering not your manufacture?—A. I do not recognize the brand.

Q. What are your brands?—A. They are any brand the wholesaler wants to put on his parcel. No two wholesalers have the same label.

By Mr. Pringle:

Q. That is for yarns?—A. For yarns.

By the Chairman:

Q. You sell yarns?—A. Yes, and I have the price for our yarns for two years.

Q. This statement covers two years?—A. Yes, 1918 and 1919.

Q. This is your statement: Cost in 1918, $1.27, sold for $1.35; profit 8 per cent. B grade $1.37½ cost, selling $1.45, profit 7 per cent. E grade, cost $1.44; sold at $1.55, profit 8 per cent. SS grade, cost $1.51½, sold $1.62½, profit 8 per cent. F grade cost $2.37, sold $2.60, profit 10 per cent. SF grade cost $1.80, sold $1.95, profit 8 1/3 per cent.

Q. Estimated cost?—A. That is the cost we base our figures on, and it is as accurate as we can make it.

[Mr. D. N. Pannabaker.]

By Mr. Douglas:

Q. Are these four-ply fingering?—A. Yes.

By Mr. Reid:

Q. Do you sell only to the wholesale dealer or do you sell to the customs tailors?—A. No, we sell to the wholesale dealers.

Q. That is ready-made?—A. People who make up ready-made clothes.

Q. You do not sell to customs tailors?—A. No.

Q. Why?—A. The customs tailor would want 3½ yards of one kind of cloth and and 3½ of another.

Q. They are not all that way?—A. Some of them are, and the business of one tailor would be so little that it would not pay to peddle the stuff out that way.

Q. I can take you into a customs tailor in this city where you will sell four webs of cloth?—A. I grant that.

Q. Would you sell to a tailor like that?—A. No, we have done business with the wholesale trade and could not do business with both.

Q. Would you sell to Eaton?—A. Yes.

Q. Is he a retailer?—A. Just as you like.

Q. I am asking you?—A. I do not know; I would assume they were retailers.

Q. Eatons are retailers?—A. Yes, but they buy in quantities we can afford to sell.

Q. Has not the customs tailor to compete with Eatons?—A. I suppose he has.

Q. You might as well say yes or no?—A. Well, he is not, because Eatons do what you might say is a ready-made trade. The customs tailor does a made up trade which always commands a bigger price than ready-made stuff.

Q. Does Eaton not do a customs trade?—A. Not to my knowledge.

By the Chairman:

Q. The larger part of his trade is a made up trade?—A. No doubt about that.

By Mr. Reid:

Q. You would refuse to sell to the customs tailor?—A. We have not the equipment and we have not the facilities. That is to say we would have to have a largely increased office staff, and our expenses would be very much greater.

Q. You have your goods made up in large bales; is that the idea?—A. We sell as large quantities as we can. Unfortunately, even the wholesale business in this country is very much cut up; the demand is so great for variety it does not give any manufacturer a chance to get costs down to a minimum.

Q. What is the smallest bale you sell?—A. We sell by the number of pieces, not by the bale.

Q. How many pieces?—A. Five pieces, and in many cases much more than that, especially of the standard lines. When you get into the fancy goods the quantity is smaller.

Q. Would the five pieces have to be all of one grade and pattern?—A. Yes, all one colour.

Q. I know customs tailors who would buy five pieces all of one pattern?—A. But where would you draw the line? If you are dealing with one customs tailor, how would you get off with another? How many wholesale houses would buy from you if you were dealing direct with the retail?

By Mr. Davidson:

Q. Could you cheapen production if there were less demand for varieties?—A. Yes, and a great deal of the high cost is involved in the diversity of patterns people are demanding, and the demand is all pretty much, so far as we are concerned on the visionary stuff. It is just like going into a butcher shop and asking for the best cut of meat. The cheap lines are neglected, and the finer lines in demand, and the price is

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regulated by the demand, and the wool is not produced in sufficiently large quantities to meet the demand, and the result is that the prices on fine stuff are going up every day, but not so with the coarse stuff.

By Mr. McCoig:

Q. Could you not limit the variety of patterns that you turn out? Could you not standardize and get together?—A. Sometimes we can but we do not get together. We have no association for the fixing of prices, and it would just depend on what they could get from England as to where we would be at with our sales in the season. They can get any variety there they want.

By Mr. Davidson:

Q. Is the wearing quality of the fine goods better than the coarse goods?—A. Not in all cases.

By Mr. Douglas:

Q. Have you customers in Toronto?—A. Yes.

Q. Who are they?—A. I do not know that I should name our customers. I think you should get that information from the people who can give it to you. I do not know that we should discriminate here and say who they are. I cannot name all our customers, and I do not know that I should name any one of them.

Q. Practically you cannot tell us what the wholesaler charges the retailer for the different lines of goods.—A. No, I am sorry I cannot, but I assume we can get that information.

Mr. Reid: I think we should ask the gentleman to leave the samples of his cloth with us.

Mr. Pringle: I think it would be good business on his part to do so.

Witness: I have a comparison here that I do not think is would hurt to give you on this line of goods. I think you will appreciate the position.

By Mr. Davidson:

Q. About the other question, you say that the real difference between the fine grades of cloth and the coarser is a matter of appearance and style rather than wearing quality.—A. I should not have said that, because I think Yorkshire can make a line of goods out of very cheap stuff that will almost excell some very good quality. I was going to make a statement in regard to this lightweight grey if you will allow me. That is a line we sell, as I show you in the statement there, at a weight of 12 to 13 ounces, at the present time costing $3.61 cents and selling at $4.25. I have an imported sample here that was procured by our traveller in 1913.

By Mr. Reid:

Q. These are imported goods?—A. This is an imported sample our traveller secured in 1913, March 30. I have had it filed ever, since on my card system. At that time it was sold as 14-ounce goods imported, but we are selling at and have sold sold it for years on the basis of 14 ounces.

Mr. Davidson:

Q. Imported from England?—A. No, our own make. That sample is imported from England. It was selling at that time by ourselves at $1.30 cents a yard. We figured the cost during the season—this is not the cost we figured when we went to sell it or we would not have sold it so close, but the market went against us, and we were selling at $1.30 while the cost was $1.29. In August of the same year that cloth was still being sold and laid down in Toronto at $1.26, with the duty included. I give you that as an instance of the competition we were up against in 1913, prior to the

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war, when I might say raw wools were at a price as high as they ever had been in ten years preceding, and as high as they had been in 16 or 17 years. In connection with that, it might enlighten you gentlemen to say that no manufacturer is wise enough or fortunate enough to always buy his stock on the low market and be able to sell on a high one. That has not been our experience, and we sold that line of goods in the fall of the year preceding for delivery in the ensuing year or the early six months of that year at $1.30, but when we cover for our yarns to make it, the cloth really cost us $1.29, showing a profit of one cent a yard. Those are conditions that I think will more or less return after the extreme conditions of the present war period have passed, and it will show, I think conclusively that manufacturing goods for this market is not always a profit-making business, and if in one year or two or three or four years, or even in a succession of years, a manufacturer may be fortunate enough to make a profit it is not always possible to make a profit on every transaction. There is one other thing that I might say that our company, and I think it applies very largely to a great many companies in this country, I do not know of an exception, there may be an exception, where a manufacturing concern may make profits, but in such cases the manufacturer does not stick the money in a hole somewhere, he at once utilizes it in some other direction or for extension of his business, it may be that he embarks in some other branch of enterprise, and sometimes those new enterprises result in failure instead of profit. I know that in our own case that has been the actual experience. The public seem to have the impression that where a man makes a few dollars it goes into oblivion and it is never again utilized for the benefit of the community in which he lives. I think this committee should bring that element of business to the front; the public are grasping these days at every little thing they can possibly use to agitate and cause disturbance, and I think it would be within the province of this committee to lay before the public some of the facts that are constantly showing the opposite, and that the money that is made in any line of business is not a loss, it comes back again along other lines of trade, and in the development of the country at large.

By Mr. Pringle:

Q. I think the committee would like certain information; I think they would like your statement, I do not know how long prior to the war but, say for 1913, 1914, 1915, 1916, 1917 down to the present day showing the gross profits and the net profits. They would also like a statment of the cash invested in this business and the turnover?—A. I would like to have a memo of that in writing, I cannot remember it. I would like, gentlemen, to promise you that we will do our best to get the figures that you want. I would like to say that in the war years the one element that has made it possible to show profits that were not possible in previous years, not taking into consideration the absence of some competition, but there was such a call for goods that seconds in the mill which usually have to be sold at a sacrifice, and at a great sacrifice, in war years it was possible to dispose of them at prices which did not entail any loss.

Q. We had that fact brought out this morning, there is no doubt there was an elimination of competition, during the war period, and consequently the manufacturers of this country were in a position to get increased prices?—A. Of course there has been quite an increase in prices for the reason that we did not know what amount of the tremendous stocks might be left on our hands and no sale for them.

Q. There is no doubt labour and material increased, but there is also this fact that you did not have the competition from Great Britain that you would have had the times been normal?—A. I submit that we did not take advantage of that situation, because if we did we might have put our prices very much higher than we did. That is an absolute fact.

Q. When we get your statement this committee will have an opportunity of judging what you did during the war period.

[Mr. D. N. Pannabaker.]

By Mr. Devlin:

Q. It has been given in evidence here that other manufacturers of cloth took big American orders during the war?—A. Yes.

Q. Might I ask you if your firm took any American orders?—A. We did not have one order at all from the Americans.

Q. Did you refuse to take orders before supplying your own customers?—A. I may say that the Militia Department came and practically took over the production of our mill, they sent in their investigators to see what the production was, and we were practically taken over by the Militia Department which took over practically the whole of our production. We were making khaki, and the Government fixed the prices, so that the element of excessive price was eliminated and, at other times when we were not busy on khaki we were trying to take care of our customers on regular lines, so that we had no possible excuse to go to the States for orders.

Q. You preferred to take orders at a lower price here at home than go to the States and get higher profit?—A. Well, we never sought any business out of Canada, we have never yet had opportunities to do so.

By Mr. Davidson:

Q. His patriotism was not put to the test?—A. It was absolutely so, I do not think it is necessary to go to the United States to get revenue on the American basis; we could have got enormous profit from the States but we refused them. My statement is absolute on that point.

Q. Do you see any prospect of the prices going down?—A. We reduced prices on the best line 50 cents, I think we were taking a hazard on that, and I do not know whether we will come out at the wrong end or not.

WITNESS: I want to call your attention to the fact that in our profits this year we estimated a reduction of $6,000,000.

Witness discharged.

MR. HUGH CLAYTON: Called, sworn and examined.

By Mr. Pringle:

Q. Your company, the Toronto Carpet Company, is incorporated under the Laws of the Dominion or of the Province?—A. I do not know.

Q. You are an incorporated company?—A. Yes.

Q. What is your capital?—A. Perhaps a little explanation is due here. If this Committee is investigating the manufacture of cloth, the Toronto Carpet Company are not in the manufacture of cloths. Four years ago, or rather in the fall of 1914, they were asked by the Government—there was nothing doing in the manufacture of carpets—if they could turn their machinery to the manufacture of blankets, which was done. After the first batch of blankets, they tried the manufacture of some khaki, and bought second-hand woolen machinery from the United States, rushed it here by express, and started the manufacture of khaki for the militia. Two years ago last month the Barrymore Company was organized, and I came here from the United States. Previously I had experience in England where I was born. I came from Philadelphia to start the manufacture of cloth for the civil trade. Prior to that nothing had been made by the Toronto Carpet Company but militia requirements. Since two years ago, I have been making, in addition to some khaki for the Government, goods for the domestic trade under the Barrymore Company, which is capitalized at $1,000,000. Like Mr. Panabaker and Mr. Forbes, I did not understand this summons, what exactly it was intended to mean, and I brought along with me, as they did, my costs. I brought you this based on the costs of the clothes we are making.

Q. You will leave these?—A. Yes. Marked in pencil is the number of pieces representing from 50 in the case of some per piece. The first list we are looking at is the men's wear. The selling price is found at the bottom, but where we arrive at the cost of that piece of goods is fully illustrated.

Q. Take this first piece of goods; the cost is shown as $2.26?—A. Yes.

Q. And your selling price is?—A. $2.75. But there is 2½ for selling, 2 per cent for cash discount, 2 per cent for loss, 2 per cent for seconds. That seconds have been caused in a great measure by the want of dye stuffs that we have had to put up with. It is a measure of precaution. That shows a net profit of 9·36 per cent.

Q. That is one of your highest cloths, is it?—A. No, that is cheap cloth. Here is one (showing sample) that we retail for $2. It only shows 4 per cent profit. It is men's wear, 50 per cent worsted and 50 per cent cotton twist, made chiefly for the boy's trade.

Q. You say your profit is 6·18 per cent?—A. No, 4 per cent on this one.

Q. The next one shows your cost to be $2.32, your selling price $2.75, and your profit 6·18?—A. That is not correct there. These two are added. These belong to the 9½ per cent, covering the selling, discount, loss, and so forth.

Q. Your selling price is?—A. $2.75.

Q. And you make a profit of 6·18?—A. Yes, that is overcoating.

Q. The next one I see is cost $2.07, selling price $2.75, giving you a profit of 15·26?—A. That is men's wear. There is ladies' wear in which we take greater risk.

By Mr. Devlin:

Q. And greater profit?—A. And greater risk. That is the lowest that they are now buying on the market.

Q. The next one is, cost $3.16, selling price $4.15, giving a profit of 14 per cent. That is ladies' wear?—A. That is men's wear also. That is one similar to what Mr. Panabaker spoke of, an Australian yarn with an Australian filling.

Q. How does that compare in price with that of the Forbes Company?—A. Somewhere about the same, although I imagine the Forbes is a little better quality than that. I think he is a little higher.

By Mr. Reid:

Q. Do you use much Canadian wool in your manufacture?—A. We do not. I have only been able to use one lot that came from Lethbridge, a fine wool. Every one of these samples contains fine wool.

By Mr. Devlin:

Q. Do you use much glue?—A. No, we do not use any glue.

By Mr. Pringle:

Q. The next one here is, cost $2.46, selling price $3.15, giving a profit of 14 per cent. That is overcoating?—A. No, that is the new silver-toned velour that the women are going crazy over for capes.

By the Chairman:

Q. How do you sell that?—A. $3.15.

By Mr. Davidson:

Q. How much would be in a ladies' coat?—A. 2½ yards.

By the Chairman:

Q. That is what a lady would pay $125 for?—A. I have seen the same thing displayed in a window at $75.

Mr. Stevens: There would be less than ten dollars worth of cloth in it. Somebody is going to suffer.

[Mr. Hugh Clayton.]

By Mr. Pringle:

Q. The last one is, cost $3.37, selling price $4.50, showing a profit of 9·33 per cent?—A. That is called the crystal Bolivia.

By Mr. Davidson:

Q. I suppose there is even more demand in ladies' wear than in gents' wear?—A. Yes.

By Mr. Pringle:

Q. You cannot give us the financial statements of your company?—A. No.

Q. Your company has been in existence how long?—A. Two years ago last May.

Q. It is a Canadian corporation?—A. Yes.

Q. Is it Canadian capital?—A. All Canadian capital. It is really the Toronto Carpet Company.

Q. Do you know the dividends they paid?—A. Eight per cent.

Q. Do you know what reserve they have?—A. No.

By Mr. Stevens:

Q. What was your turnover last year?—A. I do not know actually. I can give you an approximate.

Q. Approximately?—A. Something like about $700,000.

Q. How many people have you employed?—A. I have in this particular cloth alone four hundred.

Q. Where is it?—A. 1179 King street West. We erected a new building there.

By Hon. Mr. Fielding:

Q. Is your company the one with which J. T. Murray is connected?—A. Yes, it is the same concern.

By Mr. Stevens:

Q. How many lines of cloth do you make?—A. These are practically what was sold. I have quite a number. We are making lines for the Roumanian Government. This is our main list.

By Mr. Douglas:

Q. I want to ask you about a statement which appeared in the Ottawa press a few days ago from the president of the Ottawa branch of the Retail Merchants' Association of Canada, which reads:—

> "There is no surplus of wools or woollen goods in Canada, and the market was never at as low a point as it is now. The manufacturers will not accept orders for immediate delivery.
>
> "Prices higher: no sign of decline.
>
> "All prices have advanced over the prices of some months ago, and there is no evidence of their decline in the near future, and prices to-day are higher than they have been for years both in Canada and England."

This is in answer to the report that Dr. McFall presented to the Minister of Labour a few days ago?—A. I would say we are not in a position to take an order for a yard of goods before next February or March. We are completely sold out. When these estimates were made on the prices of goods we let our travellers sell to a certain point, and then told them to stop, and I found the reproduction was sold as far as we could go and as far as we were covered on material, and after we had done that there were numbers who came in and asked to be allowed to place orders, and we lapped into the next year, but those prices were not advanced. After these estimates were made the

[Mr. Hugh Clayton.]

prices were the same to everybody who bought. The wholesale merchants and wholesale clothing people had got all their clothing for a year. This had nothing to do with the other people, because the manufacturers and jobbers have their stocks on hand. We know they would give orders for more goods. If I had the machinery and could make them, I could take orders on the women's clothes for probably 2,000 more pieces.

Q. I was more particularly referring to men's wear.—A. I cannot say so much about that because I have not done so much in the men's wear as I have in the women's wear.

By Mr. Devlin:

Q. Could you give your average profit for the last year?—A. It has been somewhere around 12 per cent.

By the Chairman:

Q. On your turnover or your capital?—A. No, because it is the profit value on that yard of goods—the profit value on these goods.

By Mr. Davidson:

Q. How much have you increased your capital in the last two years?—A. We have just started. We only just started in May, 1917. That is the Cloth Company.

By Mr. Pringle:

Q. And paid a dividend of 8 per cent for both years?—A. Yes.

Q. You can tell us why they have been able to put away a rest in those two years?—A. I could not tell you.

Q. But we can get a statement?—A. Yes.

By Mr. Stevens:

Q. The main feature of this evidence is the value of the cloth. Even if it were a few points higher or lower it would not make a very material difference in the cost of production or the cost of suiting or the cost of ladies' wear.—A. Take No. 2400 and No. 2500 that you will see on these sheets. I notice Mr. Panabaker spoke of a suit the cloth of which cost him $17.50. We sold a cloth for a suit of clothes and the cloth only cost $6.50. It was not, of course, as the other, but it will retain its shape and wear, and there is only $6.50 of cloth in the suit. We reduced it from ten to fifteen per cent. I put those down as close as we could put them, and I will tell you what caused us to do that. We are not matching prices, but the American Woolen Company came into the market and did everybody. They came up here and tried to plug this market with materials, and they astonished us with the prices they put out, and we were more against it than some of our neighbours, because we were in the women's trade and it was a womans' trade we were particularly pushing, and I said "We will sell these at cost rather than let the Americans come and take it", and we put our prices as low as we could.

Q. The prices for this year's trade are lower than last year's prices?—A. Yes.

Q. And yet the prices are going up by leaps and bounds to the consumer?—A. Yes, and we have sold all of that yardage, so that we are out of material, and all that was at one range and level of prices, and we never changed it.

By Mr. Douglas:

Q. To whom else do you sell?—A. Nesbitt and Auld and W. R. Brock.

Q. Moneypenny?—A. No, I do not believe we have. We hardly carry the line of material he would want to buy. He has been almost exclusively a purchaser of imported goods. I know Mr. Moneypenny personally.

[Mr. Hugh Clayton.]

Q. Do you sell Simpson?—A. Not Simpson direct, because it is just exactly the same way as with the T. Eaton Company. Simpson has an outside concern that makes all his women's coat. That is the Thompson Manufacturing Company.

By Mr. Stevens:

Q. You sell them?—A. Yes. We sell to the T. Eaton Company factory and the factory sells to their stores, and they are two separate concerns.

Q. You do not sell to the ordinary tailor direct?—A. No, we do not.

Q. Why not?—A. He cannot give us enough of business that we could handle it. It is not profitable for us to make less than four or five pieces of one style. We put a warping on, and the putting of the warp in the loom, if you know what a loom is, will take ordinarily, to do it in a profitable and successful way, it would carry 600 yards, which would be ten pieces.

Q. Sixty yards apiece?—A. Yes, and when that is woven it is only about 50. It shrinks down in the process of finishing. It costs just as much money almost, within a few cents, to warp that, to put it on the big spool, and to put all the ends on there, and put up the pattern and arrange the whole thing on the spool, and it costs just the same. You have to draw the ends in and it costs us just as much money to put it in the loom, and our loom is standing there, and the overhead is just the same if we put in one piece as if we put in ten. It is not a profitable thing to go to the little man from the mill direct.

By the Chairman:

Q. Is it not true that the tailor buys very largely in suit lengths, not in pieces at all?—A. Yes.

Q. And the wholesaler or jobber cuts the piece again into suit lengths?—A. Yes, that is correct.

Q. And distributes it?—A. Yes.

Q. Is quantity the only test of your selling policy, if the small dealer takes a quantity only?—A. Yes.

Q. Because he orders in small quantities?—A. Yes.

By Mr. Reid:

Q. That is quite satisfactory, I know several custom tailors who buy in large quantities.

Witness discharged.

Mr. D. N. Panabaker recalled.

Mr. CHAIRMAN, I omitted to state, and I think it should be on the record, that we were unable to supply anything like the demand for stuff this season and in justice to the wholesale trade I think it ought to be said that they have to go outside the Canadian manufacturers, I am positively sure, for a large proportion of their stuff and paid more money for it, so that our prices would not really be a basis for their cost.

By Mr. Douglas:

Q. You mean that applies for the present moment?—A. For this season, yes.

Q. But it would not apply over a term of years?—A. I hope not.

Witness discharged, and Committee adjourned.

WEDNESDAY, June 18, 1919.

The Special Committee appointed to inquire into the prices of foodstuffs and other necessaries of living met in Room 212 at eleven o'clock this morning, the Chairman Mr. G. B. Nicholson, presiding.

Members present: Messieurs Davidson, Davis, Devlin, Douglas (Strathcona), Hocken, Nesbitt, Nicholson, Chairman (Algoma), Reid (Mackenzie), Stevens.

Mr. A. C. PYKE called, sworn and examined:

The CHAIRMAN: Mr. Pringle called me at 9.30 o'clock this morning to tell me that owing to unfortunate circumstances he would not be able to be here. Mr. G. F. Henderson, K.C., will take the examination for to-day.

By Mr. Henderson:

Q. You are secretary of an organization. Will you tell me its name?—A. The Wholesale Grocers' of Ontario.

Q. How does that compare with the Grocers' Guild which was in question some years ago, in litigation some years ago in Ontario?—A. It is the organization that succeeded that.

Q. Was the organization then in existence dissolved as a result of these proceedings?—A. No.

Q. What became of it?—A. I am not so familiar with it as some other wholesalers who are present. I have only been in Toronto for some eighteen months.

Q. I was only looking for a short cut. I might save time by reading what Mr. Justice Falconbridge, in whose judgment we have all great respect, had sketched the history of that organization. Perhaps you can tell us if the same people are in the new organization as were in the old?—A. Practically the same people, with more.

Q. Is there any difference in method?—A. The President, Mr. Beckett, or Mr. Blain who were very prominent then, could give that information better than I, because I was not connected with it then.

Q. Are you an incorporated body?—A. No.

Q. Have you by-laws or constitution or anything of that sort?—A. No.

Q. You are one of those organizations that merely meets occasionally, and perhaps thinks it wiser not to have too much in writing?—A. It was organized to advance the welfare of the wholesale grocers. We have received a charter from the Dominion Government for the Canadian Wholesale Grocers' Association. It received the assent of the Governor General on June 6.

Q. Are the same men in that organization as are in the present organization?—A. They will be in the new organization. It will be for all Canada.

Q. And then you must have a constitution and by-laws. Is there anything whatever in writing, a copy of which you can furnish the Committee, which would be informative?—A. I was requested in the summons from your secretary to bring with me our minute book, our last financial statement, and also copies of all the circulars that have been sent out from my office to the wholesale and retail trade. I have these with me.

Q. I want to find out what you do, perhaps you will produce your minute book.—A. Yes (document produced). This is a copy of the minute book, and this book contains copies of all our circulars, and everything which went from our office up to date.

[Mr. A. C. Pyke.]

By Mr. Stevens:

Q. Circulars?—A. The telegram told us to bring all circulars sent out to the wholesale and retail trade. We sent nothing to the retail trade. These are all for the wholesale trade.

Q. When does the Executive Committee meet?—A. Every Tuesday, once a week. That is, our Toronto Executive. Our Executive Committee meets generally about every quarter.

Q. What is the difference between the Toronto Executive and the General Executive?—A. The Toronto Executive deals with local matters which come up.

Q. Let us look at this minute book. On the last page are minutes of a meeting of the Toronto members of the Executive Committee, and by way of illustration of what they do, we will look over it. I see there were certain men present. The minutes were read, the secretary then read letters received from various members of the association giving particulars regarding the Pedlar Cars operated by meat packers. The Chairman suggested that it might be advisable to appoint a transportation committee to whom this matter might be referred. The Chairman read a telegram from the secretary of the New Brunswick Wholesale Grocers' Guild. Is yours a provincial organization?—A. Yes.

Q. Is there a similar organization in each province?—A. I think there is one in each province.

Q. Do you work in harmony?—A. Yes, we exchange circulars.

Q. We are getting to something like organization?—A. Yes.

Q. Here is a telegram from the secretary of the New Brunswick Guild expressing an opinion as to how canners were going to treat orders taken for export. How would you know how canners were going to treat orders taken for export?—A. The canners are in Hamilton, and it was easy for me to get into communication with them.

Q. What does it mean?—A. It was understood they had received many orders for export, British orders, and we wanted to know how Canadian orders would be treated. We wanted to know whether some one might be short delivered, or whether there would be a pro rata delivery given for Canadian orders or export orders filled, or whether the export orders would be filled first, and the Canadian orders come afterwards. It was necessary to have that knowledge.

Q. I do not quite follow you. You were apprehensive lest they give some preference to the export trade over the Canadian trade. Was there anything beyond that?—A. Nothing beyond that.

Q. Anything as to whom the canners could sell goods?—A. No, we have nothing to do with that.

Q. Have you any arrangements with the Dominion Canneries' organization as to parties or corporations to whom they will sell their goods?—A. None whatever. We have no arrangement of that nature with any company.

Q. It has been suggested, Mr. Pyke, that you have arrangements with certain parties or proposed arrangements among yourselves, limiting the persons who can procure goods from your membership?—A. There is no such arrangement whatever.

Q. There was evidence given the other day of the existence of a concern known as the York Trading Company which had been refused goods by members of your organization. Have you any knowledge of that?—A. I do not know of any members of our organization refusing them goods. No, I never heard of that before.

Q. You yourself, Mr. Pyke, are secretary of that organization. Are you connected with any other business concern?—A. None whatever. I am entirely independent.

Q. What is your position?—A. Secretary of the Wholesale Grocers' of Ontario.

Q. So that the activities of this organization are sufficient to keep you busy?—A. Absolutely.

Q. And, quite obviously, you are not a cheap man, I would judge?—A. I would not like to answer that.

Q. I do not want to pry too deeply, but I want to find out what the actual activities of this organization are? They are somewhat more than advisory, more than social.—A. The Wholesale Grocers' of Ontario felt that there were 72 members of the association, and that it was to their interest to have some one devote all his time to their interest, advancing the welfare of the wholesale grocers, as set forth in that booklet. (Produces booklet.)

Q. I suppose with financial results in prospect?—A. I presume so. Improved conditions of trade, and so on.

Q. Is it the idea to have a central person who will be a source of information to all concerned?—A. Yes.

Q. While strictly, religiously keeping away from any legislation against combinations?—A. We try to avoid all that.

Q. May we assume, Mr. Pyke, you come as close to a combination as you can without breaking the law?—A. I would not say that they are.

Q. I am not suggesting anything improper. But isn't that practically what it amounts to?—A. I do not know, but I think we are formed for the same purpose as the Canadian Manufacturers' Association, or the Retail Merchants' Association, to look after the welfare of the association.

Q. Take the question of prices, for instance. As a result of your energies as secretary, and as a result of the social and business conferences held from time to time, is there not uniformity of prices?—A. Amongst our members?

Q. And please don't think I am looking for information on which to base a criminal prosecution—A. I am willing to give every information.

Q. You succeeded in bringing about uniformity of prices?—A. We have not attempted to do it.

Q. Why not?—A. I do not know. We had not attempted to do it. We thought that there might be something on account of the Order in Council.

Q. Why didn't you bring about uniformity of prices?—A. I cannot speak for the members. Some are here. They might be able to explain that.

Q. You have 72 members, do you keep track of the prices which each member charges for his goods?—A. Oh, no, I would not undertake anything of that sort.

Q. Tell me what you do do?—A. We deal with transportation matters, for instance, we were organized primarily at the wish of the Food Controller, Mr. H. B. Thomson.

Q. You existed in practical effect long before we dreamed of a Food Controller?—A. Not this association.

Q. But the old Grocers' Guild?—A. I cannot give you any information about that Guild. I had no connection with it at that time and I could not give you any authoritative information. I have a letter from the Food Board urging us to organize.

Q. Looking through the minutes, I see that the secretary was instructed to write a letter to the Export Trade Commission with regard to the embargo on the importing sardines and canned salmon that would be in the general interest of the trade, Mr. Kinnear notified the committee about Saturday closing. This is all rather harmless. There was a visit from representative of the Gerrard Wire Strapping Company, demonstrating the use of the strapping. It was decided that manufacturers should be requested to put wire strapping on goods, and thus prevent all claims for damage and shortage. That is all that happened. One, two, three, four and five men, and the secretary met together with nothing else but that to discuss?—A. Absolutely. Those are the minutes.

Q. No other matters of trade concern were discussed?—A. That is a correct copy of the minutes.

Q. For instance, you proceed that the secretary read a letter from a firm of lobster packers stating that they will be willing to make an allowance of half of one per cent

[Mr A. C. Pyke.]

cent for leaks and swells, providing other packers would do the same. That is getting to be a question of concerted action in buying, isn't it?—A. In buying.

Q. Yes, buying that particular commodity?—A. No.

Q. Mr. Pyke, we are not looking for something on which to accuse you of being in an unlawful combination, but we want to know if the Wholesale Grocers of Canada, or 72 of them can act in concert in buying and selling?—A. You asked that before and I said, "No, none whatever." There is no concerted action.

Q. Is not this one instance where there was concerted action in buying?—A. There is no reference to buying there. I had been endeavouring to arrange with the lobster packers that they should allow in lieu of the losses of the wholesalers, to make good the losses of leaks and swells, to allow on the invoice a half of one per cent in settlement of all claims for leaks and swells.

Q. You are acting for 72 grocers?—A. Yes.

Q. The secretary read a letter from the Lytle Company requesting information regarding the standing of a certain party in Picton, Ontario. That is the commercial standing?—A. Yes.

Q. The secretary was instructed to communicate with certain local parties regarding this party. We don't want to mention names unnecessarily. That is another of the activities you have, I see.—A. Yes.

Q. Then a letter was read from the gentleman whose name is familiar in Ottawa urging that the grocery brokers should be organized. The secretary was instructed to consult with the Toronto brokers and secure their opinion on the matter. What do you mean by grocery brokers?—A. A grocery broker is one who sells goods for the manufacturer to the wholesale.

Q. That is, a commission agent operating between the manufacturer and wholesaler?—A. Also operating between two wholesalers.

Q. That is something in which this committee is very much interested. There is the manufacturer of sugar, for instance. The wholesaler buys from the manufacturer. Does he buy through the broker?—A. There are brokers.

Q. Why not direct?—A. The established channels of business have been through brokers.

Q. How long?—A. I do not know how long.

Q. Why should not 72 members of your organization be able to buy sugar direct, and save the intermediate brokers' commission?—A. They are on the spot. There is competition between the different refineries, and they have their representatives on the spot and active in getting business, each for his concern.

Q. How many refineries does Ontario draw from?—A. Four.

Q. Only?—A. Yes.

Q. That runs from Nova Scotia to Western Ontario.—A. There is one at Halifax, one at St. John, and two in Montreal.

Q. What about the B.C. Sugar Refinery? I suppose it does not compete in Ontario.—A. No.

Q. Four sugar refineries only?—A. Yes.

Q. What prevents you, as secretary of the association, from getting prices from these refineries for your 72 members? Why have the broker in between?—A. The broker is the man who pushes the sale for the firm he represents.

By Mr. Nesbitt:

Q. Is he not the sales agent of the refinery?—A. Yes. Instead of working on salary he is on brokerage. He is paid on the sales he makes.

By Mr. Henderson:

Q. We are looking to see if any expenses can be eliminated. Would it be practical to eliminate the broker?—A. I would say, no. It is necessary to have him.

[Mr. A. C. Pyke.]

Q. Is that regular business? To what extent does that run through all your lines? —A. Practically every line is sold by sales representatives or brokers.

Q. Is it more frequent now? In the case of sugar, sugar refineries do not keep sales representatives.—A. No, they have brokers. Some of those we call brokers may be on straight salary. I do not know that, that is between them and their firms.

By Mr. Hocken:

Q. Does the broker sell to the retail dealer?—A. In some cases I have heard of them doing that.

Q. They are not under any obligation to your Guild not to sell to them?—A. None whatever.

Q. Are not the producers under obligations to your Guild? Take the sugar refinery, for instance.—A. The only obligation is to distribute to the retail trade through the wholesaler rather than in other ways.

Q. It is a common understanding that the ordinary householder is not supposed to go to the wholesaler for goods. It would not be good business. Is there any agreement between wholesalers not to sell to the ordinary householder?—A. I do not know of any agreement.

Q. There is a gentleman's agreement?—A. There is an understanding that they will sell to the retail trade only.

Q. What is meant by "organizing the brokers"?—A. They are organized. In practically every other community but the Province of Ontario. They have a Brokerage Association.

Q. For the same reason that you have yours?—A. Exactly, to look after the brokers' interests.

Q. I see here there is a question of freight rates, which might mean concerted action, then there is another letter from another party, complaining of the departmental stores, and others in London selling soap retail to consumers lower than the wholesale list price. That arises periodically with department stores, I suppose?—A. Oh, yes.

Q. If the broker should sell to the retailer, would that influence the wholesaler in placing his orders?—A. Yes, it would. The wholesale grocer would not consider it fair business to sell wholesale, and then sell to the customer. I mean at the same price.

Q. If he sold to the retailer he would not get as much business from the wholesaler?—A. No, I don't think he would.

By Mr. Henderson:

Q. Are these minutes I have read characteristic of the others? They do not give very much information, then.—A. Yes, they are all there.

Q. Now let us take the circulars sent out by the association. Each one of these circulars, as I understand it, goes to each one of your members. Starting back in February, 1919, here is a circular stating that a certain company is placing a new package cocoanut on the market, and that their sales will be confined to the wholesale grocery trade only. Certain discounts are mentioned. Is that a common practice? —A. Yes, it is quite common.

Q. How does it arise that their sales will be to the wholesale grocery trade only? —A. They feel that they will get better service if they sell to the wholesaler only.

Q. Would you deal with them if they did their business otherwise?—A. No. We have endeavoured, whenever possible, to have manufacturers distribute their goods through the wholesalers.

Q. Is it your practice to buy through manufacturers who deal with the retailer directly?—A. It has been done, but they would not get the support that the manufacturer does who confines his business to the wholesaler.

Q. It would be done in cases of emergency only.—A. Yes.

[Mr. A. C. Pyke.]

By the Chairman:

Q. In other words, Mr. Pyke, the wholesale grocer will push the goods of the manufacturer who confines his sales to the channels you have established.—A. The proper channel we believe is for the manufacturer to sell to the wholesaler, then the wholesaler to the retailer, and then the latter to the consumer.

By Mr. Devlin:

Q. What was the average profit of the wholesalers through the last year?—A. I have no figures on that. Those figures have all been sent to Dr. McFall of the Statistical Department.

Q. It is now in the possession of the Government?—A. Yes, for the last eight years, for every wholesaler.

Q. You are simply repeating evidence already in the hands of the High Cost of Living Commissioner?—A. Yes.

Q. In the matter of brokers, isn't it imperative for the broker to sell to the wholesale merchant?—A. Imperative in what way?

Q. Isn't he forced to do so?—A. No, he is not forced to do so. Not by any wholesaler.

Q. Would you deal with a broker who dealt directly with the retailer?—A. He would not get the same support.

Q. Doesn't that practically mean he would be out of business?—A. Yes, as far as the wholesale business was concerned.

Q. Therefore he is bound to sell to the trade through the wholesale houses. You might as well say so, Mr. Pyke. I know it to be the fact.

Mr. Henderson: Yes, he could not stay in business otherwise.

By Mr. Nesbitt:

Q. Is it a matter of choice for the manufacturer whether he goes direct to the retailer or the wholesaler?—A. Absolutely.

Mr. Stevens: Going through the letters, I find there are some very illuminating circulars.

By Mr. Henderson:

Q. Under date of February 21, here is another circular, I find that considerable correspondence has been held with the various manufacturers of grocery lines on the subject of guaranteeing prices against a decline on the unsold stock in jobbers' hands, and they have pleasure in informing you that the following firms have agreed to such guarantee. Then there are fourteen of the best known and largest manufacturers in Canada. You have made arrangements with these people to co-operate with them in keeping up prices?—A. The arrangement was to reimburse the wholesaler in the case of the decline on the prices for what he had in hand.

Q. They would reimburse him for what?—A. Supposing that there was a decline in the price of sugar of 75 cents a bag, and the wholesaler had 100 bags of it in stock, by this arrangement the manufacturer would allow him $75 for the decline.

By Mr. Douglas:

Q. Do you allow the retail customers the same protection?—A. I think it was done in many cases, but no concerted action was taken. As it happened there were no declines in price anywhere.

By Mr. Nesbitt:

Q. Not in the last four years?—A. This was during the period of great uncertainty when the armistice was signed.

[Mr. A. C. Pyke.]

By the Chairman:

Q. Is that a question of the manufacturer guaranteeing to keep prices up, or the manufacturer guaranteeing to reimburse you if the prices go down. You are guaranteed against loss, but the manufacturer bears the loss.—A. Yes.

By Mr. Douglas:

Q. You say that the medium for the distribution of goods should be through the wholesaler, that the manufacturer should deal with the wholesaler, he with the retailer, and the retailer with the consumer. That is the recognized medium. You only carry the protected end of it to your own trade section. Where does the consumer get any benefit from that?—A. It would be very difficult to carry that through to the consumer. It might have been done. I do not know. It would be a difficult thing to do

Q. Why not carry it to the retailer? If you are protected, why not the retailer?—A. I cannot answer definitely whether the wholesalers carried that to the retail trade or not.

By Mr. Nesbitt:

Q. As a matter of fact you act for the wholesale trade.—A. Absolutely.

By Mr. Douglas:

Q. He says that the proper method of distribution is through the wholesale trade, discouraging the commission brokers from dealing directly with the retail trade, so that if he wants to make this a fair distribution, any protection received should certainly be carried through the chain, not just one link in it.

By Mr. Henderson:

Q. You take care of the wholesale trade only, and perhaps the retailers will come at you if they have not done so.—A. Yes.

Q. Do you know a case where the wholesaler protected a single retailer?—A. There might be a lot of it but I do not know of any.

By Mr. Devlin:

Q. You speak of twelve manufacturers having signed an agreement. They notified you by letter that they would guarantee you against a decline of prices. Would you give us their names.

Mr. Henderson: The names are here. I did not think it would be necessary to give them out. The date is March 21.

Mr. Nesbitt: It is a common practice for manufacturers to guarantee against a decline in prices.

Mr. Henderson: The circular is open to that interpretation.

Mr. Stevens: For stock in hand.

By Mr. Henderson:

Q. Then I notice a circular under date of March 27, saying that the Vancamp Products Company have agreed to distribute their goods exclusively to the wholesale grocery trade. The circular goes on to say that the margin of profit allowed the wholesaler is satisfactory, and that it hopes you will extend a fair measure of support. That is characteristic, isn't it?—A. Yes.

Q. That is a large concern?—A. Yes.

Q. Is that a new arrangement?—A. They had not been on the market for some years, and were coming on it again.

Q. Had they been selling to the retailer direct at any time?—A. I do not know.

[Mr. A. C. Pyke.]

By Mr. Douglas:

Q. Why were the Vancamp people not getting their products distributed through this country?—A. They had no representatives, and were therefore not in the position to push the sale of their goods, and they gradually lost hold.

Q. For how long?—A. I am not quite familiar with that. Three or four years, I think.

Q. Previous to that they distributed their goods in Canada.—A. They had a small connection, not very large.

By Mr. Stevens:

Q. Did they distribute to the retailer?—A. I don't think so.

Mr. Douglas: As a matter of fact they did. The Vancamp's products were very common articles in every grocery store in Canada some years ago, but for the last three or four years they have been off the market?—A. I presume that is because they did not push sales.

Q. Did you ever have a dispute about selling exclusively to the wholesale grocer?—A. None whatever, I have not had any since this organization was started.

Q. Is there any record of such a dispute between the old Grocers' Guild and Vancamp?—A. No.

Q. Do you know there have not been any?—A. No, I do not.

Q. Did the wholesale grocers stop taking their goods because they sold to the retailers direct?—A. I do not know.

Q. It seems strange that as late as March 21, this year, they should come back into the Canadian market as a new concern.—A. They were out of this market for two or three years, I can make no other explanation. There are other wholesale grocers here, and possibly they can give an explanation.

Q. The Chisholm Milling Company of Toronto is a fairly well established concern?—A. Yes.

Q. They also advertise a great deal?—A. Yes.

Q. We find all of them in the same position on the same date. What is the explantation of that? They deal in elementary foodstuffs such as rolled oats, corn meal, chicken feed, etc. Why would they be in the same position as Vancamps?—A. They changed the policy of selling goods, and agreed to distribute goods through the wholesale grocery.

Q. They sold to the retailer previously to that?—A. I think they did.

By Mr. Davis:

Q. Wouldn't it be better to follow this out with a practical wholesale grocer, and then put Mr. Pyke in the box again. Mr. Pyke really does not know a lot of things that other members would know. Can you explain why these circulars were sent out?—A. I am only familiar with what has happened since I am connected with the organization.

By Mr. Henderson:

Q. On the 4th of April you tell your members that the T. A. Lytle Company, Limited, Toronto, have decided to make a change in the selling policy, and have agreed to distribute all products through the wholesale trade exclusively. This is a similar proposition.—A. They came voluntarily to us and made the proposition.

Q. You say they "voluntarily" came to you. Didn't the others voluntarily come to you?—A. I should not have made that distinction because all have come voluntarily to us.

Q. On the 10th of April the Cream of Wheat Company appears. You received a letter on April 3, requesting news with regard to the Cream of Wheat Company maintaining a fixed retail price on their products.—A. The Cream of Wheat Company wrote

[Mr. A. C. Pyke.]

to all their customers, asking their opinion on the policy of a fixed retail price on their products.

Q. What was the result?—A. The result I have not heard. I have not been advised whether the Cream of Wheat Company adopted that plan or not.

By Mr. Douglas:

Q. Was the revision downwards or upwards?—A. I do not think there would be any revision but fixing the selling price of the product.

Q. That would mean that each one of the 72 members would agree to sell these products at the same price?—A. They would agree with the Cream of Wheat Company, yes.

Q. That is not uncommon with other manufacturers?—A. Manufacturers generally issue a list.

Q. They generally arrange in one way or another that each one of the 72 members of your association shall sell their product at a fixed price.—A. They issue a fixed price list, but they do not compel them in all cases to observe the prices.

Q. They can reach 72 wholesalers through you?—A. Yes.

Q. Do you pass that on to the retailers by arranging with him to sell at a given price?—A. No, we never dictate a price to the retailer. We always have in view that the retailer should be protected and get a fair margin of profit. It is to the interest of the wholesaler that he should be protected.

Q. If a man notoriously cuts prices, what do you do?—A. We have nothing to do with that. All my efforts are confined to the wholesale grocers.

Q. Do you sell to cut-rate grocers?—A. I cannot tell you, I presume so. They sell to every retailer.

By Mr. Devlin:

Q. Even to the man who runs a cut-price store?—A. I presume so. He must get his goods somewhere.

Q. As a matter of fact, do you know that he will be cut off from the wholesaler?—A. I do not think he would. You should get that from the wholesale grocer.

By Mr. Stevens:

Q. Do you keep a black list?—A. No, never.

Q. Do you know of a single retailer whom it was thought necessary to boycott or refuse to sell to?—A. Never heard of it.

Q. What about York Trading Company?—A. We never refused to sell to them.

Q. You refuse to take them in.—A. We have not.

By Hon. Mr. Fielding:

Q. It was stated that they had applied for admission and that they had failed to be admitted?—A. They have not been admitted, they have not been refused.

Q. Do you know the York Trading Company?—A. Yes, I know something of it.

Q. Do you know of any reason why they should not be admitted?—A. If they are genuine wholesale grocers they should be admitted.

Q. I don't want any ifs. Tell me facts. Why were they not admitted?—A. They have not been refused.

Q. Why was the application not dealt with?—A. The committee has not decided.

Q. When was the application made?—A. I think about the month of May.

By the Chairman:

Q. What would constitute proper qualifications for membership in the Wholesale Grocers' Association?—A. If you wish, I will submit the application form.

[Mr. A. C. Pyke.]

By Mr. Devlin:

Q. You say the York Trading Company has not been refused, nor have they been admitted. Why have they not been admitted?—A. I think the reason why they were not admitted was that there was some doubt as to whether they were genuine wholesale people or not.

By Mr. Davis:

Q. Is there anything on the minutes with regard to that?—A. The only thing is that they made application for membership.

Mr. DEVLIN: And that their application has been considered.

Mr. HENDERSON: Here is something. On May 13, the secretary reported that he had been called on by Mr. Dawson and Mr. Vair of the York Trading Company. They expressed the desire to make application for membership in the association. The minute book does not show any action of any kind on that application. Have you treated it as an application. If not, how can you say it is pending?

Mr. DEVLIN: Are there any other minutes relating to the same company? Perhaps Mr. Pyke would let us know.

By Mr. Henderson:

Q. Is there any committee or sub-committee which has that application under consideration?—A. The Executive Committee has it under consideration. I am a paid official, I am not a member of the executive committee.

Q. Who are the executive committee?—A. There they are, sir.

Q. There are a number of names here?—A. The chairman is here.

By Mr. Devlin:

Q. Would Mr. Eby know why it was that the York Trading Company had not been admitted to the wholesalers?—A. We have not taken definite action.

Q. I know that, but you knew nothing about it, you said, a minute ago?—A. No, sir.

Q. Why did you not take definite action?—A. Because we were under the impression that the York Trading Company was a combination of retailers, and therefore not a genuine wholesale grocery concern.

Q. Have you taken steps to verify that?

By Mr. Henderson:

Q. Mr. Devlin means that masterly inactivity is worse than nothing. These people have been referred to a committee?—A. It is the intention of the committee to refer it to a full executive committee meeting. It is important enough for that.

Q. The only reference on your minutes is this from the second minute?—A. That is all.

Q. Your minutes are not very formal. You say it was of such importance that you wanted action by the executive committee as a whole. I would have thought in that case that it was worth while writing it. You say it is in the hands of somebody. Who is that?—A. I do not think I made a statement that it was in the hands of somebody. Their application is still before us.

By Mr. Devlin:

Q. Were you present at the meeting when the York Trading Company's application was considered?—A. Yes, at every meeting.

Q. Tell the committee directly why it is that the York Trading Company did not get admitted. You said a moment ago you personally had the impression that they were not genuine wholesalers?—A. That is the impression of the Toronto executive.

[Mr. A. C. Pyke.]

Q. Did they fulfil every necessary requisite to become members of the Wholesalers' Association?—A. They have not signed their application form.

Q. Why not?—A. It has not been sent to them yet.

By Mr. Henderson:

Q. Have they been asked to sign?—A. It has not been sent to them yet.

Mr. Stevens: That is pretty thin.

By Mr. Devlin:

Q. That will not go down with this Committee. I do not want to be unduly hard, but I do want the truth, and you know the truth?—A. I want to tell the truth.

Q. You are dodging. You said that they had not signed the application and you gave that as the reason for non-admission. Questioned further you said it was not sent to them? Why not?—A. I was not instructed to send it by the committee.

Q. Why not?—A. That is for the Committee to say.

By Mr. Henderson:

Q. Have you taken any steps to see if they possess the necessary requirements for admittance to your organization? Did you do anything of any kind anywhere about this application?—A. The chairman of the committee has made some inquiries.

Mr. Devlin: Mr. Henderson, it is delightfully kind of you to turn the matter that way, but I want to know the exact facts, and he is in possession of them. He should give the full facts.

Mr. Henderson: Doesn't it mean that he has done absolutely nothing.

Mr. Devlin: Oh, no, they did many things. They had several meetings at which the application was considered.

By Mr. Stevens:

Q. How many conversations have you had with Mr. Dawson?—A. He called on me once and he telephoned me, perhaps, twice. Once, anyway.

Q. Did the committee instruct you to find out anything about them?—A. We tried to find out something.

Q. Who is "we"?—A. The executive committee.

Q. What did they instruct you to do?—A. There were no instructions.

By Mr. Henderson:

Q. Who is going to do it? Is anyone going to take any action on this application? —A. I imagine that the executive committee will take proper action. Some of them have already got information.

Mr. Henderson: From the Greek Calends, I suppose.

By Hon. Mr. Fielding:

Q. What constitutes a wholesaler?—A. The application form will explain it.

Q. I presume some of the wholesalers are incorporated companies?—A. Yes.

Q. So that if Smith, Brown, and Jones form a company to buy from the manufacturers, and turn over their goods to the retail store, would that not constitute them wholesalers?—A. If they are members of that company in order to get certain conditions in prices from manufacturers for retail companies in which they are interested, we would not consider them genuine wholesale grocers.

Q. They will get the same concessions as the rest of you.—A. In that case there would be no objection.

Q. If some retailer happened to be a shareholder in the firm of Smith, Brown and Co., being one of your wholesale members, would the fact that the retailer was a member of a company be any detriment?—A. None whatever.

[Mr. A. C. Pyke.]

Q. The York Trading Company are a body of retailers who have formed a joint stock company. They propose to buy from the manufacturer and propose to sell to the retailer. If they comply with all the conditions, wherein would they differ from another wholesaler?—A. There would be no difference whatever. Unless retailers connected with that concern get certain conditions from the York Trading Company.

By Mr. Henderson:

Q. Supposing they got concessions only in the shape of dividends?—A. There is absolutely no difference.

The Hon Mr. FIELDING: I put the case as given the other day.

By Mr. Henderson:

Q. The case is, that it just happens that the shareholders happened to be in the retail grocery business, and you presume that their object is to retail their stock to themselves, and to divide the profits among themselves. Is there anything more than that to it?—A. If there was nothing more to it I presume they would be accepted.

By Mr. Douglas:

Q. Supposing they give their customers who are members of the York Trading Company the advantage in price, what would you say to that?—A. It would not be a strictly wholesale grocery concern. That is, the retailers would get their profits back in the shape of concessions made to them.

By Mr. Henderson:

Q. Doesn't that mean that the man who undersells is no longer a wholesale grocer? Isn't that the logical result of your answer? A man who cuts prices is no longer qualified to remain a wholesale grocer?

By Mr. Douglas:

Q. Let me get that further? As far as the regular 72 members of the Guild are concerned you had nothing to do with the regulation of prices. Yet you did not want the York Trading Company to give their customers the benefit of the wholesale buying prices. What business of yours is it what they sell for?—A. If the members of the York Trading Company are retailers, and the company——

By Mr. Devlin:

Q. Your association would not sell to the retailers?—A. The wholesale grocers sell to the retailers.

By Mr. Henderson:

Q. There are circulars here showing that the large manufacturers agree to sell to the wholesale grocery trade exclusively, that means that they only sell to your members, doesn't it?—A. No, sir.

Q. What is the point in the York Trading Company which leads certain manufacturing companies to say that they will not sell goods to it if there is no agreement?—A. There are several wholesale grocers who are not members of the association.

By Mr. Hocken:

Q. That is what I am trying to get at. These manufacturers agree to sell to the wholesale trade, but he says there are some wholesale grocers not in the organization. Do these manufacturers sell to the outside grocers?—A. Yes, sir.

Q. Then you tell us they will confine operations to the wholesale grocers, but that does not mean for your association exclusively.—A. No, sir.

Q. Then why not sell to the York Trading Company?—A. We have established that the York Trading Company is not a legitimate wholesale firm.

Q. What has that to do with the manufacturer not selling to them?

[Mr. A. C. Pyke.]

By Mr. Henderson:

Q. You have an illustration of that if the Gillett Company sold to the York Trading Company, would your 72 members buy from the Gillett Company?—A. Why, yes.

Q. Can you tell us a case where your 72 members buy to-day from a company, knowing that that company is dealing with concerns which you think are not wholesalers?—A. I do not quite understand the question.

Q. It is a simple enough question. Can you tell me of a manufacturer to-day from whom your 72 members are buying, who is in the habit of selling to people like the York Trading Company whom you do not consider to be a proper wholesale firm?—A. There are some who are selling to retail trade. Yes, there are some manufacturers of that kind.

Q. How many?—A. I could not tell you.

Q. Do they amount to anything at all?—A. There are quite a number.

Q. Isn't it the recognized practice—I am not saying whether good or bad—that you will deal only with manufacturers who, in their turn, deal with the wholesale trade? A. We give them preference. Absolutely.

By Mr. Devlin:

Q. Do you buy from any manufacturer who sells to the T. Eaton Company?—A. Oh, yes.

Q. And yet it is a retail store?—A. Yes, we recognize it as a retail store.

Q. And yet you sell to the T. Eaton Company?—A. We do not approve of that. We have protested.

By Mr. Davidson:

Q. Is the T. Eaton Company a member of your Guild?—A. No, sir.

Q. What advantage would the York Trading Company derive from being a member of the Guild, and what disadvantages from not being admitted to membership?—A. I presume that, since it is a new company, being a member of the association, it would be able to secure goods from the manufacturer quicker than it otherwise would.

By Hon. Mr. Fielding:

Q. From the point of view of credit?—A. No, sir.

By Mr. Nesbitt:

Q. They would get their goods cheaper?—A. Yes, they would as a wholesale grocer. The wholesale grocers and members of our Guild, get cheap prices.

By Mr. Davidson:

Q. How then would membership benefit them?—A. It would be a matter of standing.

By Hon. Mr. Fielding:

Q. Credit and standing are the same thing?—A. I do not know.

By Mr. Nesbitt:

Q. I want to trace the reason why these people need to be members of the Wholesale Guild. Your Wholesale Grocers' Association does not recognize a man as a wholesaler who keeps a retail grocery?—A. No, sir.

Q. You supposed that the York Trading Company were a union of retailers who organized themselves together for the purpose of buying goods wholesale at prices that wholesale grocers get?—A. Yes.

Q. And you do not know their object? Do you suppose the object was to cheapen goods to the consumer or to get more profits for themselves?—A. I could not say as to that.

[Mr. A. C. Pyke.]

By Mr. Davidson:

Q. In considering the admission of members to the Guild, do you consider the question of standing?—A. No, the manufacturer has to look out for the credit end himself, as long as he is a wholesale grocer he can get in the Guild.

By Mr. Stevens:

Q. Do you object to the manufacturer selling to a wholesale grocer not a member of the Guild?—A. No, sir.

Q. Are there many men in this class, say about April 8th, last. I see that you have a minute in your book for about that day. It turns on the inroads which the retail grocery store, the chain stores, the co-operative buyers, the farmers' clubs, and the co-operative system generally was making on business. A gentleman addressed your Wholesale Guild and set forth a scheme which is not mentioned in detail, and it goes on after a while to say that the matter should be considered further. In the meantime it was suggested that a letter should be sent to the various manufacturers enclosing a list of the wholesale grocers of Ontario, and requesting them to submit a list of the customers whom they were serving. What is the object of that?—A. The object is that if they had members on their list not in the association, we would like to have them in the association.

Q. What is the meaning of this clause which speaks of taking measures to counteract the chain stores, the co-operative buyers and the farmers' clubs?—A. Mr. Beckett is here. He can explain that.

Q. We should not be satisfied with an answer of that sort. We want to get at the facts. We do not want to prosecute anybody. He says Mr. Beckett can explain that. You know all about that. You were at all the meetings. We want to know what the scheme is?—A. The scheme will be presented to you, sir.

Q. What is the scheme?—A. The scheme, briefly, was that the proper channels of trade are from the wholesaler to the retailer, and then from the retailer to the consumer. We do not think that five per cent of the retailers should have an advantage over the ninety-five per cent.

Q. Mr. Beckett submitted a proposition to the meeting in writing?—A. Mr. Beckett has it here with him.

Q. There are a number of applications for membership. I want to get to the York Trading Company. Here is an application for membership by Charles Reckin and Sons. Are they members of the Guild?—A. No.

Q. You did not receive them?—A. We never heard anything from them.

Q. Did you turn them down?—A. No.

By Mr. Douglas:

Q. Mr. Pyke, does admission to your association of a wholesaler put that wholesaler on the shippers' list?—A. I think it would.

Q. You know it would? You might as well say yes.—A. It would as far as the standing of the wholesaler is concerned.

Q. It is a credential given by the association, which, if shown to the manufacturer, would lead that manufacturer to sell to that firm.—A. If his credit was good. We know nothing about that.

Q. Keeping back of that, it appears that the lack of that necessary credential prevents the York Trading Company going to these manufacturers and getting prices at the wholesale rates.—A. I presume so.

Q. You know that? For instance, the Gillett Company would refuse to sell to the York Trading Company unless they were members of an organization which, in the Gillett Company's judgment, entitled them to buy goods at the lowest possible way,

[Mr. A. C. Pyke.]

wouldn't it?—A. Yes, because the Gillett Company had determined to sell to the wholesale grocers. They decide who is a wholesale grocer and sells. I do not think they would be influenced by our decision. They might be to some extent.

By Mr. Nesbitt:

Q. As a matter of fact, it is their own business and they can sell to whoever they like.

Mr. DOUGLAS: I don't know about that.

Mr. NESBITT: That is my own view. I am in the manufacturing business and I do not care a hoot whether the wholesaler buy from me or not.

By Mr. Stevens:

Q. Messrs. Chevrier are not members of your association either?—A. No, sir.

Q. Not accepted?—A. An application form was sent to them, and it has never been returned.

By Mr. Henderson:

Q. In October, 1918, you were advised by the canners of their wholesale prices for corn, tomatoes, peaches, and plums, together with prices which you were to pass on to the retailer.—A. Yes, sir.

Q. Was their price fixed by the canner at which all members of your organization are bound to sell and in the re-sale bind the retailer?—A. Unfortunately, that is not the case. That was the price suggested by the canners as the retail selling price, but the wholesale grocer did not observe it.

Q. It is intended to mean something?—A. The canners put it up as the retail selling rate, but there is no agreement on it. The wholesale grocers can sell below that if they wish, and they did.

Q. That is one instance where uniformity of prices was aimed at by the manufacturers?—A. By the manufacturers, I want you to thoroughly understand that. It is the manufacturer who wants to issue the list.

By Mr. Stevens:

Q. Have the wholesale grocers ever made any effort to induce the manufacturers to enter an agreement for the maintenance of prices?—A. Not in my case, no.

Q. Did you ever discuss it?—A. No.

Q. What does this clause refer to, this clause referring to one of the members at the annual meeting of the Wholesaler Grocers' Association, Mr. Blain, calling attention to the Order in Council passed in December 1918. He stated that some manufacturers had been advised by their attorneys that it would not be advisable to insist on prices being maintained. You must have had some discussion with the manufacturers about the maintenance of prices?—A. Oh, yes. We always want the manufacturer to maintain prices.

Q. Didn't you have some discussion with some of the manufacturers to the effect that the wholesalers would want prices fixed by the manufacturers?—A. No, sir.

Q. Then this is a senseless clause in the minutes?—A. No.

Q. It surely is. It speaks of a discussion with the object of maintaining prices.—A. Yes. We discussed that with the manufacturer with the object of having the manufacturer maintain his prices.

Q. And by virtue of an Order in Council an attorney advised that it would not be advisable to insist on the price being maintained?—A. Yes.

Q. In other words, you found it was an illegal procedure?—A. That was the advice of that counsel for that manufacturer.

By Mr. Henderson:

Q. Will you furnish the committee with a copy of your interim report presented at the meeting of the executive committee held on December 5, 1918, reviewing your activities for six months?—A. Yes.

By Hon. Mr. Fielding:

Q. Your organization is for the Province of Ontario?—A. Yes.

Q. Is there an organization for the Dominion?—A. We are organized now for the Dominion. It is not thoroughly organized yet, we got the charter on June 6th.

Q. Sometimes there are organizations without charters?—A. We have not got together yet.

Q. Are there any communications, any understanding among the wholesalers of the Dominion?—A. Oh, yes, we have been writing and getting into communication with them, and intending to finish the organization the latter part of this month. The labour troubles in the west, and other things made that seem not a convenient time for wholesalers to leave their business. Therefore it has been postponed.

Q. What are the advantages to be derived from the wholesaler joining this organization? Why should he want to get in? What inducement do you hold out to get the wayfaring man to get in? You want them all in. Why should men come in? Outside of social and fraternal interests, what are the material business inducements that you offer him to come in and join the union?—A. The stronger it is the more weight it will have with the transportation companies with whom we deal. We want everybody. We look after their interests entirely.

Q. With regard to fixing prices?—A. No, sir, nothing with regard to fixing prices.

By Mr. Davidson:

Q. Is there any arrangement about the allotment of goods?—A. We did perform a service during the period after the armistice in exchanging stocks with one another.

By Hon. Mr. Fielding:

Q. You said you had done nothing to interfere with prices? A moment ago you said that they had tried to get manufacturers to keep up prices, and you were advised that that was illegal?—A. We wanted the manufacturer to maintain and fix his prices. We have never ourselves agreed on——

Q. If the manufacturer could keep up prices, that would not cheapen things to the consumers?—A. We do not say "kept up."

Hon. Mr. Fielding: The difference between "maintaining" and "getting up" needs analysis.

Mr. Stevens: Here is something which throws some light on the question. Here is a minute which says that Mr. H. S. Ritchie, sales agent for the Imperial Extract Company outlined his selling policy before the association. He said that he wanted to do business with the wholesale trade exclusively in Sherriff's marmalade. Sherriff's used to sell to the retail trade didn't they, Mr. Douglas?

Mr. Douglas: Mr. Ritchie was a commission broker.

By Mr. Stevens:

Q. You notice that he changed the policy and deals exclusively with the wholesale trade now?—A. Mr. Ritchie came to us and voluntarily made this arrangement.

Q. As a matter of fact they would not push Ritchie's goods when not dealing exclusively with them?—A. He found that he was handicapped and that it was more economical to distribute goods to the retailers through wholesalers.

Q. Now the retailer cannot get the wholesalers' price and the consumer pays more for the extracts?—A. No, sir. The manufacturer would not stay with the wholesale

[Mr. A. C. Pyke.]

grocer a minute if it was not the most economical way to sell to the consumer. The only thing he says is that it is the most economical way to sell goods.

Q. Sherriff's sold to retail trade as far back as twenty years ago. It is a well known brand. Were they forced out of that line of trade?

By Mr. Henderson:

Q. Is it not that the number of members of this organization have been steadily increasing until now practically all the wholesalers are in it?—A. He had a large army of 900 salesmen when he comes to the wholesale grocers.

By Hon. Mr. Fielding:

Q. Referring to sugar, you said that your association only deals with four refineries, one at St. John, one at Halifax and two at Montreal. You seem to have left out the Ontario Beet Factory.—A. There are one or two members who handle Dominion Beet Sugar products.

By Mr. Stevens:

Q. Why not?—A. Because they do not want us to distribute it. They distribute to the retail trade themselves. The wholesale grocers would be glad to handle the products, if approached.

By Mr. Davidson:

Q. How many paid officials has your organization?—A. I am the only paid one.

Q. How are you paid?—A. My salary and expenses are financed by an assessment on each member, according to the volume of business, 25 cents on every 1,000 turnover.

By Mr. Hocken:

Q. Mr. Chairman, did you ask if he ever telephoned to the manufacturers or manufacturers' agents not to sell to the York Trading Company?—A. Not exactly in that way. We have asked them what their policy would be.

Mr. HENDERSON: I supposse you knew they would know what you meant.

Mr. STEVENS: A wink is good as a nod to a blind man.

Witness discharged.

Mr. W. PERCY EBY, called, sworn and examined:

By Mr. Henderson:

Q. You receive letters from the York Trading Company. Tell us what you know about them and their application.—A. I am Chairman of the Toronto Executive of the Wholesale Grocers' of Ontario. The application of the York Trading Company came before the committee on May 8, when the Secretary was instructed to make inquiries about this concern. It was the first we had heard of it. He made a report to the executive to the effect that as far as he could learn it consisted principally of a number of retail grocers throughout the city. We made further inquiry through our travellers, and learn that stock was being sold and actual representations made to members who were approached to join the association. After getting all this information together, I was telephoned by Mr. Dawson, President of the York Trading Company, asking an interview with me relative to their application to enter the Wholesale Grocers' of Ontario. They interviewed me a week ago Monday, and I went very carefully into the objects of the company, and I was satisfied that they were simply a body of retail merchants, who were endeavouring to cut out the wholesale trade. Our association claims

[Mr. W. Percy Eby.]

that the wholesaler grocers have the right to exist, that we are an economy in the distribution of food products, and that the channels of trade between manufacturer, wholesaler and retailer is in the interests of the big body of people all over the country, and therefore should be maintained in their interest. I asked Mr. Dowson how many members he had. He said "73", if I remember rightly. He then said "we want an answer. You have a meeting of the executive to-morrow, Tuesday, and we want an answer by to-morrow night". I said, "Mr. Dowson, this is a matter for the Toronto executive to consider as to whether they should admit you, a band of retailers, into our Wholesale Association. That is a matter which the Toronto executive would have to consider very carefully, and we could not give you an answer without consulting the entire executive in Ontario". We met on the Tuesday following and discussed the application and decided to defer it to general meeting of the executive on a subsequent date.

By Mr. Douglas:

Q. Are there minutes of that transaction?—A. No. That night after the meeting Mr. Dowson called me up and asked me what was the result of the meeting. I told him that we had decided to leave the matter to the general executive to be held at a subsequent date. He said "I am going down before the Commission at Ottawa and what answer shall I give them for your not admitting our company to the association". I said "your answer shall be exactly what I have told you. Your application is under consideration. Personally I gave you my views this morning. I do not think the York Trading Company are entitled to membership in the association." The next I have was a telephone message on Friday evening wanting to know if I was to be called before the commission. I did not receive your message calling me before the commission until the following Monday, last Monday. I heard from Mr. Pyke who came to the association recently and who for that reason could not give you any information practically as a wholesale grocer. The association was formed at the request of the Food Board.

By the Chairman:

Q. Mr. Eby, to make it as brief as we can, I believe that it is the general concensus of opinion that while this association is of recent existence it is in reality a continuation of the Wholesale Grocers' Guild organized for the same general purpose. Until there is some very positive evidence to the contrary we will accept that view.—A. The Wholesale Grocers' Guild has been practically inoperative for three years or two years before this association was formed. Unfortunately it only represented about forty-five per cent of the entire trade.

By Mr. Henderson:

Q. Were there not gatherings from time to time of men in the trade to discuss matters of mutual interest since that time?—A. The first meeting of the Association was for the purpose of discussing the food regulations submitted by the Food Board, and for a discussion of the purposes of the Food Board.

Q. The Grocers' Guild prosecution was in 1913, was it not?—A. In 1913.

Q. It was never dissolved formally?—A. No. It represented about forty-five per cent of the wholesale grocers.

Q. I understand it became dormant while this prosecution was under way. The war came on just on top of that, and the Food Controller came on top of that, and simply picked up the thread, isn't that it?—A. In all probability all the members left the Guild shortly after the suit was started.

Q. Because of the prosecution I suppose?—A. And never came back into the fold.

Q. Of your 72 members now, how many wholesale grocers whom you would recognize as wholesale grocers are there in Ontario not in your organization?—A. I would say from four to six.

[Mr. W. Percy Eby.]

Q. As against your 72?—A. Yes.

Q. Am I right in assuming they are small concerns?—A. Yes, they are small concerns.

Q. And you are not worrying about them?—A. No. There is one big one outside of our association in Toronto. It has been working in harmony with the association.

Q. Those outside the city are small and unimportant?—A. Yes.

Q. Speaking broadly, isn't it the object of the association to protect its members in the matter of selling as well as in buying?—A. The association has made no arrangements of any kind to protect any manufacturers from loss against selling.

Q. And can the York Trading Company operate advantageously without becoming a member of your organization? Can it buy advantageously?—A. No, it could not.

Q. So it might as well stay out of business unless it can become a member of your organization?—A. As far as financial results are concerned.

Q. And I do not suppose they came into the business for the love of being in business, so that, practically speaking to be a wholesale grocer in Ontario, one must be a member of your organization or be in harmony with your organization, that is, to be successful as a wholesale grocer?—A. There are from four to six wholesale grocers outside of the organization in Ontario.

Q. But they are in harmony with you. You have made no attempt to put them out of business?—A. We have made no attempt to put anybody out of business. These men outside of the organization are doing well.

Q. When we are told your secretary calls up the different manufacturers and asks them what their policy will be with respect to the York Trading Company, we expect they knew what he meant?—A. Frankly, we know that the York Trading Company is a body of retailers.

Q. Precisely, and you didn't intend that the manufacturers from whom you buy shall sell to the York Trading Company?—A. We want the manufacturer to sell to the wholesaler, and the wholesaler to sell to the retailer. If that is not the most economical method, the wholesaler has no right to exist.

Q. The situation in Ontario to-day is that if the manufacturer wants to sell in Ontario he must sell to the wholesaler?—A. Not necessarily.

Q. Practically?—A. No, I would not say "Practically" because there are a number of manufacturers who sell to both wholesaler and retailer.

By Mr. Davidson:

Q. If the York Trading Company was a wholesale concern, could it get along without joining your guild?—A. It could get along just as well as a number of firms outside of the business to-day, and doing business profitably.

By Mr. Stevens:

Q. What is your definition of a wholesaler?—A. This is the definition of the association, whether we are considering the Dominion Wholesalers' Guild or the Wholesale Grocers' of Ontario. Here is what an applicant for membership pledges himself to, in the Wholesale Grocers' of Ontario: In making this application we declare that we are conducting a strictly wholesale grocery business and are carrying a full assortment of groceries. Our business is not a co-operative one and we agree not to sell to consumers or any aggregation of consumers organized for buying purposes. We are not in any way connected directly or indirectly with any plan or agreement by which our stockholders are to receive dividends on the basis of their purchases or are we interested in the profits of any retail business. We agree to abide by any rules or regulations that may be adopted at any Annual or Special Meeting of your Association. In case we at any time cease to carry on a strictly Wholesale Grocery business, we shall cease to be members of The Wholesale Grocers of Ontario and shall have no interest in the funds thereof.

Q. Is that negatively a definition of a wholesale grocer? It must not be a co-operative organization. May I ask if this was prepared with special reference to the York Trading Company, or any smaller company? Were there similar efforts to enter your organization prior to this?—A. It was the first company to make application to the association for membership, and the question of the definition of a wholesale grocer came up at the outset.

Q. Am I right in thinking that this application form was prepared with the view of excluding co-operative associations like the York Trading Company?—A. No, it was a general application form.

By Mr. Devlin:

Q. You did not admit any co-operative company into your Guild? You did not class any co-operative company as a wholesaler?—A. We never had an application from a co-operative company.

Mr. DEVLIN: But by your definition you bind yourself to turn them down.

By Mr. Stevens:

Q. Is your association opposed to the system of co-operative organization such as the Farmers' Co-operative Societies? Is it opposed to the business policy of co-operative associations such as Farmers' Clubs and co-operative societies?—A. We believe that the consumer should buy from the retailer, the retailer from the wholesaler, and the wholesaler from the manufacturer because it is the most economical method of distribution. It has been proved, and we do not encourage farmers who go into the co-operative business to join our association.

Q. Would you refuse to sell to Farmers' Co-operative Associations?—A. As Wholesalers we do not sell to Farmers' Co-operative Associations. Our interests lie with the retail trade. We could not expect the retail trade to buy from us if we sell direct to their consumers, whether co-operative or otherwise.

Q. That is your policy. You agree not to sell to consumers, or an aggregation of consumers organized for buying purposes?—A. We will not sell to the consumers.

By the Chairman:

Q. I want to get one point clear, your definition of a wholesaler is, someone who does a wholesale business, and does not retail in any form whatever.—A. Yes.

By Hon. Mr. Fielding:

Q. If the retailer happens to have a share in an incorporated company in the wholesale trade, it would not disqualify that company from being a wholesaler?—A. No.

Q. Or if there were five retailers in that wholesale company or even ten it would not disqualify it?—A. No.

Q. The York Trading Company consists of a corporation which is a wholesaler in that it does not sell to the consumer.—A. We avoid anything which has its object the cutting out of the wholesale grocer.

Q. You would not inquire into the stockholders of other companies. I understand your position. This company is made up exclusively of retailers you think?—A. Yes.

Q. Not exclusively, but mainly?—A. They might get somebody else in.

Witness discharged.

The Committee adjourned until 3 p.m.

The Committee resumed at 3 p.m., Mr. Nicholson, the Chairman, presiding.

Mr. H. C. BECKETT, Hamilton, called, sworn and examined.

By Mr. Henderson:

Q. What is the name of your firm?—A. W. H. Gilliard and Company, wholesale grocers.

Q. That is a very old established concern?—A. They have been doing business for forty years.

Q. And you yourself have been with that firm for how long?—A. Probably 20 years. I have been connected with the firm all my life. I started in the warehouse and I am now head of the firm.

Q. Was that firm a member of the organization which existed prior to 1913, the Grocers' Guild?—A. Yes, the Guild started in 1883.

Q. And carried on until 1913?—A. It was continued until the war broke out.

Q. And I think you were honoured by being in the forefront of the prosecution which took place some years ago?—A. I was the chief culprit.

Q. The King against Beckett?—A. Yes.

Q. So we may assume that you know all about the business, inside and outside?—A. I think I am pretty familiar with it.

Q. Can you explain the difference between the organization that existed under the name of the Guild and the present organization?—A. Explain the difference? Well, there is practically no difference.

Q. I thought not. Then may we take it that the judgment of Chief Justice Falconbridge fairly describes the character of the organization you had then?—A. Exactly. The things we are doing now we were doing then.

Q. The things you are doing now are the things you were doing then?—A. Yes. There are a couple of addresses in that pamphlet which explain it.

Q. There is in this pamphlet a couple of addresses by the late E. F. B. Johnston which we may take as reflecting the sentiments of your organization?—A. Yes, and the outline of the proper conduct of the business.

Q. That is from your point of view?—A. No, from a legal point of view.

Q. Having regard to the fact that Mr. Johnston was your counsel, it would be excellently well reasoned?—A. We think so; the finest in the land.

Q. Then we find that to-day your 72 members constitute an organization with an executive committee and local subdivisions of the executive committee, and that you meet together from time to time to discuss your own business interest?—A. I think I ought to explain that more fully. In the first place, the Dominion Wholesale Grocers' Guild was an organization formed in 1882 that was defined in this way. Each province had what they called a Provincial Guild affiliated with the Dominion Guild. The Dominion Guild was the parent guild. Each Provincial Guild was a branch of the Dominion Guild and were under provincial names, like the Ontario Wholesale Grocers' Guild, the Quebec Wholesale Grocers' Guild and the Wholesale Guild of the Maritime Provinces. Each of these Provincial Guilds had a president and vice-president. The Dominion Guild at their annual conventions appointed the president of the Dominion Guild and the vice-presidents of the Dominion Guild or the presidents of the Provincial Guilds. That is how the organization was worked. Then the provincial guilds had a fee of $25 a year that was paid into the Provincial Guilds. The Dominion Guild had a fee of $10 a year, which was paid into the Dominion Guild. Stanley Cooke was the secretary of the Dominion Guild. The Dominion Guild was in existence from 1883 up to the time of the war, and the presidents who occupied the position during that time were Mr. W. H. Gilliard, Mr. Gordon, of Winnipeg, Mr.

Blain, Mr. F. T. Smyth, Hamilton; Mr. Miller, of the Turner Company, Quebec. I was president at one time. They held office not for any stated time. Early in the history of the Guild, Mr. Gilliard held office for ten years. We had no offices or anything. It was purely a voluntary thing. After a while we got better organized, and got things running in nice shape, and then you remember the agitation that sprung up over the country some few years ago, and the Guild was then charged with being a combine. and all that kind of thing, the result of which was this trial. This trial simply confirmed everything we had been doing as legitimate.

Q. We are not concerned here to-day with whether or not those who combine?—A. I am just leading up to it.

Q. You need not worry about anything of that kind.—A. No. I am leading up, so that you will have a fairly good knowledge of things. Then, owing to the fact that some of the wholesale houses thought the name guild was rather an objectionable name, it was decided that we would change the name of the association and call it the Canada Wholesale Grocers' Association, and an application was made at the present session for a charter. We got the patent on the 6th June, and there has been no meeting of any kind for any organizations of any kind. All these men who are holding office now, are merely holding office temporarily, subject to the regular organization and having everything confirmed and put in first class shape. That is the position of the Guild today. Now then, with regard to our position as manufacturers, I want to make it absolutely clear and positive, as any man can for you, that we have no combinations of any kind with regard to the selling price of goods. Now, there are all kinds of reports going out that we have, but I tell you positively we have not and we never have had a meeting to fix the price of anything.

Q. As a matter of fact, I assume you do make it your business, in so far as you can, to find out what your friends' prices are?—A. We can learn that in five minutes through the medium of our travellers.

Q. How do prices range in that way? How do the prices between Hamilton and Toronto for instance compare?—A. Well, they are very much the same; they cannot be otherwise.

Q. But you say that is not the result of any arrangement?—A. No.

Q. Why is it?—A. It is the result of competition.

Q. Is competition so close that it adjusts itself?—A. Competition is so close in the wholesale grocery business that we have not succeeded in making an average, taking ten years—I am speaking for my own business, I cannot answer for every other wholesale business. Mr. Blain is here and can answer for himself, and his answer is not as favourable as mine—we have not succeeded in making an average of one per cent net on our turnover in ten years. That is how close the business is done.

By Mr. Stevens:

Q. How often do you turn your stock over in a year?—A. Some things we turn frequently, but others we carry for a year.

Q. But generally?—A. Based on the amount of stock we carry and the volume of business we do, we would turn over our stock about five times in a year.

Q. Then you make five per cent?—A. No.

Q. Have you your balance sheet?—A. It was sent to Dr. McFall.

By Mr. Henderson:

Q. How is it as to prices between Toronto and Montreal?—A. The difference would probably be the difference in freight?

Q. That is the difference in freight from Toronto or Montreal as the case might be?—A. Yes. It depends where the goods are manufactured.

[Mr. H. C. Beckett]

Q. I am talking now of the difference in the price to the retailer?—A. Yes, I am speaking of that. For instance, sugar is made in Montreal. It is cheaper in Montreal than in Hamilton because there is the freight.

By Mr. Douglas:

Q. Are you sure of that?—A. Absolutely positive.

Q. I thought the equalized freight came in there?—A. So it does, and I am the originator of equalized freight rates and can tell you.

Q. Are you aware that in Vancouver sugar is higher than it is in Brandon?—A. I am not familiar with conditions there.

Q. And the equalization of freight rates in the West is not the same as here.—A. I am not familiar with it there, but I am in Ontario. As far as the equalized rates are concerned, it is a very complicated thing, but as briefly as possible the idea of the equalized rates was to lay the sugar down to the retailer all over the country, all over the province of Ontario, as nearly as possible at a uniform price, the refiners and the wholesale houses absorbing a portion of the freight. For instance, in Toronto the price of sugar is 22 cents over the price of sugar in Montreal, and if I remember correctly the carload rate of freight from Montreal to Toronto is 34 cents a hundred. Notwithstanding that, the sugar is sold at Toronto at 22 cents a hundred over the Montreal price. That is what we call the equalization, making the cost to the retailer as nearly as possible the same all over the country.

By Mr. Henderson:

Q. But the manufacturers' cost is f.o.b. Montreal?—A. No, he sells his goods delivered on the basis of the equalized rates.

Q. He absorbs?—A. He absorbs from ten to fourteen cents a hundred of the freight on practically every shipment he makes.

Q. The manufacturer absorbs the cost of the freight?—A. Yes, that is added to the cost of his sugar. It is part of his manufacturing costs.

By Mr. Nesbitt:

Q. But the retailer in Montreal really does get sugar cheaper in Montreal than in Toronto?—A. Yes, 22 cents a hundred cheaper than the retailer in Toronto.

By Mr. Henderson:

Q. I do not understand how the manufacturer absorbs the freight rates?—A. He does.

Q. He quotes a price at your warehouse?—A. If the manufacturer pays 34 cents a hundred by the carload to ship sugar to Toronto and he sells to the wholesale house for 22 cents a hundred over the Montreal price, he is absorbing 12 cents a hundred for the freight?

Q. He is absorbing part of the freight?—A. That is what he does, that is part of his costs.

By the Chairman:

Q. So that freight rates are only partially equalized?—A. They are not absolutely equalized.

Q. Only partly equalized?—A. Yes.

By Mr. Henderson:

Q. Not equalized, but partially absorbed.—A. Before the equalized system came into effect, the difference between the cost of sugar to a man, we will say in Toronto, and a man in Barrie, was much greater than it is today. The difference in the cost of sugar to the retail man in Toronto was much greater than the difference between Toronto and Montreal today, because the refiners and the wholesale houses are absorbing a portion of the freight.

By Mr. Douglas:

Q. How are the wholesale houses absorbing it?—A. Well, in the very same way. They pay out more freight in the delivering of the sugar to the retailer than they actually get in the price.

Q. After it comes out of your Toronto branch?—A. Yes. Take up in the North Country, the T. & N.O., we ship sugar from Hamilton and absorb ten cents a hundred of the freight.

Q. Up to Toronto you do not absorb any?—A. No, but if we ship from Hamilton to Toronto, we would absorb all the freight between Hamilton and Toronto, to compete with Toronto.

Q. How about London?—A. Same way with London, and the amount we can make on sugar is four per cent, and it costs us ten per cent to sell it.

By Mr. Stevens:

Q. Does it cost the wholesaler ten per cent?—A. Yes. I would like to make that a strong point before the Committee, because we are continually being misrepresented by people we do not know.

By Mr. Douglas:

Q. They are bad people.—A. They are a bad lot. I am giving you round figures. The average cost of doing business to-day of the wholesale grocer in round figures is ten per cent.

By Mr. Stevens:

Q. It does not cost anything like ten per cent to sell it.—A. If it does not cost you ten per cent to sell sugar, it costs more to sell other goods.

Q. It does not cost you half of ten per cent.

By Mr. Henderson:

Q. You do not segregate sugar?—A. You have to take your total turnover and find out what it costs.

Q. Sugar is more cheaply handled than any other commodity.—A. The consumer is getting a service in sugar far below the cost of that service. For instance, it is being sold in Hamilton at $10.50 a hundred and it costs the retail man $10.19.

Q. How much is he making?—A. Less than 5 per cent. Now we make four per cent. It costs us ten per cent to do business, and the public are getting the value in sugar far below the actual cost of producing it, and that applies to many other lines handled by the retailer.

By the Chairman:

Q. The public must be paying for that service in some other way?—A. They are indirectly, yes. But it would be very hard to explain that. There is not a wholesale grocer in Canada to-day that can make money. He would actually lose money and a lot of it if he was buying at the price of the day, and selling on the price of the day. The only possible way in which the wholesale grocer can make money is by speculating, buying at the right time. In Canada we have been selling prunes that came from California at five or six cents a pound less than we could buy them at, because we had the prunes, and the public get the benefit of it.

By Mr. Henderson:

Q. How many years have you been in business?—A. Forty.

Q. Has that been your experience over the whole forty years?—A. Yes.

Q. Do you think it will continue to rise forever?—A. You mean the cost of goods?

[Mr. H. C. Beckett.]

Q. The process you are describing. I imagine you are describing the commercial process. There must be a day surely when the price must come down. You say that a wholesale grocer cannot live commercially unless he speculates?—A. Yes.

Q. That is buying on a lower market, and selling in a higher market?—A. Yes.

Q. Can that go on forever?—A. That has always been the way.

Q. It has not gone on for 20 years?—A. Yes, it has.

Mr. Stevens: I think that what he means when speaking of his prunes is that he will buy prunes in a very large quantity at a certain season of the year—in the fall we will say—and he will stock up as a wholesaler on a very large quantity, and then when February or March comes, the general market having been pretty well skinned out, if I may use that phrase, the market price of prunes jumps two or three cents, or whatever it may be, and Mr. Beckett, having this large stock, will sell to the retailers at a price that he could not have sold at on the market?

Witness: That is an absolute fact.

By Mr. Stevens:

Q. As regards sugar, the point is this: The grocers, whether they are retailers or wholesalers figure on handling sugar on a very small margin for the simple reason that it is in unbroken packages. He gets a 150 pound sack, and he does not break it, but delivers it quickly to the retailer and it is a very quick turnover, whereas, if they buy pickles they have to break the packages and cannot do business on anything like the same margin?—A. Are you in the wholesale business?

Q. No, but I know something about it?—A. We are here to give you the facts. You say there is money in sugar. A man will telephone us for a bag of sugar. Mind you, we have to give service. He is three miles away from us, and he wants one bag of sugar. We make on that bag of sugar forty cents, and we have to send it three miles with a team. Do we make any money on that?

Q. You do not send a rig out with one bag of sugar?—A. We have done it.

By Mr. Henderson:

Q. You should try to economize?—A. We try to economize as much as we can. I want to impress upon you the fact that we do not make any money on sugar, except in a speculative way.

Q. Where do you make your money? You do not expect the Committee to believe that you are in the business for the love of it?

Mr. Stevens: Or as Mr. Paton said, for the glory of God.

By Mr. Henderson:

Q. Help us to find out where the cost of the goods is?—A. This wholesale grocery business is such a joke that it is hard to get your people to believe there is not much money in it. I am telling you that unless we speculate we cannot make money.

Q. What you mean is that the margin of profit in the grocery business is so small that you have to buy at the right time in order to make even a profit?—A. Where there is an element of speculation about it. We do not have to buy on proprietary articles such as we handle, to speculate for the reason that the manufacturer when he starts making these goods figures out what the consumer is going to pay for them. That is the first consideration. And then he figures out what methods he will adopt in distributing these goods to the retail trade, whether he will sell direct or through the wholesale trade. He knows that it is going to cost him so much money. Then he knows that the retail man is not going to handle the stuff unless he can make a profit. There is no speculation in that line of goods.

Q. What proportion of goods handled by the wholesale grocery trade to-day is package stuff?—A. You mean proprietary articles?

[Mr. H. C. Beckett.]

Q. You may call them proprietary articles. You know just what you are buying?—A. You can call sugar a proprietary article, just as you like.

Q. It is pretty close to it, is it not?—A. Not exactly. The turnover of wholesale houses in sugar will be about from 30 to 35 per cent.

Q. Put sugar to one side; now take all these package things?—A. I would say probably forty per cent of the wholesale grocers' business was proprietary articles.

Q. Forty per cent?—A. Yes.

Q. I was interested in a talk that I had with a grocer some time ago. He took me over his shop, pointing out, for instance, his fine carrots. He said the bulk of his business in carrots was sold in cans because he could not get the housewife to buy the carrot. She did not want to bother with having to trim it and cook it. Then he showed me a barrel of oatmeal, five cents a pound, and he showed me a small package of oatmeal, a three pound package which I think he said cost 25 cents. He took me all over the store, and he said that from his point of view that was the cause of high living, or the cost of living high. What do you think of that theory?—A. That is a big question.

Q. What is your practice? You know how it was 25 years ago?—A. Take a family living in a little two by four flat. Their practice is to buy in small quantities in a package that they can use as a container until they have used the goods up.

Q. Twenty-five years ago there were no such packages?—A. No.

Q. And people got along very nicely?—A. They did and they do to-day.

Q. They went to the grocer, and if they wanted a small quantity they would get it in a nice little paper bag?—A. Yes.

Q. How much in proportion is added to the cost of living because of the fact that people have been trained to buy these package goods instead of bulk goods? Is that not a proposition that has to be considered?—A. That is a pretty hard question to answer for this reason: In those days there was no condensed milk, no evaporated milk. My mother used to boil wheat, and I liked it better than I get to-day. Now people buy the goods.

Q. Take the ordinary things that the poor man uses, tea and sugar, coffee, oatmeal and flour?—A. He used to use cornmeal. Now he uses corn flakes because he likes them better.

Q. What is the difference in the cost to him?—A. 300 or 400 per cent, perhaps 500.

Q. Take his breakfast table to start with and then his dinner table and his supper table and in between?—A. I know, but here is another feature. Take wheat. My grandmother used to boil wheat, and I liked it better than what I get to-day. Now people buy shredded wheat. They do not need to cook it. They can prepare hot water for it and eat it. That is the practice.

Q. Can you tell me the proportion of your business in that kind of thing; what proportion the grocery business has developed into a package goods business?—A. Here is something that Mr. Blain has thought carefully out. (Reads):

> "It is a well known fact that the great daily newspapers would be losing enterprises as conducted if it were not for advertising. Indeed, their major profits come from this class of business. In this connection, let me quote the Toronto *Globe* of October 25, as follows:—" The man who sells groceries. Did you, Mr. Grocer, ever consider how many of the things you sell are already nine-tenths sold to your customers for you before you buy them from the manufacturer? The breakfast food, the soap, the syrup, the many, many things that represent daily household wants. Think how many of these standard articles are advertised by the manufacturers in the columns of this newspaper for your benefit. Here's a suggestion for more business:—Look over the advertising in the *Globe* and see how many of the things advertised are on your shelves. Then make a window display of these advertised articles and watch your sales increase. These are the goods for the consumer, largely proprietary articles, and with few exceptions

[Mr. H. C. Beckett.]

these cost the consumer from 50 per cent to 100 per cent more than the same quality of goods in bulk."

Q. That is the very idea I was trying to bring out. Twenty-five years ago a man had to be a grocer to run a grocery store?—A. Yes.

Q. To-day he only needs to have the physical strength to pull a package off the shelf and sell it over the counter?—A. He has other troubles. He has labour troubles.

By Mr. Reid:

Q. That is not confined to the grocers?—A. He has clerks who will bust him by giving over weight.

By Mr. Henderson:

Q. But the old fashioned grocer has practically disappeared?—A. Yes.

Q. What I would like to get at is what proportion of your business is in the old fashioned bulk goods, and what proportion is in the new fashioned package goods?—A. I could work that out if I had lots of time, but I would not like to mislead you.

Q. Have you any idea; would it be 75 per cent?—A. Oh, no. Conditions have changed. At the time you speak of they never thought of eating rolled oats in packages.

By the Chairman:

Q. The point which Mr. Henderson is endeavouring to bring out is, what is the difference between purchasing a given quantity of rolled oats in bulk and a given quantity of rolled oats in a nicely prepared, decorated package?—A. I will have to figure it out.

Q. Tell us approximately?—A. It would cost about six cents a pound, if they bought in bulk, and these family sized packages, for which they pay 35 cents, contain $3\frac{1}{2}$ pounds as nearly as I recollect.

Q. A difference of 100 per cent?—A. The difference between six cents and ten cents but the consumer does not want it that way.

Q. We want to find out. Take tea. If you were going to buy some tea in bulk, ten pounds of tea in bulk in the old fashioned way in a paper bag, or ten pounds in a nicely decorated ten-pound package, what would be the difference?—A. I figured that out once, and I found that there was a million dollars thrown in the ash barrels in the covers of these packages every year.

By Mr. Reid:

Q. From pound packages of tea?—A. Various packages.

By Mr. Stevens:

Q. Tea alone?—A. Yes. They even make up five-cent packages.

Q. You mean that there is a million dollars thrown away in these covers?—A. Yes, including the lead and lithographing attached to them.

Q. How much did you say?—A. A million each year in the ash barrel.

By the Chairman:

Q. Have you followed that along through the general line of package goods? Take coffee?—A. They would save that.

By Mr. Davidson:

Q. Is that material?—A. That includes labour. There is a lot of people who have to do with the packages, the lithographer, the paper man, the man who makes the lead, the man who packed it.

[Mr. H. C. Beckett.]

By Mr. Reid:

Q. Did the trade put up these packages before they were asked, or were the packages asked for before they were put up?—A. It was initiative on the part of enterprising business men.

By Mr. Stevens:

Q. They created the taste?—A. Created the taste. You may ask how many million dollars were spent in a year in advertising package products. If these several million dollars were not spent, would it not be saved on the goods? But then the newspapers would not get any revenue.

By Mr. Henderson:

Q. The consumer has to pay it all eventually?—A. Sure he has.

Q. And that runs through mostly every line you handle?—A. Yes, the consumer pays for it eventually.

Q. You were following on with something else that you had to say?—A. I had something here to give you if you care to have it. You are trying to solve the high cost of living problem.

Q. Always with reference to any way which can be recommended to the public or to the Government of reducing the price?—A. Exactly. We know some of the causes of the high cost of living. I am sorry to say the grocers do. I guess most people do who have common sense. It is lack of production. I have been interested in this matter for fifteen years, and I have never lost an opportunity of going before any official committee or body of men if I get the chance to express my views on this matter. Here is a copy of a communication that I addressed to the Hon. Chief Justice Mather, Chairman Royal Commission on Industrial Relations on the 21st May, which reads as follows:—

HAMILTON, 21st May, 1919.

The Honourable Chief Justice MATHERS,

Chairman, Royal Commission on Industrial Relations.

MR. CHAIRMAN,—What I have to say has been carefully considered for many years. The views expressed are not haphazard, they are based upon a careful study of and intimate acquaintance with conditions.

If conditions are chaotic and gradually becoming more so, the sensible thing to do is to diagnose the case and then apply a remedy.

Discrimination on the part of manufacturers in the sale of their wares to the retail trade of Canada in actual practice is an economical evil very far reaching in its effect upon the prosperity of this country.

The theoretical idea or general belief that concession for quantity buying is sound business ethics is wrong in practice. This practice if carefully analyzed will account for the slow growth or gradual decline of nearly every town and village in Canada.

Dead towns and villages make farm life unattractive. There are no attractions to foster community life, and the big question before the nation to-day is "Greater production of Canada's natural resources". Men and women naturally long for social employment. If they cannot find it within their own field of endeavour they will go where they can find it.

For the last fifteen or twenty years instead of a steady growth and improvement in the towns and villages of Canada there has been a gradual decline, and thus the once prosperous community in the centre of a farming area affords little in the way of attractions to the inhabitants of the surrounding country.

Mr. Reid: This is very nice, but I do not think it is business.

The Witness: I am coming to the point. I won't be more than three or four minutes.

The Chairman: I think there is some very good information for the Committee in this.

The Witness: I have spent a lot of time preparing it. This letter continues:—

> This condition palls upon the youth of the country and they are forsaking the farms on account of the humdrum conditions. This condition to a large extent might have been avoided if the Government had made an honest effort to investigate ten or fifteen years ago, but the Government could not see the handwriting on the wall.
>
> The attention of the Government has been directed to this condition of affairs year after year. The suggestions of business men who for forty years have been in close touch with economic conditions have gone unheeded. The recommendations for the appointment of an inland trade commission absolutely removed from politics have only been considered from the view point of political expediency, and nothing has been done. With the Government it has not been a question.
>
> "Is the appointment of an inland trade commission absolutely removed from politics a sound and sensible proposition?"
>
> Some Cabinet Ministers unofficially have admitted the wisdom and necessity of having such a commission but have hesitated because they thought their motives would be misconstrued by the Opposition, and as a consequence they had not the courage of their convictions to bring in such a measure.
>
> Much valuable time has been lost due no doubt to the fact that those engaged in politics have been sufficiently seized with the seriousness of the situation, a situation that is becoming more serious every year while the Government stands by helpless.
>
> This is a big question and requires serious study, but for ten years, notwithstanding repeated suggestions from those engaged in trade and commerce, it has been ignored. The road to prosperous community life and increased farm production has been lost by the Government. An inland trade commission would likely put them on the right track.
>
> To prove that unfair discrimination by manufacturers in their dealing with the retail trade is not sound business, let the public consider the evils that accrued out of unfair discrimination in connection with transportation or freight rates, what a serious effect it was having upon the trade and commerce of the country, how it was tending to monopoly. Pressure was put upon the Government to take action. The Board of Railway Commissioners was appointed. The same necessity exists for investigation into trade and commerce conditions of this country. It all has a bearing into questions you have under consideration. The present condition of chaos in business has been gradual in its development.
>
> Many hazy ideas regarding business ethics should be clarified. The trade and commerce of the country is tending to monopoly and centralization. The big cities are growing at the expense of the country as a whole. Let Canada lead in solving this problem, because it is of greater moment to the prosperity of Canada than any of the subjects that have been agitating the public mind. Justice recognizes neither party laws nor political beliefs. Food is the most important thing in the world to-day, and everybody must have plenty of it.

There is, to my mind one of the most important suggestions you will have put before you; that is trying to build up community life. I have offered out of my own pocket hundreds of dollars to start a community campaign round different towns, to get the

[Mr. H. C. Beckett.]

farmers to buy their goods in their own districts. For instance, a traveller of ours went into a store not a month ago. He said, "This man carries a stock of about $30,000." He was about forty miles from Hamilton. He said to the man, "Well, how is business this morning?" The gentleman keeps the post office and he answered, "Oh, goodness: you know I have not done one thing this morning". He wrote out post office orders to send to Toronto. He said, "I have written out eight hundred dollars worth of post office orders for goods, and I have everything right here and I can sell just as cheaply as they can". How are you going to build up towns and villages with a condition like that?

By Mr. Hocken:

Q. He ought to advertise.—A. It is not that. It is the fact that the Government has not investigated this thing. It can be shown that this business is being conducted at a big loss, and I think that should be investigated by the Commission.

By Mr. Stevens:

Q. You are opposed to rural mail delivery?—A. No, I say investigate these things, and you cannot do it without a commission that is appointed permanently, and men with lots of brains and energetic chaps that are going into this thing, who will come before you the same as we are doing to-day, and we can make the suggestions and put them on a certain trail, and let them follow it up and investigate. There is a reason for this. Why would these towns and villages go back without a reason? I covered all this territory thirty years ago. I know how prosperous they used to be. I know there are men being driven out of business through the unfair condition.

By Mr. Reid:

Q. What is the solution?—A. I would say the first solution was an inland trade commission, so that the findings would be believed. What we say the public will not believe.

Q. Give us your opinion as to what would be the solution?—A. If I were on that commission, if I was going to run the show, I would say this: I might have the power to make it legal, to enforce it, but I don't know. It depends on the powers the Commission gets, but I would say this that it is an economic evil for a manufacturer to supply certain classes of retailers with goods from 50 to 20 per cent cheaper than the other retailers all over the country can buy them at, and I say if the other retailers all over the country got their goods at the right price they would be in a position to compete, and they would never go out of business; that these various municipalities, villages, towns and so forth, would be conducting a thriving business. They would be getting taxed and improving their towns and villages, and making the community life of the farming territory attractive, and the young people when they drove into the place would not find everything dead with the place in a trance.

By Mr. Stevens:

Q. You would stop the manufacturers from selling to Timothy Eaton, which is the most noted mail order house?—A. I would stop him, but I would——

Q. You would stop him from selling to Timothy Eaton except at the same price he would sell to any small grocer?—A. If I was on this Commission, I would say that was an economic evil, and I would leave it to the trade to adjust it. I would not make a rule you had to do it.

Q. I am getting at the consumer?—A. So am I.

Q. You would, if you had the power, stop the manufacturer from distributing his goods through Timothy Eaton's mail order house at a lower rate than they are offered for sale in the ordinary course?—A. I would not stop him by law.

Q. You would prevent that practice?—A. It should be frowned down.

[Mr. H. C. Beckett.]

By Mr. Henderson:

Q. Why not stop him by law?

By Mr. Nesbitt:

Q. You would stop him by education?—A. By education.

By Mr. Stevens:

Q. The consumer now gets that article from Eaton—I am using as an illustration, or it might be any other of these big houses—at 15 per cent lower than the ordinary retail store can sell at?—A. No, he does not; there is the funny part of it. The public think they do. That is the funny part of it. He makes the money.

By Mr. Hocken:

Q. He should advertise. If the people in that town knew that they could get the goods for the same price from him they would not send to Toronto?—A. Whom would he advertise with?

Mr. HOCKEN: There are lots of ways by which he could make that known in his district; he could send out a circular or advertise in the local paper.

By Mr. Reid:

Q. Do you know whether this retail merchant you are speaking of has any of these silent salesmen, that is a big card sticking up stating that such and such will be sold for 90 cents?—A. Some have. Some are very enterprising and do better than others. But if a man cannot own his goods, or buy his goods as cheaply as another, he cannot sell as cheaply without going out of business.

By Mr. Stevens:

Q. But you said he did?—A. There is a lot of information that I could give but I do not want to take up the time of the committee, I could give you information about the methods of the departmental stores that would open your eyes. It needs investigating.

Q. The point I am interested in is whether these suggestions are of a character that will tend to lower the cost of living? If they do not, they are absolutely valueless? —A. They will help some, but you cannot reduce the cost of living until you increase production.

By Mr. Hocken:

Q. If you could make the town productive, you would be increasing cultivation in the neighbourhood?—A. That is the whole thing.

By Mr. Reid:

Q. You are of the opinion that the departmental stores are injurious to the country?—A. Absolutely, they are simply ruining the country so far as the building up community life is concerned. It is a crime what is going on.

By Mr. Stevens:

Q. When Mr. Pyke was giving his evidence, he said you would know about this point, and I do not want to overlook it, or deny you the privilege of explaining it. Here we have in your minutes a reference made to a proposition to some definite policy to be adopted by your association, and in it is a reference to the maintaining of prices. Now, a matter of that kind is very interesting to this committee, and we are very anxious to find out any attempts that are being made to main tain prices, and why, and if it is possible to reduce these prices. What is the explanation of this minute?—A. He has reference to a certain proposition that I made.

[Mr. H. C. Beckett.]

Q. Exactly?—A. I will tell you what that was. In the first place, do not think that for one minute I have anything to hide; absolutely nothing. The wholesale grocer business is open to you. We have a defensible position in everything we do.

By Mr. Henderson:

Q. Do not forget the old saying, "Methinks the lady doth protest too much." Let us get on and get something concrete?—A. Here is a document referred to after I submitted it.

By Mr. Stevens:

Q. I do not think we need go through it all. What I am after is whether prices are being unduly preserved or maintained. Tell us what your proposal was briefly?—A. You gentlemen are too much in a hurry. It is only a page and a half, and you cannot understand it if you do not get the meat of it. Here is the proposition I put up to the wholesale trade. (Reads):

1. Whereas the present conditions surrounding the wholesale and retail grocery trade of the Dominion are chaotic and gradually tending to a state of demoralization, and

2. Whereas for several years both the wholesale and retail trade of the Dominion have repeatedly requested the Federal Government to appoint an Inland Trade Commission to examine into the internal trade of the country, and

3. Whereas it is necessary for the protection of community interests in every section of the Dominion that definite and clear understanding with regard to trade matters be defined, with a view to eliminating dishonest practices and unfair methods at present so commonly adopted, and,

4. Whereas such methods if continued will undoubtedly seriously demoralize and cripple the community life of the Dominion,

5. And whereas the service rendered to the community by both the wholesale and retail trade are pronounced by the courts to be the cheapest and most economical.

6. And whereas in a country like Canada with sparse population and great distances it is detrimental to the advancement of the country to foster the centralization of business at the expense of community prosperity, and

7. Whereas the rapid upbuilding and progress of Canada is one of great national importance,

8. And whereas the centralization of trade is sapping the life blood of progress over the entire Dominion,

9. And whereas many of the reasons for this deplorable state of affairs are well known to those engaged in the internal trade and commerce of the country,

Be it therefore resolved,

1. That the members of the Canadian Wholesale Grocers' Association endorse the objects of the Retail Merchants Association of Canada and pledge themselves through the Executive Committee (elected to represent them) to loyally support all measures which in the opinion of the Executive may be necessary to bring about fair methods in the conduct of business.

2. It being a well-known fact that dishonest and unfair trade practices must first be dealt with, it is resolved that the executive be empowered to devote their energies to improvement in such direction, and with that object in view the members of the association agree as follows:

[Mr. H. C. Beckett.]

That is what I proposed, but they have not agreed to do it yet. I think they are foolish that they did not jump at it. (Continues reading):

> 3. That the association will endorse the action of any manufacturer who refuses to sell to any member of the association found guilty of violating any promise made to such manufacturer in connection with the sale of such manufacturer's goods.

In other words, the association will refuse to do business with any man who is no good, who is a crook.

Mr. STEVENS: That is, a man is a crook ipso facto because you decide he is a crook.

WITNESS: We do not decide.

By Mr. Henderson:

Q. It actually refers to a man who is cutting prices?—A. Here is a point that you are interested in. (Reads):

> 4. It being a well known fact that some manufacturers are discriminating to the detriment of 95 per cent of the retail merchants by giving special prices and discounts to a favoured few, and that such methods if continued will ultimately mean financial ruin to those so discriminated against.
>
> It is resolved that the Executive Committees are hereby empowered to request such manufacturers to either sell to all the retail grocers on the most favoured basis, or discontinue the unfair method of discrimination.

By Mr. Stevens:

Q. Are you agreeable to the manufacturer selling direct to the retail trade?—A. Yes, we would rather he would do it.

Q. And cut you out?—A. Yes, tickled to death.

Q. That is rather different to what Mr. Eby said. He said your association was absolutely opposed to a manufacturer selling to a retailer?—A. If they are camouflaging and making monkeys of us, and then going out and selling to the people we have called on as cheaply—

Q. You are quite satisfied to have the manufacturer sell to the retail trade if he wants to do it?—A. Some of them do.

Q. But you won't buy from the manufacturer if he does it?—A. What is the use?

Q. With your guild or association you have got him pretty well tied up?—A. We have not.

By Mr. Reid:

Q. Read that clause again?—A. (Reads):

> It is hereby resolved that the Executive Committee are hereby empowered to request such manufacturers to either sell to all the retail grocers on the most favoured basis, or discontinue the unfair method of discrimination.

Is that fair or is it not?

By Mr. Henderson:

Q. That is really after the departmental stores again?—A. No, it is not; it is after the manufacturer who is not playing the game straight, and who is the cause of nearly all the trouble.

By Mr. Stevens:

Q. Is not the real object to get the manufacturer not to sell to the retail trade?—A. No

Q. It is either to sell to no retail trade, or to sell entirely to the retail trade?—A. The whole object is for the manufacturer to be honest with the retail trade.

By Mr. Henderson:

Q. As I understand it, he is selling to the big departmental stores whom he treats on a parity with the wholesaler?

By Mr. Davidson:

Q. Is that it?—A. Not only the big departmental stores but other large retailers.

Mr. Henderson: They have to be very large.

By Mr. Stevens:

Q. Why should not the manufacturer sell to the big retailer if he wants to?—A. He can, but he cannot sell goods to us if he does. He wants to run with the hare and hunt with the hounds. He cannot have everything his own way.

By Mr. Henderson:

Q. If a man is able to buy a carload, what difference does it make if he is called a departmental store man or a retailer?—A. What is a man in business for? Suppose you are a retail man, and I sell to your customers; what would you think of it?

Q. It all depends on what constitutes a retail man. Do you not think that by protesting in this way you are doing your case harm?—A. I want to see the retail trade treated fairly.

By Mr. Stevens:

Q. But you do not want the manufacturer to treat them fairly?—A. I want the manufacturer to sell his goods to the retailer and cut out the wholesaler.

Q. If a manufacturer wants to sell his goods to a retailer and a retailer can buy these goods, to make it reasonable, that retailer ought to have the opportunity, and the consumer ought to have the advantage of the lower price?—A. Why don't the Government sell stamps cheaper to us because we buy $5,000 worth a year than to the man who buys only $2,000 worth?

The Chairman: Let us get to the more practical side of this point. I would like you to give the Committee some concrete figures with regard to doing business.

By Mr. Douglas:

Q. Are there many retailers in Canada who are on the jobbers' lists?—A. Not many, no.

Q. There used to be quite a number, but they are cut down now to a very small percentage?—A. I think it is not as much as it used to be.

Q. Is not the real object of your association just to have that condition brought about?—A. No.

Q. But it has had the effect?—A. That is a gradual evolution in trade. Take the question of pickles. Mr. Pyke was not familiar with it, but I am. The T. E. Lyttle Company manufactures pickles, and it has been their practice to sell their goods to the retail trade. Unsolicited by us at all, we never went near them, they came to the wholesale trade and they said: "We have had a meeting of our directors and we find it is costing us a lot of money to sell our goods direct to the retail trade through the medium of our own travellers. Travelling expenses have gone up and one thing and another, and we have decided to change our policy and from this time on we are going to do our business through the wholesale trade. We will give you the prices at which we sell to the wholesale trade, and we will give you a discount or commission for handling our goods." And the trade accepted his proposition. We did not go near him. It is a mere matter of selling. Take canned goods. Mr. Marshall will check

[Mr. H. C. Beckett.]

me if I am wrong. I had a conversation with the canners not very many years ago before the consolidation of the Dominion Canners, and the canners used to go to the retail trade and sell their goods direct through the medium of their own travellers, and they told me it cost them twenty per cent to sell their goods by sending out their own travellers. Now, the wholesale houses are getting from ten to twelve per cent and distributing the canners' goods. Is that not saving ten per cent in the expense?

By Mr. Stevens:

Q. No, not at all, because the canners still have some expense in selling to the wholesaler. You have to add that.—A. Well, we will add the broker's commission, which is small.

Q. There is more than that; they have to market their goods. It is costing them something to market their goods.—A. Mr. Marshall can answer all these questions.

Q. Your argument is not sound there.—A. That is what he told me.

By Mr. Douglas:

Q. You would not argue that to-day the consumer is getting the benefit of the cheap-selling organization in the matter of purchasing his goods?—A. Yes, he is.

Q. The goods have gone out of sight. A person has to be a millionaire to use them?—A. That is not the canners' fault. It is the lack of production.

Q. Elimination of competition?—A. Failure of crops. They only gave us 25 per cent of our order for tomatoes last year. They gave us five per cent of the canned beans we ordered. They could not get them and hot weather like this might spoil them.

Q. They are exporting some of them according to your schedule there?—A. They are figuring on exporting.

By Mr. Stevens:

Q. The point we want to know is why you put the York Trading Company off your list?—A. They are a combination of retailers. They have subscribed a hundred dollars a piece to be in the company, and the very people who were persuaded or approached to go into it were told they would get a rebate according to their purchases, and they are not what we call a strictly wholesale house, and consequently we cannot from my point of view—I am not the whole show, I am only one—but they would not be eligible to join the association, because they are not strictly wholesale.

Q. But you also do this: By the influence of your association you prevent the York Trading Company from buying from the manufacturers?—A. No, it is up to him.

By Mr. Henderson:

Q. It is up to him because you put it up to him.—A. No, he can use his own judgment.

By the Chairman:

Q. Did you ever make any representations to any manufacturer against selling to such an institution?—A. Not that particular concern, but on general lines, yes. I got an order for a carload of groceries from the Farmers' Co-operative concern.

By Mr. Stevens:

Q. And you would not do it?—A. I put it in the basket. That trade belongs to the retail man located there and paying taxes. I would not sell him the goods. I would be ruining my retail customers.

By Mr. Hocken:

Q. Where was that?—A. Waterdown, I think.

[Mr. H. C. Beckett.]

By Mr. Stevens:

Q. Do you consider that is fair to the consumer? Do you consider that a farmer has not the right to form a co-operative association for mutual benefit in the way of buying, just the same as you have the right to form an association for the useful benefit of the wholesaler?—A. I suppose everybody has the right to do the best he can. Each one has a right to protect his business. This very same question was tried in the courts in connection with the Guild prosecution, and in his judgment Sir Glenholme Falconbridge says:—

> The various cases of alleged oppression and driving out of trade of persons who either openly or by some ingenious device aim to belong to the wholesale trade and at the same time sell at retail are thus easily understood. If this system were to be practiced it would injuriously affect and demoralize the trade, not only of the wholesaler but of the retailer, and the consumer would certainly not be any better off in the long run.

There is a High Court Judge who spent months on this thing, and there are the conclusions he reached, and this is an identical case.

Q. Do you feel you have a right to carry your position to the extent of preventing this?—A. We do not prevent it.

Q. But you do? The evidence we have had of people like the York Trading Company is that they cannot buy from the manufacturer until they get the O.K. of the Wholesalers' Association?—A. The manufacturers have been doing this trick for years. I have protested time and again. A man writes them, and they get letters every week from people who want to buy direct from the manufacturer, and the manufacturer says to them, "We cannot sell you because you are not a member of the Association, just to get rid of them."

By Mr. Davidson:

Q. Have you not circularized the manufacturers, and told them that if they sold to certain concerns they could not sell to the members of your association?—A. No, I have not.

By Mr. Henderson:

Q. Why is it we find so many circulars here reporting that one manufacturer after another had decided to sell to wholesalers exclusively? Why is it your secretary told us this morning that he on occasions sent to the manufacturer and asked him what his policy would be with regard to so and so?—A. I will tell you why. Trade conditions have been getting so rotten in the last four or five years by the underhand methods of manufacturers that we determined that the first business of this association, after we got our charter, would be to ask the manufacturer for a list of the people he is selling to. We want to know where we are at. We do not know who he is selling to. He pretends he is selling to the trade, wholesale grocery houses; that is what he pretends, but we know he is not.

By Mr. Davidson:

Q. If you find by the list that he is selling to a co-operative or retail concern, you are not going to have anything to do with him?—A. I would not say that, speaking for myself.

By Mr. Henderson:

Q. Is that not exactly what it means, and nothing else?—A. Personally I would not buy goods from a manufacturer who did not play the game straight.

Q. And you would not expect any of your associates to do so either?—A. Unfortunately I could not control them.

[Mr. H. C. Beckett.]

Q. You would not consider they were playing the game straight if they did not do as you wished?—A. That is the trouble with the wholesale grocers. They do not stick together.

Q. Would it not be very much better, Mr. Beckett, to tell us that is what it meant; the object at least is practically the same thing, don't attempt to get around it.—A. I am not trying to get around it.

Q. Your object is to prevent the manufacturer selling to anybody other than what you call a legitimate wholesaler?—A. You can put it that way if you choose.

Q. Does it not work out that way?—A. It works out that way, our objects are that we are not going to be made monkeys of by the manufacturer, we want him to play the game straight with the retail trade; we have to look after the interests of 95 per cent of the retail trade of this country, and if we found the manufacturer selling to a small percentage of those retailers at wholesale prices, we want the manufacturer either to get out or to sell to all retailers at that price.

Q. I have not said whether it is fair or unfair, but we want to get at the facts, do you deny that your policy is to confine the selling by manufacturers to legitimate wholesalers as you regard them?—A. That is those manufacturers who want to do business with us, yes.

Q. And in order to carry out that policy your policy is not to deal with the manufacturers who do not do that?—A. That is our policy. Now, take for instance, so that you will understand it clearly, there are many manufacturers, I do not want to do them any injustice, who could not do their business successfully through the wholesaler, take the biscuit manufacturers and the candy manufacturers, they all sell to the retail trade and they all tell their travellers what prices to sell the goods at, and the retail men all know their prices, but it is only such lines that the manufacturer finds that it is of economic value to deal with the wholesalers, we want him to play the game straight, that is all we ask.

By Mr. Nesbitt:

Q. Do you think that if the manufacturer sold his goods to the wholesale trade they could be laid down to the retail trade any cheaper by him covering the ground himself, do you think he could lay them down any cheaper?

The CHAIRMAN: You mean to eliminate the wholesaler?

By Mr. Nesbitt:

Q. Eliminate the wholesaler and go to the retailer direct, would the retailer buy them any cheaper than he does now through the wholesaler?—A. Well, the manufacturers now, some of them, do go to the retailer.

Q. What I want to get at is this—it is very simple—do you think the additional expense of covering the ground himself would preclude the manufacturer from selling to the retail trade cheaper than they can buy now through the wholesale trade?—A. In my opinion he would have to charge more for his goods retail.

Q. Do you think it would benefit the consumer?—A. No, the consumer would pay more for his goods.

Q. It is a fact, or is it not a fact, that the retail grocer, anyway in Ontario, could not buy all his goods direct from the manufacturer without paying an excessive price in transportation charges, or because there are many things that the wholesale grocers supply him that he could not buy in sufficient quantities to buy them direct from the manufacturer without paying an excessive price for transportation?—A. Yes, for instance, we sell some manufacturers goods——

Q. In other words you will ship him all kinds of varieties?—A. Yes. For instance, we bring a cargo of currants from Greece, and if a man wants one case supposing he had to bring it from Greece? We are a necessary evil that is all there is to it.

[Mr. H. C. Beckett.]

Q. And if he bought a case of currants from you the transportation would be very heavy but he can get other goods from you which reduces the cost of transportation.—A. Take for instance the manufacturer himself, he is consistent in some cases and inconsistent in others, he makes a five case price for delivery, that is to say if the retail man would buy five cases of his line of goods the manufacturer will ship it direct and pay the freight on it, so that those five cases of goods comes to the retailer in Orillia, Barrie, Meaford, or any place, at exactly the same as it costs the man at Toronto. The idea is to make the cost to the consumer the lowest possible by saving the second freight; instead of going in and out again it goes straight to the retailer, and the manufacturer saves the price of the two freights, it is a very little thing, but that is done to benefit the consumer so that there is no waste of freight or anything of that kind.

By Mr. Reid:

Q. With regard to this buying and bringing from Spain or other countries is not that more in the line of the importer?—A. Yes. We had a cargo of currants on the ocean and the Germans torpedoed the boat and we lost the whole thing, but it did not cost the consumer anything.

By Mr. Stevens:

Q. You have this statement of the objects of your association, and you have 25 or 30 of your members answering this?—A. Yes.

Q. Can you file with the Committee a tabulated statement showing the answers of your members?—A. Mr. Pyke can.

Q. There are two applications in the Minute book from outsiders for membership, and you supplied them with the forms of application, why did you not supply the York Trading Company with a form so that they might make their application?—A. I tell you, we have never had a meeting of the Canada Wholesale Grocers' Association since we got the charter. Now we haven't anything to read to you, we have no by-laws, no forms of application, no nothing.

Q. You gave these other two firms application blanks, why did you discriminate against the York Trading Company?—A. I suppose they copied them from the old form of the guild.

Q. The executive gave them two blank application forms, but the York Trading Company you boycotted.—A. I am not on the committee, but I will tell you what we did do; a man that owned four retail stores sent in his application for membership in the guild, and signed the application in which he stated that he was not connected with any retail concern, and just about that time we were having a convention of the guild at Toronto and we thought it was a good time to get at the bottom of the affair. Mr. E. F. B. Johnston's partner, Mr. Grant, I think, it was, looked after our interests and this man acknowledged that he had committed perjury when he made his application. We would not take his money, we sent his cheque back, we have to protect ourselves.

Q. What we want to know, and what everyone wants to know is why you did not give the York Trading Company an application blank the same as you did the other?—A. I was not a member of the committee, if I had been on the committee I wouldn't have given them a blank because the information that we have is that they are not eligible.

Q. That is the answer, you will not give them a chance at all?—A. I am not even on the committee, but they are not eligible, I will tell you that.

By Mr. Devlin:

Q. Have you followed up the operations of the Trade Commission in the United States since 1917?—A. No, I have not followed them up very closely.

[Mr. H. C. Beckett.]

Q. But do you know if its operations have been successful?—A. Yes, I am told it was very, very satisfactory, but like every country they made a few mistakes at the beginning by not getting a very good personnel on the Commission. But since that time I believe their work has been very satisfactory.

Q. In your opinion, you would find a remedy for most of the trade evils existing in this country by the establishment of a similar trade commission?—A. I firmly believe we would.

By Mr. Nesbitt:

Q. Do you sell goods on credit?—A. Yes, unfortunately.

Q. Would it be prying into your business to ask how much you carry on an average?—A. On a turnover of one million and a quarter dollars we have about two hundred thousand dollars on our books all the time.

By Mr. Douglas:

Q. What was your net profit on your turnover last year?—A. $6,000.

By Mr. Nesbitt:

Q. On a million and a quarter?—A. Yes, sir. It's a fine business. It is a great business. You do not see wholesale grocers taking holidays. It is the worst dog's life a man can get into.

Mr. DOUGLAS: They are all pretty hard up?

WITNESS: If it were not for the banks they would not be in business.

WITNESS discharged.

Mr. HUGH BLAIN called, sworn and examined.

By Mr. Henderson:

Q. You have been a wholesale grocer in Toronto for a good many years?—A. Forty years.

Q. And you have been a member of the different organizations to which we have referred to-day?—A. Yes.

Q. Somewhat active in them?—A. Fairly.

Q. You have asked that before any questions be put to you, you be permitted to read a statement. You have prepared a statement?—A. Yes.

The CHAIRMAN: I think we will get along more rapidly if we follow that course.

WITNESS: I want to say to the Committee that I prepared this with a great deal of care, and I think there are fundamental principles in this paper that can be of great benefit in giving a proper understanding of the whole question. I have addressed this statement to G. B. Nicholson, Esq., M.P., Chairman of the Special Committee, and to the members of the Committee. (Reads):

> The Wholesale Trade employs the only system which under modern conditions can properly supply consumers with their requirements.
>
> No other method can assemble, conserve and distribute the products of the world with an equal degree of efficiency and economy.
>
> Where the producer and consumer are in close proximity a direct transfer of products may be made to their mutual benefit, but this applies chiefly to bulky and expensive articles and farm products, and then only to a limited extent. Even in these cases the prices exacted are, as a rule, approximately the same as the consumer would pay in the regular course of business.

In general merchandising it would be impossible for the consumer to buy from the producer. A dozen oranges from Florida, a package of currants from Greece, or a caddy of tea from India, China or Japan, would be an expensive luxury if bought direct from the grower, and a package of needles, a spool of thread, or a rake or a hoe, would be correspondingly expensive if bought direct from the manufacturer.

It would be almost equally impracticable for the retail merchant to buy his goods direct from the producer or manufacturer. He would have to buy in quantities greater than he could handle to get the lowest transportation charges, and even if he could buy in small quantities to suit his requirements, the cost would be greater than he could buy from a well managed wholesale house.

The established channels of distribution are from the producer or manufacturer to the wholesaler; from the wholesaler to the retailer; and from the retailer to the consumer. In other words, the logical and practical system of distribution is through the wholesale and retail trade.

If those channels are beneficial economic factors in the distribution of products to the consumer, they could be reasonably protected. Are they? We say they are beneficial economic factors, and ask again " are they protected."

For many years we have urged upon the Dominion Government the appointment of an Inland Trade Commission. In our last interview with the Government recommending such an appointment, I stated in the plainest terms that while Canada had spent many millions of dollars on production and foreign trade, it has never spent a cent on domestic trade. Mr. H. C. Beckett, of Hamilton, who is here to-day and a large number of wholesale merchants, and also Mr. E. M. Trowern, Secretary of the Retail Merchants' Association were present, and strongly urged the appointment. Sir Geo. E. Foster, Minister of Trade and Commerce, admitted the correctness of the statement, and also admitted that domestic business was equally as important as manufacturing or foreign trade, and came more closely into contact with the consumer.

When the Hon. Mackenzie King amended the Anti-Combines Act I urged him to make the Commission for which the Act provided a permanent Commission, to supervise and regulate domestic business. He agreed with my views, but feared that public opinion would not warrant such an advanced step. If he had then done so, the Commission would have been of great service to the Government when the war started. A properly organized Inland Trade Commission would have had its finger on the business pulse of the country, and could have furnished the Government with the information it so much required.

We are here in Ottawa again, this time to urge your Committee to recommend the appointment of an Inland Commission to supervise and regulate distribution and prevent profiteering.

The regular trader, as a rule, has neither time nor means nor extra warehouse facilities necessary to speculate, and the speculator is the man who is the profiteer. I do not call buying for your requirements at the proper season of the year speculating. I call it prudent buying. The whole time of the man with an established business is required to look after his daily affairs, and if he were to approach his banker with money to speculate with he would be likely to receive a somewhat chilly reception.

If we were profiteers we would not so long and so persistently advocated and pressed for such a Commission.

A well organized Inland Trade Commission composed of shrewd, able business men in whom the public have confidence, and who had neither political nor business interests to serve, but whose whole time was employed in making a careful study of complex business transactions and business conditions, would protect the public against profiteering and exorbitant prices, and the assurance of

[Mr. Hugh Blain.]

such a commission that business was carried on fairly and honestly would calm the public mind and prevent much of the unrest and apprehension caused by the reckless and venomous views of the professional agitators.

Such a Commission should have power to call before it anyone accused of improper business conduct, and after a thorough investigation be able to punish the offender without throwing the responsibility upon the municipality, or the Attorney General of the Province, or the Dominion Government. Such a Commission would soon be able to intelligently assist the Government in passing uniform and just laws to govern the entire inland business of the Dominion.

To-day we are seriously discriminated against. In the Province of Ontario, in addition to paying the full municipal tax at so many mills on the dollar, which really provides for the business facilities we enjoy, we are charged seventy-five per cent of the full regular municipal tax as a business tax. Last year the wholesale business tax in Toronto on premises assessed at $100,000 was $2,287.50.

The retail trade pays the full tax in every municipality in Ontario, and in addition on the business tax on the average of thirty per cent of the regular tax. Those are charges for distribution of goods through the wholesale and retail trade.

The mail order houses (our special competitors) pay in addition to the full municipal tax fifty per cent of the assessment of their premises as a business tax, but pay no tax to the hundreds of municipalities into which they sent their goods.

This would mean a business tax in Toronto last year of $1,525 on premises assessed for $100,000, and no taxes whatever in other municipalities in Ontario.

In addition to this, the Government as far as we can judge, is delivering these goods for the mail order houses for less than cost, and we also believe is circulating bulky catalogues soliciting business through the post office, at less than cost and to the injury of many retailers who keep these post offices and often without receiving adequate compensation for their services.

Even in the face of all this I am advised that the retail trade furnish goods to the consumer at lower prices than these mail order houses, when the additional expense is considered.

The situation is of such supreme importance that it should receive the most searching investigation and examination and the fullest consideration, and it requires such a permanent Commission of experts to perform this service.

Some of the manufacturers treat the wholesale trade and about ninety-five per cent of the retail trade most unfairly. They sell the large retailer at the same prices as they sell to the wholesale trade, and the rest of the retail trade at a higher figure, overlooking the fact that the smaller retailers distribute by far the greatest volume of their products. The result is that the wholesaler has to sell the small retailer at prices that he cannot compete with his big neighbour, and while a small percentage of the consumers may get an advantage as well as the large retailer, it is ruinous to the average retailer, and to some extent accounts for the large number of failures in the retail trade, while it does not benefit the great body of consumers, and especially the poor class of consumers.

The wholesale trade has no objection to manufacturers distributing their products direct to the retail trade, but they should sell their whole output to the retailer, and treat the retail trade fairly by selling all at the same price. Some manufacturers do this, I believe to advantage, but they cannot do it in the goods handled by the wholesale grocery trade. Manufacturers by the score tell us that they cannot distribute as cheaply as we can, and Mr. Beckett and Mr. Eby, will, I believe, be able to convince your Committee that such is the case.

[Mr. Hugh Blain.]

If the wholesale trade is not an economic factor in the distribution of goods, it should be abolished. If it is, it should not be subjected to the unfair treatment I have outlined.

The Wholesale Grocers' Association was organized to obey the law, and to voluntarily enforce as far as possible the observance of just and honourable business methods. The members have never entered into a combination to restrain trade or raise prices. The Association has always aimed to improve business facilities, and raise the standard of business morals.

We believe that by associated effort we can achieve the practice of higher ideals in business and elevate the trade to a position where it would merit confidence and respect in the public mind, which its importance to the public warrants and demands.

By Mr. Henderson:

Q. You are, of course, aware of the fact that in recent years we have reached what we call the high cost of living?—A. Yes.

Q. You are aware of the fact that the price of the goods which are sold to the consumer has reached a very high point?—A. Yes.

Q. As compared to those to which we were accustomed a few years ago?—A. Yes.

Q. Will you be good enough, bearing in mind the machinery which you recommend as being proper machinery—that is from the manufacturer to the wholesaler, thence to the retailer and thence to the consumer—will you give the Committee your impression as to why prices have increased as they have?—A. Well, that is a pretty big order. I had the privilege before the war commenced of delivering an address in Montreal, in which I gave the following items as accounting for the high cost of living. They are higher now a great deal, and these items are likewise higher in proportion. The items are—

> Transportation charges, package goods, advertising, delivery service, customs duties, the cost of the war, labour organizations, combines, trusts, mergers and monopolies, unwarrantable waste, expensive dwellings, high rents, high taxes and luxurious surroundings, short supply, and increased demand and an excess of money in circulation.

Each one of these items has been treated separately in this address, and if it is the wish of the committee that I should supply them with copies, I would just like to say that I am not circulating these copies. This address is published in pamphlet form for circulation by resolution of the annual meeting of the Dominion Wholesale Grocers' Guild with a view of educating the public on these questions. The second paragraph of the preface reads:—

> The reader's attention is specially called to the defence of the middleman as the established channel of trade for the distribution of goods, on the grounds of economy, efficiency, convenience, and safety; and also to the recommendation urging the appointment of a business commission to regulate and supervise production and distribution.

Q. You are content this shall go in as containing your views down to that date?—A. Yes, I think so. There is nothing that I would amend today, except my forecast of the expenses of the additional cost of living created by the war. Now I took the largest figures that I could get at the time and it was supposed to be exceedingly extravagant, but since the war is over, gentlemen, I am rather ashamed that I made my estimate so small.

By Mr. Devlin:

Q. Do you think that the purchasing power of money to-day has anything to do with the increased cost of living?—A. Yes, I do, you have struck now on a very peak of the question, I have studied the question somewhat and have had correspondence with Professor Fischer of Yale College.

Q. And he agreed with you?—A. Well, he agrees with himself, and I agree with him; excuse my modesty which would not permit me to put it the other way.

Q. I simply want yes or no. You spoke of the middleman, that is a term that is naturally used, we read of the middleman in the newspapers very often, and there are some people quite agree with him, but what do you understand by "middleman"?—A. I understand by the middleman, the party or parties who come between the producer and consumer.

Q. So that the wholesaler might be a middleman.—A. Excuse me, but if I may be allowed, the ordinary acceptation of the term is confined to the wholesaler and the retailer when speaking of the middleman in the regular established channels of trade.

By Mr. Hocken:

Q. In your pamphlet you advise the retailer to stock up all his departments?—A. That is the *Globe,* I think, that does that. What I say is, Once again, if the consumer must have well-known articles he must pay what it costs the producer or manufacturer to make them known. Consider the millions upon millions of dollars that are paid to newspapers and periodicals for advertising the goods we consume. Professor Van Hise, President of the Wisconsin University, who recently addressed the Toronto Canadian Club, is my authority for saying that the advertisements in a single issue of the *Ladies Home Journal* cost $210,000, or over $2,500,000 a year for advertising in this one periodical. The same authority is responsible for this statement:

> It is a well known fact that the great daily newspapers would be losing enterprises, as conducted, if it were not for advertising. Indeed their major profits come from this class of business.

Q. Might I ask you one last question: Do you consider that the imposition of any artificial price placed on an article of consumption has anything to do with the increased cost of living?—A. Why yes, it could not be otherwise.

Q. Then following that up do you consider that the putting of taxes upon a foodstuff, for instance, has anything to do with the cost to the consumer of that particular foodstuff?—A. Well, you raise a serious economic question there. If the foodstuff is being produced where it is superabundant and the utmost demand for the goods are such that the competition in its production will keep its price down, I say "No." If you are dealing with goods we have to get in competition with imported goods because of their scarcity, I say "Yes."

Q. Let me put this case to you, that if you found that you are unable to get any goods that are produced in your own country, and that you, the wholesaler, have to go to other countries to purchase foodstuffs, for instance, and to pay over and above the selling price of those goods in that country, when you want to bring them into this country, a heavy taxation, would that increase to the consumer the cost of those foodstuffs?—A. Absolutely.

Q. And would that not also apply in the matter of the manufactured article, in the way of clothing, etc.?—A. On imported goods under like conditions it would, yes.

By Mr. Henderson:

Q. I may have to ask Mr. Blain for some figures. I want to find out from you, in a general way, Mr. Blain, so that the committee can judge as to the propriety of the spread, and all that goes with the spread, between the producer and the ultimate consumer. Probably it would be better to illustrate by certain staple articles; of course, I do not expect you to give percentages, but to give a general statement. We have been talking a lot about sugar, sugar costs so much at the mill and so forth?—A. Of course

I may be wrong, but I think sugar can be distributed to the consumer at a lower percentage of profit than lots of other goods. But I do not say it is possible for the merchant to be able to remain in business if he is not able to bring up in other goods a sufficient amount to bring up the average of his expenses.

Q. Take for instance, the price of sugar to-day for the householder, do you know what it is in Ottawa?—A. No.

Q. It is $10.50 to the householder, now what is the cost here to the retailer?

Mr. STEVENS: It is 11 cents retail.

Mr. HENDERSON: I think that is the point the committee wants to get at and I believe Mr. Blain wants to give it, for the services the wholesale trade is rendering to the public, and we are assuming it is a legitimate service, and one that cannot be dispensed with, what would be the percentage of cost on the whole range of groceries, what the consumers would have to pay to cover the wholesaler's cost and profit?—A. I will give you the percentage since we are in business during the last 5 years. In 1914 we made 5.91 on the capital. In 1915 we made 4.24 per cent on our capital. We could have got seven if we had invested in the outside. In 1916 we got 6.05 per cent on our capital. In 1917 we made 9.03 per cent. In 1918 we made 8.34 per cent, which is an average of the five years 6·71 1/100th per cent.

By Mr. Henderson:

Q. When you speak of capital, you mean the actual money in the business?—A. In the business, no water.

Q. Irrespective of the capitalization of your company?—A. This is the capitalization of our company with the money that has been accumulated during the time that we have been in business.

Q. Your total working capital?—A. Yes.

By the Chairman:

Q. Another point there which I think it is important the Committee should know and which you have partially answered is, the cost of your service to the public say on a bill of groceries that the general public must consume. You say that the average charge which would cover your profit and costs would be eleven or twelve per cent?—A. The average cost to cover our profit?

Q. Yes?—A. It will cost us about 10½ per cent to do our business. We turn over about $2,000,000 a year. We have about 100 hands that we have to keep, and our turnover is about $2,000,000. It costs us about 10½ per cent to do that, and we perhaps get one and a half per cent.

Q. Then the cost to the public is 12 per cent approximately?—A. Yes.

Q. On your turnover, and with the experience you have had, would you say that that is about the average in the grocery trade?—A. I think so, I cannot speak positively, but I think it would.

By Mr. Stevens:

Q. Do you keep cost sheets?—A. We do.

Q. These are actually the accurate figures?—A. Absolutely.

By Mr. Douglas:

Q. What is your capital?—A. A little over $400,000.

By Mr. Stevens:

Q. Is that all in the grocery business?—A. All in the grocery business. We need a good deal more to run our business.

By Mr. Douglas:

Q. You require to use the bank?—A. We have to borrow in addition to that.

[Mr. Hugh Blain.]

By. Mr. Mackie:

Q. How many travellers have you on the road?—A. Over twenty.

Q. How many in the city and how many in the country?—A. About half and half I think.

Q. What percentage of your trade is done direct with the manufacturer, that is shipped direct from the manufacturer to the retailer?—A. I can hardly answer that. It would not be probably more than ten per cent. I cannot say for sure about that; it is only in cases where the customer wants goods delivered.

Q. As to the cost of your travellers, I suppose the expense is very little?—A. We keep it down as low as we possibly can. We have to pay pretty fair salaries. We pay as good salaries as anybody else in the trade, but try to economize as much as we can. I would like to sell out to any of you gentlemen for $400,000 to-morrow. I will give it with a great deal of pleasure.

By Mr. Stevens:

Q. What was your stock at the end of last year?—A. Something over $300,000.

The CHAIRMAN: Any more questions?

The WITNESS: If you will permit me to refer to one point. I do not think it has been discussed quite as much as selling through the wholesale trade. You will remember that we sell about a thousand different kinds of articles. One traveller goes to a customer and offers all these different articles, and the result is that our trade can buy from our traveller all their requirements in the grocery business. If that customer had to apply to each manufacturer for the goods he required in his line, he would require a staff of correspondence to do his business.

Mr. STEVENS: I think you made that pretty clear in your statement.

WITNESS: But I did not elaborate it. I want to say this further; I am not a practical business man as regards prices. I am an office man, but I have made a special study of this question of transportation. I happen to have been for more than 20 years on the council of the Toronto Board of Trade, and a good deal longer as Chairman of the Transportation Committee of the Toronto Board of Trade, and I come in direct contact with this question of distribution. I think I know something about it, and every word I state I believe is true and cannot be disputed.

WITNESS discharged.

Mr. H. W. CHAMBERLAIN: of the Castle Company, Ottawa, called, sworn and examined.

By Mr. Henderson:

Q. You have been asked to produce to the Committee a statement showing the result of your business during the period from 1912 to 1918?—A. Yes.

Q. I want you to explain the headings of the statement. The first is inventory?—A. That is the percentage on our inventory at the end of our fiscal year as compared with the turnover.

Q. Then there is a column headed "Building"?—A. That is the expense of maintaining buildings, including taxes.

Q. The next is "Office"?—A. That is the maintenance of the office staff, typewriters, etc.

Q. The next is delivery and selling expenses?—A. The selling expenses includes the cost of travelling, travellers' salaries, and various other items.

Q. The next is interest and discount?—A. Yes.

Q. What is this column headed "B & DD"?—A. Bad and doubtful debts.

[Mr. H. W. Chamberlain.]

Q. Then the next column shows the total of the different years?—A. Yes.

Q. And the results of your percentage of profits on your turnover.—A. Yes, I give the percentage of profit as to the turnover.

WITNESS discharged.

Mr. ROBERT DOWSON: Called, sworn and examined.

By Mr. Henderson:

Q. You were mentioned in connection with the York Trading Company?—A. Yes.

Q. Would you just tell us what is the character of your trading company?—A. The York Trading Company is distinctly and solely a wholesale grocery concern. This (showing charter) is our charter approved by the Provincial Parliament.

Q. Inasmuch as that appears to be a disputed question, you have a charter dated 15th April, 1919, from the Provincial Secretary, and the incorporators are, first, Mr. T. C. G. Russell. What is his occupation?—A. A gentleman.

Q. Am I right in thinking that this is what we call a law office charter, namely, incorporators?—A. I suppose it is.

Q. Who are the real incorporators? Who are the present board of directors? Have you organized?—A. Yes, we have Robert Dowson, President; Donald McLean, grocer, vice president.

Q. Are you a grocer?—A. Yes.

Q. Is Mr. McLean a grocer?—A. Yes.

By the Chairman:

Q. A wholesale grocer?—A. A retail grocer.

Q. And Mr. McLean is the same?—A. Yes.

Q. Who is next?—A. Mr. J. Burns.

Q. Also a grocer?—A. Yes.

Q. May we understand that they are all grocers?—A. There are five grocers on the directorate, and the shareholders comprise about 73. They are not all retail grocers; some are engaged in other business.

By Mr. Henderson:

Q. There are 73 shareholders?—A. Yes.

Q. How many are retail grocers?—A. Probably between 50 and 60.

Q. That would leave some 12 or 13, or up to 20 others?—A. Yes.

Q. How many are relatives or friends of retail grocers?—A. I do not know. There may be one or two relatives.

Q. How did they come in? Was it a purely commercial venture?—A. Exactly so.

Q. What is your scheme of operation?—A. To operate a wholesale house pure and simple. I might tell you that we have been doing business practically at a loss as retail grocers. I myself would have been doing business at a loss, if it had not been in this way, as Mr. Blain said, that I had prudent foresight in buying my canned goods and all that sort of thing that helped to tide me over the difficulty. I have not been buying canned goods or goods of that description for the last six months, but my butter, eggs, bread, sugar and milk I am doing at a percentage of 11 per cent, and my overhead expenses are fifteen, and I should say that these commodities which are mentioned would be about a third of my turnover.

Q. How do you propose to overcome it with the new way of doing business?—A. In this way: that we thought we could enlarge our operations; I could not personally, in a retail way, but by union of our forces we might be able to put our forces together and make them productive of revenue.

[Mr. Robert Dowson.]

Q. I want to find out how you propose to do that. Let us suppose that I myself were going to be a wholesale grocer. I would acquire premises, and, if you will, join the association, and then proceed to stock up my premises. Have you wholesale premises?—A. Yes.

Q. Situated where?—A. 107 Front street.

Q. Custom warehouse?—A. Yes.

Q. And have you the customary staff in connection with that warehouse?—A. Yes, we have a manager and a staff operating that warehouse.

Q. How long has that staff been in operation?—A. Since the 1st of May.

Q. Who is the actual manager of it?—A. Mr. James Vair is the actual manager.

Q. What was his business before?—A. A grocer, engaged in the grocery business, in wholesale and retail for many years.

Q. And he is the manager of the concern?—A. Yes.

Q. Have you been actually doing business on these Front Street premises?—A. Yes, since the 1st of May. It was a few days before we got into the actual swing of the business, but we have been operating since the 3rd or 4th May.

Q. Is your scheme to sell to other than your own shareholders?—A. Yes.

Q. Or is it a co-operative association as has been suggested?—A. No. There is a gentleman who is not a wholesaler, he is a retail grocer—nothing to do with our concern.

Q. It would not be fair to let the wholesalers know who he is; they might cut him off?—A. He is a shareholder.

Q. You do not confine your attention merely to your own shareholders?—A. No.

Q. You sell to anyone who comes along?—A. Yes. In that particular I would like to make myself quite clear. We made application to the wholesale grocers' organization for membership, and we were told by Mr. Pyke that application forms would be sent to us, and Mr. Vair and one of the directors waited upon Mr. Pyke; subsequently, about a week or ten days afterwards, to see if there was anything doing in the matter, that we could expedite the business, because we realized it was essential to become members of that association because there was a condition attached to it—and I have repeatedly—and so has Mr. Vair—called on Mr. Pyke to know how our application was proceeding.

By Mr. Stevens:

Q. When was that?—A. Repeatedly over the phone, and I think Mr. Vair, the manager, wrote Mr. Pyke as well. We waited upon a wholesale concern, and I am not afraid to mention the name. It is T. A. Lytle and Company. I have waited upon many of these concerns, and we have been cordially received up to a certain time, and in this particular case the management said to us: "Well now, we have known you many years and have done business with you, and we will be charmed to do business with you"—these are the words—"But we are bound by our word and our word is as good as our bond", and I said: "I would not like you to break your word", and he said: "You know the reason why you cannot be accepted in the organization", and asked us to wait upon the organization.

Q. Bound by what?—A. He said he was bound by his word?

Q. To do what?—A. To this organization, that he could not serve us.

Q. That he could not sell to you?—A. Yes, to the York Trading Company.

By Mr. Henderson:

Q. Did he say why?—A. Well, he did amplify it a little, he said: "We are doing business as you know for many years, and although we are still sending out our travellers round to the retail trade, yet when they take orders we are placing them through the wholesale houses." And he said, "For instance, this is the obstacle we have to contend with; in the morning we would come down to our business and someone would want a dozen pickles or something of that kind, sent three or four miles, and we had

[Mr. Robert Dowson.]

nothing more to go there, and it was not worth while, but if we had taken an order like that, we could send it to the wholesale house we were doing business with, and they would have conveyances going in that direction, and they could do it at a much less cost than we could, bearing in mind the increased cost of transportation in doing business." But, he said: "You should ask the reason why". So we made up our minds we would, and we waited upon Mr. Eby, and after some deliberation and conversation, I said: "Tell me wherein is the difference between our own company and yours?", and I said: "You have retail grocers in your own concern whom you serve, and others, and we do not differ from them—

By Mr. Henderson:

Q. Do you know that to be the fact?—A. Yes.

Q. In Mr. Eby's case?—A. Yes, he admitted it to me. I said: "We differ only in degree from you. We are the same in constitution and in principle and in practice, it is only in degree wherein we differ from you," and I substantiate that to-day.

By the Chairman:

Q. First of all, what is your capital stock?—A. Our capital stock it about $7,000.

Q. The capital stock of the wholesale company is about $7,000?—A. Yes, so far.

By Mr. Stevens:

Q. Paid up capital?—A. Yes.

By the Chairman:

Q. What is the authorized capital stock?—A. $100,000.

Q. You have an authorized capital of $100,000, and paid up capital $7,000?—A. Yes.

Q. And beginning to do a general wholesale business on a capital of $7,000?—A. Yes, but we have a system——

Q. Never mind the system. Do you own the premises?

Q. You have the place rented?—A. Yes.

Q. What is the rent?—A. $75 a month.

Q. What is the value of the stock that you carry on your wholesale premises?—A. I think we have about probably $8,000—$6,000 to $8,000, I cannot say just now, but at the end of May I think we had about $8,000

Q. You carry a wholesale stock that is satisfactory to your dealer?—A. Yes.

Q. And your object in establishing this business is to carry on a legitimate wholesale business and serve the retail trade throughout the country?—A. We confine ourselves locally to the city of Toronto, we have one traveller calling on the trade.

Q. Was your object in going into this wholesale business to serve the retail trade generally or to provide a medium through which you and a group of retailers could buy your own goods at a cheaper rate than other retailers could?—A. Not at a cheaper rate, sir.

Q. You might make it clear?—A. We realize that we would participate in the dividends if there were any dividends to divide.

By Mr. Hocken:

Q. Would you sell at the same price as the other wholesalers?—A. Yes.

Q. You would not undersell the other grocers?—A. No.

By Mr. Nesbitt:

Q. You purpose doing a regular wholesale trade, do you?—A. Yes.

Q. And if you made any profits you would divide the profits in the form of dividends to your shareholders?—A. Precisely.

[Mr. Robert Dowson.]

Q. And what then would the consumer get from your buying direct from the wholesaler?—A. That would be a benefit in many ways, there are many lines that would not be in the manufacturers list. There are many lines in which we could sell cheaper.

Q. You said you would not be tied up and that you would not get any benefit?—A. We would get a benefit in the dividends but we could get benefits in many lines that I cannot mention just at the moment.

By Mr. Henderson:

Q. You say you have some 70 odd shareholders?—A. Yes.

Q. And that your total paid up capital is $7,000?—A. Yes.

Q. So that on the average your shareholders have actually put in $100 apiece?—A. Well, there is,— there may be 25 per cent of the capital stock paid in.

Q. Approximately you have 70 shareholders who have subscribed for $100 a piece, do you think that that is a wholesale proposition?—A. I omitted to state that we give 48 hours credit.

Q. You give 48 hours credit? If you were doing business with the wholesale grocers would they only give you 48 hours credit?—A. Many of the wholesalers get cash on delivery.

By Mr. Nesbitt:

Q. That depends upon the customer?—A. Of course.

By Mr. Hocken:

Q. What is the average credit given by the wholesalers to the customer?—A. Thirty days.

By Mr. Henderson:

Q. Here is your association with a capital of $7,000 which effects to carry on with that capital by doing practically a cash business?—A. Yes.

Q. What would it cost you for instance to buy a carload of sugar? It would take a little more than half your capital would it not?—A. I suppose it would.

Q. So that if you bought two carloads of sugar your capital would be gone and you would have nothing left with which to buy?—A. We make our purchases on thirty days credit and we give 48 hours only ourselves, and turn the money over three times a week.

Q. It is an ingenious scheme. What terms do you give on sugar?—A. Just the same terms.

By Mr. Nesbitt:

Q. How long do you get buying from the refiner?—A. I think we get 30 days.

Q. You ought to know?—A. No, 14 days.

By the Chairman:

Q. When you go into the importing business if I wanted to buy a carload of groceries, how would you handle that?—A. We would handle it on its merits.

Q. You are doing business with $7,000 capital, and it is a well known fact to any man in business at all, that if you buy one carload of groceries it will cost twice that?—A. We are not buying carload lots just now, we have only been in business for a few weeks.

By Mr. Henderson:

Q. Do you know any member of the Wholesale Grocers Association that is doing business on anything like the same scale that you are, should you not grow up before you want to be a wholesaler and get more capital?—A. Other people are doing it.

[Mr. Robert Dowson.]

By Mr. Nesbitt:

Q. Supposing you were going to buy a consignment of raisins or currants from Greece?—A. Yes.

Q. Even supposing you got a license as a wholesaler, with your capital, do you suppose you could buy them?—A. I have already purchased raisins which are to arrive.

Q. From whom?—A. From an association in California, they have not arrived yet.

Q. In what quantity?—A. Not very large quantities, but reasonable quantities, commensurate with our requirements and with our shareholders' needs.

Q. You are in the retail grocers business yourself, personally, what is your stock? —A. About $10,000.

By Mr. Stevens:

Q. Is there any particular reason why a group of retailers in Toronto should establish a wholesale business?—A. Yes, the reasons which have led to it were that for a good many years we have been doing very little in our business, and some of us have a little time, and could engage in something else and we thought if we could form a wholesale association like that it would be an advantage. For instance I give all my service gratuitously, and the different directors all gave their service gratuitously, and we do our business in the evening, we have our directors' meeting and everything else in the evening.

By Mr. Douglas:

Q. Do you think you are paying more than you should pay?—A. I think if I could buy sugar now, I would probably have to pay $10.15 or $10.16. If I were buying from Ely Blaine they would charge me $10.16, and my own house would charge me probably $9.90.

Q. $9.90?—A. It might be so, or I might have to pay $10.

Q. Could you now carry on business and sell sugar on the basis of $9.90?—A. I think we could.

Q. What do you have to pay to the refiners for sugar in carload lots delivered in Toronto?—A. $9.55.

Q. Laid down in Toronto?—A. Yes.

Q. Granulated sugar?—A. Yes.

Q. You are really selling your goods cheaper than the regular wholesale trade?—A. In that way.

By Mr. Nesbitt:

Q. To each other?—A. No, we can sell to anybody at that price.

By Mr. Henderson:

Q. What sugar is that?—A. Dominion sugar.

By Mr. Stevens:

Q. That is beet sugar?—A. Yes.

The CHAIRMAN: I do not want to circumscribe the proceedings, but I think we have more important things to do than to go further into this.

Mr. NESBITT: So do I.

Mr. STEVENS: There is just one point I would like to make. Personally, I have no concern as to whether this wholesale house is a very strong organization or not. The point is that if there is any unfair discrimination against this company we want to know it, and if Mr. Dowson can tell us that there is some discriminating, and if so, in what sense, that is all we are concerned about.

[Mr. Robert Dowson.]

Mr. Henderson: Is it not conceded by the wholesalers that this company, and companies like it, cannot buy from the manufacturers generally, that they would not buy from the manufacturers whom they knew to be selling to this company?

The Chairman: I think it is perfectly obvious that it is a group of retailers, grouped together for the single purpose of eliminating, if they can, the wholesaler, and that is purely a matter between them and the wholesalers. We have representatives of Galt Brothers, Montreal, and John M. Garland to hear yet.

Witness discharged.

Mr. James Vair, called, sworn and examined.

By the Chairman:

Q. You might just make a brief statement of the position of your association?—A. I might refer first to the copy of the evidence, pamphlet number one, where a privilege was asked by one who was giving evidence. (Reads): "Mr. Reid: I think this evidence ought to be taken under oath. Mr. McFall: I am willing to give it under oath, I might make some suggestions that I could not swear." I can give under oath what I know, but I cannot swear to it.

Mr. Stevens: We do not want anything that is not under oath.

Mr. Henderson: As the result of centuries of experience the courts of Great Britain and Canada do not treat hearsay as evidence.

The Chairman: We were appointed to get evidence if we can. We have had several persons before us requesting permission to give opinions and we spent one whole day listening to opinions. I believe the unanimous opinion of the Committee was that we were no further ahead. What we want are facts, something that you can swear to.

Witness: This organization was formed about the 1st of May. We have about $25,000 worth of goods since the inception, and they have been turned over in 48 hours, and they pay their accounts promptly. Further, our capitalization is equal to five times $7,000. We get 15 days on sugar, and 30 days on other goods. There are 45 manufacturers selling, but there are as many who are not selling to us, and you have their letters that they cannot sell until they hear from the organization that you are put on the list..

By Mr. Douglas:

Q. What is the meaning of that term "the list"?—A. That is the term they use.

By Mr. Stevens:

Q. What do you mean by the list?—A. That is the list as arranged by the Wholesale Grocers' Guild. The T. Eaton Company and the Simpson Company are on the list, and other wholesale grocers in Toronto, Hamilton and Montreal. They cannot get on to this list without the consent of the Wholesale Grocers' Guild. I have been in business for nearly 40 years. At that time many of the strong concerns of to-day were weak. I question if they had $7,000 to put into any business. I do not think they had. I could cite other houses which I know—I cannot swear, but I have evidence that they have had a great difficulty in getting on the list. This company went and got a charter from the Government, got a certificate to do business from the Provincial Government and it was stated that it was the cleanest charter that ever left the Parliament. There were no fees paid to the directorate and business is done in premises not costing much money, elevator free and heat free, and $75 a month. We have one motor truck, one warehouse man, the manager, the book-keeper and an invoice clerk. We commenced in a proper way by commencing right, and if we do not do much business, I think we should have the privilege of doing what business we can, and not be debarred. We would not ask to be put on the list if we could get the goods from the manufacturers. The manufacturers say they would like to sell to us, but they tell us they are bound to the organization, and that they cannot sell us goods.

Q. Can you file those letters?—A. The letters are filed with you here.

By the Chairman:

Q. Was your company organized with the primary object of doing a general wholesale business, or of purchasing goods for the members, the retail merchants who formed your own company?—A. I will have to outline a little. My engagement started from the 1st of May. At that time there was no idea of underselling. The manufacturers' goods are sold at regular prices, no quotations, nothing at all. We kept strictly to the prices because we expected to be admitted to the organization.

Q. You say you have done $25,000 worth of business in how long?—A. In one month's time.

Q. What proportion of that $25,000 worth of goods were sold to the 50 or 60 retail grocers that formed your association?—A. About 90 per cent.

Q. 90 per cent is with your own company?—A. With the shareholders' company.

Q. You were purchasing goods, 90 per cent of which would be the volume of business for the retail trade?—A. Yes, sir, sold at the regular prices. I can also say that the Canada Brokers' Company, a firm in Toronto many years ago, their shareholders were composed of retail grocers. I had shares in the company. I had a store in Parry Sound, and they had great difficulty in getting goods at that time. You remember Mr. Zealand of Hamilton, how he fought the Guild. It cost so much money that it broke the company down, and they never got started. I know another young firm. One member came from North Bay. I can tell you these things but cannot swear to them.

Mr. Henderson: Do not tell us anything you are not prepared to give under oath.

The Witness: I know all the same the difficulties you have in getting on this list.

By Mr. Stevens:

Q. You say the Canadian Brokers' Company could not get in?—A. Many years ago.

Q. What were they?—A. More on the co-operative style. They gave rebates on every invoice of some kind, but when they eliminated that, they got put on the list in due time.

Q. They used to give rebates to their own group of retailers?—A. Yes. We claim we can run our business on four per cent. It has been stated it takes 10 per cent. That is a very extravagant business. About 6 or 7 per cent is very much nearer the mark.

By the Chairman:

Q. What does it cost you in the retail trade?—A. I have been in it a long time, and it runs anywhere from 13½ to 14 per cent.

Q. Were you successful?—A. Yes, until I went to Winnipeg. I lost $35,000 in property. I had 11 stores—two in Toronto, one in Parry Sound, one in Bracebridge, two in Sault St. Marie, and in other places. I lost my money in real estate.

By Mr. Nesbitt:

Q. You are working now?—A. I am working now for a salary, and you have to take it you know. This business will go on all right, but we cannot make it go till we get the goods.

[Mr. James Vair.]

By Mr. Henderson:

Q. Why not get the capital?—A. That is a matter for the directors. Let me illustrate: Take the United Drug Company, one of the strongest concerns in Canada to-day, they started with 12 members with $50 apiece, in the rear of one of the drug stores, and what made them do it? The Eaton Company sold two boxes of Carter's Little Liver Pills for 25 cents, and these men started with fifty dollars apiece, and to-day they are one of the strongest firms in the Dominion of Canada.

By Mr. Stevens:

Q. Are they lowering the cost of living?—A. I cannot tell you. Why is it that a combination of wholesale grocers can keep anybody out or let anybody in the trust as they see fit? I think that is an unfair thing. Let the concern be large or small, much money or little money, give them a chance to try.

By Mr. Nesbitt:

Q. Would you think it right that the Government should say to whom you should sell and to whom you should not sell?—A. The manufacturer has the right to sell to whom he likes but when he places over his signature that he cannot sell to us, on account of the wholesale.

Q. Just another question. You said a few moments ago to the Chairman that you had done $25,000 of business, 90 per cent of which was done with your own group, did you sell in your group of stores cheaper than you did the outsider that you sold 10 per cent to, or did you sell them at the same price?—A. We did not sell them any cheaper. We sold at the regular price.

By Mr. Stevens:

Q. What is the regular price?—A. There is a list of goods; soaps, starches and baking powder are listed. The Pure Gold Company sold us three hundred dollars of goods, the Echart Company sold us goods, the Cudahy Company came in and sold me $1,400 worth of Old Dutch Cleanser, and he said: "We don't care a bit for the wholesale trade of the city of Toronto, we are going to sell you the goods".

Mr. Hocken: Here is a squabble between this company which is starting in and the wholesale grocers. If the public were interested we should go into it, but this is simply a matter of those retail grocers coming in to earn some dividends. They do not propose to reduce the prices to the consumers, and it seems to me we are wasting time.

Mr. Henderson: This does not affect the consumer at all.

Mr. Reid: Why is it they sell their goods at the same price as the other?

Witness: Because we have to do so. We would not apply for acceptance in this concern if we could sell them at any price we liked.

By Mr. Nesbitt:

Q. Would the retailer sell them cheaper to me?—A. If he could buy cheaper he would. They tried to better themselves to compete with others.

Mr. Nesbitt: I don't blame them a bit, but we are investigating the price to the consumer.

The Chairman: Before this Committee adjourns I think, as Chairman, I should make a statement in connection with some evidence given before us yesterday, which has been featured in the press. We had before us Mr. Paton, of Paton and Company, Sherbrooke. It is not the object of the Committee to shield anybody. It is the object of the Committee to get at the fact, but it is not the object of the Committee to send out startling statements that add to instead of allay the unrest throughout the country. The newspapers feature the statement that Paton and Company makes 73 per cent on dry goods, while the facts are, as brought out in the evidence that Paton and Company did make 73 per cent in one year on their capital stock, but they had $600,000 of capital stock and $644,000 of accumulated rest funds that took them since 1868 to accumulate, or in other words they were doing business with a capital of $1,244,000. The profit on their turnover, as the members of the Committee will recall, was in the accounting period of 1917, 12 per cent, in 1918 11 per cent, and in 1913 13 per cent. I feel it is only fair that statement should be made, because the public gets the idea, because the 73 per cent was mentioned, that a yard of cloth costing a dollar is sold at $1.73, while as a matter of fact the gross profit on the turnover was 12, 11 and 13.

Mr. DOUGLAS: The net profit.

The CHAIRMAN: No, the gross profit.

Mr. NESBITT: The net profit in so far as their business was concerned, before deducting the Business Profits War Tax.

Mr. DOUGLAS: Well, that was net profit.

WITNESS discharged.

The Committee adjourned till 8 p.m.

The Committee resumed at 8 p.m., Mr. Nicholson, the Chairman, presiding.

Mr. STRACHAN HALLOWELL BETHUNE, called, sworn and examined.

By Mr. Henderson:

Q. Mr. Bethune, the name of your firm is Galt Bros., Ltd.?—A. Galt Bros. Co.

Q. What is your position with the company?—A. Vice-president and Director.

Q. The company is one of very old standing?—A. Yes.

Q. Carrying on a large business?—A. Yes.

Q. Practically from coast to coast is it not?—A. No, we only—Galt Bros Co., carry on business as far as Fort William.

Q. Have you any other company in the west?—A. Yes, totally independent.

Q. But working in harmony?—A. Yes.

Q. From the head office?—A. Yes.

Q. What, practically, you would call a subsidiary company?—A. In a way, yes.

Q. How far east do you go?—A. Galt Bros., Ltd., Winnipeg, covers the ground up to a point arranged with Galt, Ltd., Vancouver. In between, Galt Bros., Ltd., of Winnipeg cover the territory up to the point where Galt Bros. of Vancouver come in.

By Mr. Stevens:

Q. What is the point?—A. I beg you pardon?

Q. What is the point, approximately?—A. I would not be positive of it myself, I should say——

Q. (Interrupting) Swift Current?—A. Somewhere about that, it is arranged between the two houses. They will cover that territory they are totally independent companies.

By Mr. Henderson:

Q. Is it east of Montreal?—A. We cover that ground, Ontario, Quebec and the Maritime Provinces.

Q. Have you anything to do officially with the western company?—A. I am a director.

Q. So there is an overlapping directoriate but harmonious action?—A. Yes.

[Mr. James Vair.]

Q. How long have you been in business yourself?—A. I have been director since about 1904.

Q. That is sufficient for our purpose, no doubt. Now, of course, Mr. Bethune, in recent years, you know there has been a very marked increase to the prices to the consumer—— A. (interrupting) Yes.

Q. (continuing) ——of the commodities of which you deal?—A. Yes.

Q. These commodities cover, if I understand rightly, practically everything that we commonly call dry goods including carpets, linoleums and to a certain extent, house furnishing?—A. Yes; not much housefurnishing. We carry cloths, what we call woollens, mens' furnishings, what we call gents' furnishing, and what is termed the small-ware, staples and dry-goods.

By Mr. Stevens:

Q. Suitings?—A. Suitings, mens' suitings, and ladies' suitings, what we might call a very complete range of dry-goods.

By Mr. Henderson:

Q. I understand that you have not brought the exact figures but can you tell me approximately the turnover. You can give it either of all the companies or for the Montreal company?—A. It will vary from one to four million dollars.

Q. How much has it been?

By Mr. Douglas:

Q. That is the Montreal company?—A. That one alone.

By Mr. Stevens:

Q. What was it last year?

Mr. HENDERSON: That is just what I was going to ask him if you will permit me.

Q. Last year I presume it was pretty well to the top?—A. At the top, yes.

Q. Then, could you tell the committee, Mr. Bethune, what your experience tells you to be the cause of the great increase in the cost of these commodities?—A. It has been the increased cost of manufacture. You see we are only distributors. We are only followers of the market. We are merchants, but we have to follow the trend of the market. If the market goes up our prices naturally go up with it. If the market goes down our prices go down as well. This was illustrated this spring. There was a very considerable drop in April in the price of cotton. We had to reduce our prices right away—immediately.

Q. Broadly speaking I presume there are exceptions to everything, I want to sketch for a moment and take up particular things afterwards—broadly speaking how do you regulate these prices? Is it a percentage upon costs to you or how?—A. 6% on the cost, but it varies very much with the character of the goods. I think this must be obvious to you. In what we call the staple goods, that is, cottons, and what we term calicos, that is, grey cottons, white cottons, sheetings and everything of that description—what we call our staple department—was turned over I think, all our dry-goods, at a smaller margin of profit than other goods.

Q. Because of what fact?—A. I believe they would average probably at somewhere above 12½%—ranging from 10 to 15 per cent.

By Mr. Douglas:

Q. Is that gross?—A. Gross profits yes.

[Mr. Bethune.]

By Mr. Henderson:

Q. You range from that—supposing you give me now an instance of something upon which you charge your largest gross profit?—A. I should say at some character of small ware, fancy goods, which may be in fashion at one time, you take goods like braids and ribbons and things and there is likely to be a loss on them, and there is a larger profit put on those to compensate us——

Q. (interrupting). It is an element of insurance?—A. It is an element of insurance. We are called jobbers and these goods may have to be jobbed at a reduction afterwards. That is, a large reduction.

Q. What is the percentage of such goods as these?—A. I should think about 25 or 30 per cent.

Q. Always gross?—A. It is the gross.

By the Chairman:

Q. I want to ask you a question Mr. Bethune. Might it be put this way? That the staple goods that are goods are every day of almost unvarying consumption—are they the goods upon which you fix your lowest rate of profit.—A. Yes, sir. The goods that are most likely to keep staple in price.

By Mr. Douglas:

Q. Not necessarily. Your reason, I would take it for putting a smaller percentage of profit on staple goods would be that there was no fluctuation in the patterns or styles?—A. No.

Q. Like beans and sugar in the grocery business?—A. Yes.

Q. Naturally you would put a lesser profit on those goods.—A. Yes.

By Mr. Henderson:

Q. They are valuable as long as they stay on hand?—A. Yes.

Mr. Douglas: I think if Mr. Henderson stays on that subject we will get what we want.

By Mr. Henderson:

Q. I want it to go to extremes first. In between those two extremes you have other lines, about which the committee would like to know?—A. We have a very large line of woollens, men's farestuff, not made up you know, cloth, which averages a fair profit.

By Mr. Douglas:

Q. What would that be?—A. That would probably mean a gross of anywhere above 25 per cent.

Q. What would be your extremes?—A. I beg your pardon?

Q. What would be your extremes? I do not mean for you to go back to pre-war days, but say last year, what would be your method of putting profits on woollens last year?—A. We follow it up about the same percentage, but then you see, of course, that with the cost rising in price naturally the percentage will be placed on the replacement price.

Mr. Henderson: But would you know—— A. (interrupting) We take orders a long way ahead, and say we have bought a certain quantity of stock and when it was—we sold a certain amount of it and we had to buy more and we found the price had gone up we had to average a great deal on the upward trend otherwise——

By Mr. Douglas:

Q. You are giving us the result of your last years operation?

Mr. Henderson: I think you will answer the very thing I have in mind if you will allow me a moment.

[Mr. Bethune.]

Q. What we mean is this, Mr. Bethune, if you are selling for one dollar, with a profit of 25 per cent your gross profit is 25 cents?—A. Yes.

Q. If the cost of your material goes up to two dollars do you still keep 25 per cent because, if so, you would be getting twice as much profit on the same material?—A. There would hardly be such a rapid rise as that. We would see about the average of profit as we went along.

Q. I wanted to know if you did have records—— A. (interrupting) Oh, yes. I think we treated our customers pretty fairly. We did make money, of course, everybody knows that. Everybody knows money was made, but I don't think we robbed them unnecessarily. I do not think we tried to take too much advantage of them, because we tried to hold our trade and help our customers as much as we could, and I do not think they paid us any very undue profits, although they did, in some instances, pay what would seem pretty large profits.

Mr. Douglas: Naturally you would benefit on the rising market?—A. Naturally, but we had a stock to start with which enhanced in value very materially. We could not do anything else.

By Mr. Henderson:

Q. I have heard a great deal of discussion in another trade in replacement value. Would you work on the principle of the replacement value? That is, if you have 50,000 dollars worth material which had cost you 50,000 dollars to buy on the market, and the market went up to, say, 75,000 dollars, would you treat it as though each article sold had to be replaced on a 75,000 dollars basis?—A. No, we do not. We average it.

Q. You do that?—A. We do a great deal of averaging.

Q. You do not take the full replacement?—A. We do not take the full replacement. In fact, to-day, I know that I could find goods that we are selling below the cost we would have to pay if we had to replace those goods immediately, or at least, they would cost the amount of money we are selling them for to-day. That will only be in a few instances, not in every instance, but perhaps on some line we are running out of.

Q. I suppose you have to use business judgment for that?—A. We have to, and besides that, of course, naturally, competition must be dealt with.

Q. I was going to ask if a large concern like yours—in a concern like yours—are you affected by competition to any great extent?—A. Everybody is.

Q. I believe the larger per cent the more it is likely to lead in business?—A. I would not say that, no. I have seen sometimes a small concern which was very progressive and one that could get into the trade, cut in on the prices.

By Mr. Douglas:

Q. I would like to ask you what profits you get on the dress goods and silks department?—A. I should say that silks would run very much the same as the woollens.

Q. 25 to 30 per cent?—A. Yes.

By Mr. Stevens:

Q. Would you not get more than that on silks?—A. It might run 35 per cent, I cannot speak so much about silks. They probably would in many cases.

By Mr. Douglas:

Q. Hosiery and gloves?—A. Hosiery and gloves about the same.

Q. Would they not be higher than that?—A. I do not think they would run over 35 per cent.

Q. Ribbons?—A. Ribbon would run up to 40 per cent perhaps.

Q. I suppose that embraces pretty much the main departments in your warehouse?—A. Yes.

[Mr. Bethune.]

By Mr. Henderson:

Q. Before going to another idea, for a moment, have you any organization of wholesale dry goods men?—A. No. There was an association called "The Drygoods Association."

Q. Tell us the nature of that organization?—A. Well, it is composed of the dry-goods merchants. There is no price fixing that I know of connected with it.

Q. Have you an organization with an office and a secretary such as we heard of in the case of the grocers this morning. You heard part of the evidence?—A. I heard some of it this afternoon, I did not stop to listen to it this morning.

Q. We understand that in the province of Ontario for instance, seventy-two out of somewhat less than eighty grocers in the province were informally organized. They are now taking out a charter to be formally organized with a constitution and by-laws. They have no by-laws now, but they have their Executive Committee with local executives which meet once or twice a month to discuss matters concerning the trade. They have a permanent secretary who issues circulars from time to time reporting upon his activities and those of his executives. Have you anything like that?—A. No. The Capital Dry Goods Association have a paid secretary but to tell the honest truth I don't know a great deal about what they do. They certainly do not do anything in the way of price fixing.

Q. Have you any difficulties (calling it a difficulty) such as the grocers appear to experience with the manufacturers? Do not the manufacturers with whom you deal either dictate or suggest the retail prices to you?—A. I think the only case we have of that is in the case of the print goods.

By Mr. Stevens:

Q. That is a Dominion textile?—A. Yes. The price is not exactly dictated, but they sell at a discount.

By Mr. Henderson:

Q. Sell to you at the retail price?—A. It is supposed to be the retail price.

Q. Is not the practical effect of that to establish a retail price?—A. Yes.

Q. You would naturally want to get the discount?—A. Yes.

Q. Does it not in practice, so far as your firm is concerned, practically fix the price for the retailers?—A. Pretty well.

Mr. Stevens:

Q. That is just that one concern?—A. It is as if we were acting as agent and distributor for that firm; as if our house was the distributor of their goods. It practically amounts to that.

By Mr. Henderson:

Q. What you get is the percentage that they allow you provided you sell at their prices—A. Yes,—Oh, no. I don't believe that is it. We are allowing that price off the costs.

By Mr. Stevens:

Q. They have a list?—A. Yes, they have a list.

Q. You get a certain percentage off?—A. Yes.

Q. What is that percentage?—A. The same thing applies to linoleums.

By Mr. Henderson:

Q. Is that a fixed percentage on all this?—A. It is a fixed percentage on the prints. I think they are the only things sold in that way.

[Mr. Bethune.]

Q. What is the percentage? I do not know if the committee got it, but I will come to it in a moment. You mentioned linoleums as well?—A. It would be 15 per cent.

Mr. JOHN M. GARLAND: If my memory serves me right it would vary from 12½ to 17 per cent.

Mr. BETHUNE: I do not handle that personally, it is pretty hard to make an exact statement.

By Mr. Douglas:

Q. You say that to the best of your information print cotton is the only line that has the price fixed in that way.

Mr. HENDERSON: And linoleums.

Mr. DOUGLAS: Yes, and the cotton mills used to issue a cotton list.

Mr. BETHUNE: It is only the selling list. They do that to-day. We are at liberty to sell——

By Mr. Douglas:

Q. Your prices are based on that?—A. Yes, our prices are based on that.

Q. You practically sell at their list?—A. Oh, no, no. We don't get a discount. Those prices are not issued with a discount.

Q. It is the wholesale price?—A. It is the wholesale price.

Q. They have departed from the custom they used to have of issuing a cotton list in the fall and spring?—A. I don't think they do that now. It is another price with a discount. It is a price, but the house is at liberty to sell the goods at anything they like.

Q. There is no binding agreement at all?—A. There is no binding agreement at all.

By Mr. Henderson:

Q. So the only thing they bind you to in the case of prints is that unless you sell at their list you have to sacrifice some of your discount?—A. That is the practical result. If the discount was 15 per cent and we wanted to sell it at 12½ per cent we would sacrifice 2½ per cent.

Q. Now what about linoleums. In what way are they sold?—A. They are sold at a discount.

Q. Along the same lines?—A. Yes.

By Mr. Douglas:

Q. That is the Canadian linoleums?—A. Yes, Canadian linoleum. Not the English linoleum.

By Mr. Henderson:

Q. Have you any?—A. (interrupting) In speaking of prints I was speaking too of Canadian goods.

Q. You mentioned the Dominion textile?—A. Yes.

Q. Have you any difficulty at all with manufacturers selling to retailers? Does that ever arise in your business?—A. No, I do not think it does.

Q. Do they expect you to have any brief for or against departmental stores?—A. No.

Q. Are you concerned at all?—A. We are not.

Q. Do you, as a matter of fact, sell to the departmental stores?—A. We do.

Q. Do you find any complaint from your retail customers on that score? That is, from your other retail customers?—A. No.

[Mr. Bethune.]

Q. It is simply in the ordinary way of business?—A. In the ordinary way of business.

Q. Why do you sell to the departmental stores? Is it because of the quantity they buy?—A. We would sell to them the same as to any other store. We consider them retail stores.

Mr. HENDERSON: Oh, that was my mistake for the moment.

Q. You are a wholesale house?—A. Yes. We would sell to Eaton's and Simpson's or any other house.

Q. Do you find that the manufacturers with whom you deal sell to the departmental stores?—A. They do to some of them.

Q. Do you consider that a cause of complaint on your part?—A. No.

Q. You don't feel that any one is aggrieved by that?—A. No.

Q. You do not find it necessary to take any action against them?—A. No.

Q. Don't you think you might find yourself aggrieved? We want views because we have heard some very pronounced views from some of the others. Is it because you are too big to worry about it?—A. No, I don't think that is. I do not think the manufacturer could interfere with us very seriously, in the smaller towns—in the country towns, where there is a large amount of our business, and where a large amount of business lies for the jobbing houses. They can sell to Eaton's or Simpson's or some of the large departmental stores, but in most of the smaller towns they find that we are the best distributors.

Q. That is, the so-called departmental stores in the smaller towns prefer to buy direct from you than from the manufacturers?—A. Yes.

Q. Why is that? Is it because they would get their goods from you—the assorted goods—A. (interrupting). They get quicker delivery.

Q. You have the things in stock?—A. We have the goods in stock. They order to-day and they get their goods sent on to-morrow, which they could not possibly do from the mills.

Q. You are particular whether you sell to a firm like Eaton's, for instance?—A. Certainly. We value their trade.

Q. Do you like to have their trade?—A. Yes.

Q. Do you sell to them to any extent?—A. We get a certain amount of trade with them on account of the stock which we carry.

Q. If they want anything they have to come to you?—A. They have to come to us, yes.

Q. That is the way it works out in practice?—A. That is what we find.

Q. Do you think the departmental stores materially affects the prices to the consumer, who, after all, is the man who has to pay and is the man we are looking after here?—A. No; I don't believe that the consumer buys to much greater advantage from the departmental stores than is he who buys from an ordinary store.

Q. What do you think as to the suggestion made to-day which is rather an interesting one, that from a community standpoint, it would be preferable to encourage the consumer to deal with his own home merchants, even in the smaller places. Perhaps, if I understood the suggestion correctly, all the more in the cases of the smaller town?—A. It might be advantageous if the consumer would do it, but I think it would be a very difficult task to get him to do that. You would be taking his liberty from him of buying wherever he feels like it. You might just as well suggest to us that we buy from England or in the States. If you did, you would be interfering very seriously with the business, and you would be interfering with the liberty of a subject, if you told him where to buy, or to buy things in his own home town.

By Mr. Stevens:

Q. You believe in letting him buy where he can get it the cheapest?—A. Yes.

[Mr. Bethune.]

By Mr. Douglas:

Q. You are a "Free Trader"?—A. I am to that extent, most certainly. I would like to see the consumer buy the goods at as low a rate as possible.

By Mr. Henderson:

Q. Can you give us some figures (I understand they can only be approximate, because you have not brought the exact figures with you), as to the spread of different staple lines in which you deal, between the manufacturer and the consumer?—A. I should say, if you take the average on a year's business, somewhere between twenty and twenty-two and an half per cent. If you take that, it would not be very far astray.

Mr. DOUGLAS: Just a moment——

Mr. STEVENS: I do not think that should be put up as definite evidence to guide this Committee. Mr. Bethune states that he is making an estimate, and frankly, I don't feel like accepting it.

Mr. DOUGLAS: Mr. Bethune misunderstood Mr. Henderson's question. Mr. Henderson said "From the manufacturer to the consumer."

Q. You were speaking only of your branches?—A. Oh, to the consumer? I beg your pardon. That certainly would not cover it, but I cannot give that evidence, because I cannot say what the retailers' profits will be.

By Mr. Henderson:

Q. You don't know that?—A. Of course I have a general idea, but his profits vary very much, and a great many of his goods, amongst the better class merchants, are sold at a high rate of profit.

By Mr. Stevens:

Q. In your own business you keep a careful cost system?—A. Certainly.

Q. You could file with the Committee definite figures on your own business, regarding, for instance, your turnover cost of doing business the past year?—A. We could, if necessary.

Q. What we are after—— A. (interrupting): I will give any figures to the Committee.

Q. We are after accurate information, and personally I don't give a rap about what a man thinks on this thing at all.—A. I am stating as near facts as I can.

Q. But if we accept this evidence as accurate, later on somebody will turn up this evidence, and will say, "This man thought it was so-and-so", and what is there for us to say?

Mr. HENDERSON: This may not be very useful, but Mr. Bethune was not informed——

Mr. STEVENS: We have asked that certain documents be brought here. Yesterday morning we had witnesses come here with certain information, that was fixed and they declared that they had worked out these figures from the actual system of costs and book-keeping. That is of some value, but to simply estimate it—why, a man could very easily say he made a mistake.

The CHAIRMAN: The point is this: that after we are through with the oral evidence, Mr. Bethune may give us, as we shall ask him for, certain definite statements which we will require to be filed.

Mr. STEVENS: I would like to ask Mr. Bethune a few questions about some of these samples (indicating).

Mr. HENDERSON: I think it would shorten matters very much if we should ask Mr. Bethune to send certain statements to the Committee.

The CHAIRMAN: What I think——

Mr. BETHUNE (interrupting): Of course, I had not the faintest idea of what you wanted.

Mr. STEVENS: I am sorry. You should have been informed.

By Mr. Cloutier:

Q. Have you got your summons with you?—A. Yes.

By Mr. Stevens:

Q. We have specified to the clerk that the witnesses bring on the annual statements and cost sheets. We had witness after witness come here with the same story that they were not aware of what was wanted. However, we will not delay the matter further.

(Mr. HENDERSON: Read the summons sent to Mr. Bethune).

Mr. BETHUNE: That would be absolutely impossible without a big staff of bookkeepers to go through all the prices. We do not sell our goods by a price list.

Mr. STEVENS: We don't want anything unreasonable.

Mr. BETHUNE: If we sold our goods by price list like a mill, it would be easy, but we don't do it, and as I said, we are following the market continually.

Q. You could have brought us some sample prices at a given time. We quite agree with you that there is a great deal of fluctuation in prices.

Mr. DOUGLAS: We have this statement from Mr. Bethume, as to his gross profits—approximately. The only statement he has made is that his prices vary from day to day.

Mr. BETHUNE: Did I say "from day to day"?

Q. From time to time, then?—A. Yes.

Q. But it impresses me, with my knowledge of the drygoods business, that you would have a tremendous task on your hands if you went through your stock to regulate your prices from time to time, if you put your cost price on them?—A. That is done by each department.

Q. Under the recent market that would be showing a tremendous profit. These goods have been going up by leaps and bounds.—A. We don't take anything like the full advantage of the market.

Mr. NESBITT: Mr. Henderson, does Mr. Bethune know the spread of his yearly output last year?

Mr. HENDERSON: Will you answer that question Mr. Bethune please?

Mr. BETHUNE: What would you mean?

Mr. NESBITT: The gross profits?

Mr. DOUGLAS: You had a turnover of four million dollars. What would be your gross and net profits on that?—A. Of course, last year was a descriptive year, in a way. We have the gross profits that we entered in our books, but that gross profit consists of merchandise. That is, merchandise that is not converted into money.

By Mr. Henderson:

Q. It is based on inventory?—A. Yes, and we carried a large stock over last year, but, as I say, the profits are not in that stock, but that stock has to be sold, and I said, I gave you one instance, the price of cotton dropped twenty per cent in April, and we had to reduce our prices accordingly at that time. We made, as I say, a very considerable loss, and we may make a very considerable loss still on a large portion of that year.

[Mr. Bethune.]

By Mr. Nesbitt:

Q. When does your fiscal year end?—A. The thirtieth of November.

By Mr. Douglas:

Q. You say that the cotton dropped in April?—A. Yes.

Q. Was that a temporary drop only lasting a few days?—A. No.

By Mr. Stevens:

Q. It is still down?—A. No. They have gone up since, but we have not been able to get back to the point we were in before. We certainly sacrificed a large portion of our cotton at that time, to the retail trade.

By Mr. Douglas:

Q. They jumped in and bought on account of the reduction in the price?—A. Yes, they bought on account of the reduction in the price. I doubt very much if our Cotton Department will show any profit at all.

By Mr. Stevens:

Q. You issue an annual statement?—A. Yes, in fact the Government has it.

Mr. Stevens: I think, Mr. Chairman, that we ought to ask Mr. Bethune to file with us his last four or five annual statements, say five, that will give us a fair list of what we want.

Mr. Henderson: Have you an accountant in this Committee. He could slip up to Montreal and go into Mr. Bethune's office and get this information for us.

The Chairman: That would not be a good idea; it would take too long.

Mr. Stevens: We want something accurate.

Mr. Nesbitt: But, as his fiscal year ended on the thirtieth of November last year, and he must have carried over some stock, as all people do, even though they have only a few thousands dollars worth of stock in their store, he must know what his gross profits were last year and what his running expenses were.

The Chairman: Surely.

By Mr. Douglas:

Q. You have not got that information with you?—A. Yes. I can give you that information.

By the Chairman:

Q. If you can give to this Committee your turnover, for your last accounting period, and your gross and net profits for such an accounting period——A. (interrupting): As I said, for last year it will sound pretty large. I presume you gentlemen know what you want to do, but is it fair to take these figures for the public?

Mr. Steven: You see we got the Dominion Textile's and the Paton's statements.

Mr. Bethune: We don't want to hold anything back; we are simply throwing out suggestions.

Mr. Stevens: That is the reason I asked you for the last five years?

Mr. Bethune: I think that would be much fairer. I will have to send you those figures.

Mr. Stevens: I think we had better ask, in all fairness to Mr. Bethune, that he make return with the Secretary of this Committee the last five annual statements and a statement showing the turnover each year, the gross profits and expenses, and gross expenditures in the way of cost of doing business, and his net profits?

Mr. BETHUNE: Yes, I will give you that.

Mr. STEVENS: Your balance sheet may be like the Dominion Textile's and show nothing. We want something to show something.

Mr. BETHUNE: We filed the same thing with the Finance Department, but it is filed with them in confidence. I think that would be more fair.

The CHAIRMAN: No, we cannot let the impression get out that these figures are made altogether public, but neither are they kept an absolute secret.

Mr. BETHUNE: Are these figures to be shown——

The CHAIRMAN: They will become part of the evidence, the printed as evidence, and the evidence will be public and submitted to the House of Commons.

Mr. BETHUNE: It is not that we have any idea—we don't mind that.

Mr. HENDERSON, K.C.: They will be published in full so there can be no misleading headlines, such as you are afraid of.

Mr. BETHUNE: I am not afraid of anything like that. The point is are all the dry goods houses put on the same plane?

The CHAIRMAN: Absolutely. The very moment that anything else transpires, we had better close up and quit.

Mr. BETHUNE: It would not be fair to a certain number of dry goods houses to publish their statement, and not publish the statement of the others.

Mr. NESBITT: The statement goes into the record, and we make our report.

Mr. HENDERSON: You need not be afraid of any injustice being done.

The CHAIRMAN: We have to get the facts so as to make our report as just as possible.

Mr. HENDERSON: I think if the five annual statements with the supplementary information which Mr. Stevens asked for is handed in, they will be self-explanatory.

By Mr. Nesbitt:

Q. Mr. Bethune, will you answer me this? You can answer this without telling what your gross profits were last year. What is your average cost of doing business?—A. It will average somewhere around twenty per cent.

By the Chairman:

Q. The cost of doing business?—A. Yes.

By Mr. Douglas:

Q. Wholesale business?—A. Yes.

By the Chairman:

Q. Such as Galt Brothers?—A. Yes.

By Mr. Nesbitt:

Q. How many travellers do you keep out?—A. About twenty-five.

Q. Your turnover is four million dollars?—A. Yes.

Q. You keep out twenty-five travellers and an inside staff in proportion?—A. Yes.

By Mr. Henderson:

Q. That twenty per cent sounds large, Mr. Bethune. What is that twenty per cent? It sounds large.

By Mr. Nesbitt:

Q. Twenty per cent of the purchase price, or selling?—A. No, of the turnover.

[Mr. Bethune.]

By the Chairman:

Q. Twenty per cent of the turnover is the cost of doing business?—A. Yes.

By Mr. Douglas:

Q. That means that it cost you eight hundred thousand dollars to do business last year?—A. No, because the turnover was very large. I was giving you the average.

By Mr. Stevens:

Q. With a large turnover it would be less?—A. The larger the turnover the less it is, yes.

By Mr. Nesbitt:

Q. I would not be surprised that the cost of doing business would be twenty per cent.

Mr. DOUGLAS: No, not in the wholesale dry goods house.

Mr. STEVENS: I would like to ask Mr. Bethune a few direct questions in connection with cloth.

Q. Mr. Bethune, there is a worsted coating, 14-15 ounce. Can you tell the Committee what you would sell this for to the retailer (Exhibit C)?—A. Somewhere around seven dollars.

Q. You would sell that at seven dollars a yard to the retailer?—A. Yes.

Q. Or the tailor?—A. Yes.

Q. Now I will give you another. Here is 12-13 ounce worsted coating?—A. That is a very similar cloth, only a little lighter in weight. I should think it would be somewhere around seventy-five cents per yard less, or six dollars and a quarter a yard.

Q. Now here is one 13-14 ounce, worsted piece?—A. It is pretty hard for me to give you all of this. You should have an expert to pick up these pieces of cloth. I can only give you what I think the thing is worth.

Q. That is what we want?—A. That is all I can give you. You say this is 13-14 ounce?

Q. Yes. I don't think there are any feathers in it?—A. It is pretty hard seeing it by electric light. I should judge by the feel of it somewhere around six dollars and a half.

Q. Well, there is one 17-18 ounce—a little heavier?—A. This would be about a dollar a yard more—about seven dollars and a half.

Mr. STEVENS: This is very good evidence for the simple reason that he is giving very consistent figures. I think they can be taken as reliable, although I think, Mr. Bethune, it is taking some advantage of you, but still you would be surprised at the consistency of it.

Q. Now, here is another one, 15-16 ounce serge?—A. I really cannot see it even with my glasses on. I am only judging by the feel of it. I think that is a little better quality than that other one. Let me see, 17-18 ounce, I said was seven-fifty: This would not be very far away from the other in price; somewhere about seven and a quarter I should think.

Q. Seven dollars and a quarter a yard?—A. Yes; somewhere around there.

Q. Here are some new cloths. I will not bother you with very many of these. I don't know whether you are as familiar with those as you were with the others which preceded. Now, here is The Barrymore Company. Did you ever buy any goods from them?—A. Yes, I have bought some.

Q. What about this? What will that sell for? This number 180-16 (Exhibit 10). What would that sell for to the retail trade?—A. I don't know, sir; I would imagine it would be somewhere about four dollars and a quarter. It is overcoating, is it not?

[Mr Bethune.]

Q. Yes, ladies' coating?—A. It might be lighter in weight than I think it is. I did not buy it and I don't know the cloth. It might be as much as that—Oh, yes, that is about the price. It would be sold for about that.

Q. What price is that?—A. About four dollars and a quarter.

By Mr. Stevens:

Q. Mr. Bethune, let me put a question to you in this way, which I think will assist the Committee. I will assume that you purchased that cloth from the factory at four dollars and a quarter a yard. In the course of your regular business what would you sell it for to the retail men or the tailor?—A. We would put on probably about twenty-five per cent anyhow.

Q. Twenty-five per cent?—A. Yes, sir.

Q. In other words, assuming that cloth—— A. (Interrupting): Four dollars and a quarter. That would come to——

Q. (Interrupting): Four dollars and a quarter plus twenty-five per cent?—A. Yes.

Q. That would be five dollars, sixty-two and a half cents?—A. We probably would sell it for five dollars and sixty-five cents—around that.

Q. And it takes three and a quarter yards to make a man a suit of clothes?—A. Mind you, that is to the tailor; that is not the maker-up.

Q. You sell to tailors?—A. Yes, sir.

The CHAIRMAN: Gentlemen we have something right here. We have got to find out why the clothes are costing so much to-day.

Mr. REID: (exhibiting his own suit): What is that worth?—A. I should say about eight dollars a yard.

Mr. REID: Yes, eight dollars a yard and the suit cost me sixty dollars.

A. It would take three yards and a half——

By Mr. Douglas:

Q. Three and a quarter or three and an half?—A. I never gave a tailor less than three yards and a half to make a suit for me. I never gave my tailor any less than that for a suit of clothes.

The CHAIRMAN: No, and a good job——

Q. (Interrupting): Yes, three and a half, at eight dollars a yard is twenty-eight dollars, and it must have cost that man twenty dollars to make it up, that is forty-eight dollars. He is not getting so very much at sixty dollars. He is not getting much off twenty dollars. He cannot. The maker-up charges seventeen dollars and a half. You will see the prices of goods which go into a suit have increased enorously; linings have increased; the cost of labour has increased enormously. That is one thing we have to consider with the mills, is the cost of labour.

By Mr. Stevens:

Q. Do you say you could buy that piece of cloth from the mills for four dollars and a quarter a yard?—A. No.

Q. We have sworn evidence that they are putting it in at four dollars and a quarter a yard.—A. They are?

Q. Yes.—A. I would like to buy some. I have not seen any of that cloth at four dollars and a quarter. I have not been offered any at four and a quarter. Of that I am absolutely certain.

Q. We had sworn evidence here yesterday that that cloth is sold at four dollars and a quarter a yard by Forbes.—A. I would not for one moment doubt the evidence from the Forbes Mills. I don't know who gave it to you, but I would not doubt it for a moment, but I don't know who gave it. I have not seen any of that cloth.

Q. What would you figure you would pay for it?—A. They were selling a better cloth than that—they sold one at five dollars and a quarter and one at five dollars and a half. About that weight. I have not seen any at four and a quarter.

Q. That 14/15 is four seventy-five?—A. What weight, is that?

Q. That is 12/13?—A. At how much? Four dollars and a quarter.

The CHAIRMAN: That is all very interesting———A. If there is anything I can do for you, I will be very glad to do it.

Q. If you will furnish those statements we asked for for the last five years?—A. If you ask it on behalf of the Government, I will give it to you, of course.

Mr. REID: In your statement do you show——

The CHAIRMAN: Make that explicit now. We want the turnover and the last five years' annual statements.—A. You want the last annual statement for five years showing the gross profits, gross expenditures and the net profits?

Mr. REID: We would like to get your overhead expenses.

Mr. BETHUNE: That will be the expenses.

Mr. NESBITT: That will be shown in the statement.

By Mr. Reid:

Q. Some firms separate that and show overhead different from the other?—A. We consider our overhead the expenses.

Q. Have you a head-office expense?—A. No; we consider all our overhead expenses as "expenses," that is, travellers, office, and staff. Everything is "expenses".

Mr. HENDERSON: Is there any particular item of overhead expenses that you want, Mr. Reid, such as "head-office salaries?"

Mr. REID: No. We realize a good man in business is entitled to the highest salary he can receive.

Mr. HENDERSON: You don't want that separate?

Mr. REID: No, a lump sum.

Q. Is that depreciation of the plant, and net and gross profits?—A. We don't show depreciation of the plant.

Q. You don't charge off depreciation?—A. No, but there will be some certain small things, perhaps office furniture. We are not manufacturers. We have not a manufacturing plant.

Q. You practically have no depreciation account?—A. No, practically not.

Mr. REID: The depreciation ought to show in the annual statement of the plant and buildings.

Mr. BETHUNE: We don't own any buildings. The buildings are leased.

By Mr. Reid:

Q. The buildings are leased?—A. Yes. We have no plant. We are not manufacturers.

Mr. NESBITT: They are wholesalers entirely.

Mr. REID: The depreciation would be on old fashioned old stock, because that would be carried over.

Mr. HENDERSON: That will show in the inventory.

Mr. DOUGLAS: They take it in at lesser value.

[Mr. Bethune.]

By Mr. Reid

Q. If you had a number of shareholders that you wanted to show everything to, would you not show your depreciation in your annual statement?—A. All the shareholders care about is whether we made any money or not. That is in the statement. All they are looking for is their dividends. That is all they want.

By Mr. Douglas:

Q. We have found that the wholesale manufacturer of cloth imposes a profit all around anywhere from fourteen to eighteen per cent, as profit on that cloth, on the manufacturing cost to the wholesale dealer?—A. Yes.

Q. You say your cost of doing business is twenty per cent? Your cost on that kind of cloth would be about twenty-five per cent?—A. Yes.

Q. That would make it forty-two per cent?—A. Yes.

Q. Then we come to the retailer, who has to have a profit of around fifty per cent?—A. Yes, I suppose so.

Q. That makes ninety-three per cent?—A. Yes.

Q. That shows a spread between the manufacturer and the consumer of ninety-three per cent?—A. Yes.

Q. Is there any possible means of reducing that cost of doing business, to the consumer?—A. Well, at which end?

The CHAIRMAN: Anywhere.

Mr. DOUGLAS: I don't know where to start.

By Mr. Stevens:

Q. Now, Mr. Bethune, just as business man, and not blaming you—does that not seem to you as an exceedingly high spread between the manufacturer and the consumer—ninety-three per cent.

Mr. NESBITT: That includes the manufacturer's profit.

Mr. STEVENS: Yes.

The CHAIRMAN: There is a point we want to get clear.

Q. Mr. Bethune, do you say that you add twenty-five per cent profit in addition to your cost of doing business?—A. Oh, no; no.

Q. That is the way that was figured?—A. No, I said the gross.

By Mr. Stevens:

Q. We are figuring the gross. Out of this ninety-three per cent comes the cost ——A. (Interrupting) That is on the actual cost.

Q. Out of this ninety-three per cent comes the cost of all three institutions doing business to produce the goods?—A. Yes; all the overhead comes out of that.

Mr. STEVENS: The point is that it is an enormous spread between the manufacturer and the actual cost to the consumer.

By Mr. Douglas:

Q. Perhaps I am putting the retailer's profit pretty low with the ideas he has to-day. The chances are he is getting more than fifty per cent?—A. He might. Of course, you see a man is at liberty to buy a suit of clothes wherever he pleases. He don't have to go to a custom tailor. He can probably get that same cloth made up in a much cheaper way, as sold by a clothing house.

Q. Our experience goes to show differently. It seems to be that the custom tailor is selling clothing cheaper than the ready-made clothiers?—A. He might. I see lots of suits at seventeen and twenty dollars, as I walk past the English and Scotch place.

Q. You did not look at the cloth?—A. No, I did not go in.

Q. It is stuff made out of feathers.

[Mr. Bethune.]

Mr. Reid: Feathers and glue.

The Chairman: This Committee is trying to get at this point. Here we have an established spread of approximately one hundred per cent between the cost of producing the article a man wears, and what he pays for it.

Mr. Douglas: We are confronted with this condition that the manufacturer of this cloth says he will not sell direct to the tailor, but he will sell to the wholesale maker of clothing. He says, "I must sell to the dry goods merchant" (which would be you in this case, Mr. Bethune——A. (Interrupting) Yes, I am a wholesaler.

Q. There is really no necessity of your handling this at all——A. (Interrupting): Excuse me. You say there are no necessities for the distributors. Well, excuse me. I don't agree with you in anything. Not for one minute. How will you do away with the distributor?

Q. I did not say you could do away with the distributor, excepting in one line of material—woollens?—A. Supposing a mill has to go around the country selling the tailors and cutting off three and a half or three and a quarter yards. How could a tailor go and buy a few yards from different mills that he wants to get his goods from.

By Mr. Stevens:

Q. You don't sell a tailor 3½ yards?—A. Certainly we do.

By the Chairman:

Q. Suit lengths?—A. Yes.

By Mr. Henderson:

Q. The high class tailor rather prides himself in having only one suit length in any material?—A. Yes, the high-class tailor would not go to the mill at all.

By Mr. Stevens:

Q. We are not concerned with the high-class tailors, we are only concerned with the ordinary tailors. Does he not buy a bolt of cloth?—A. No.

Q. I see lots of tailor shops with bolts of cloth in them?—A. They may buy some. Some of them probably do.

Q. They do not buy it as a general rule?—A. No.

Mr. Reid: I will take you into any custom tailors and you will see lots of cloth there.

By Mr. Henderson:

Q. If you go into Holbrooks, perhaps the most exclusive tailor in Ottawa, you will find down the centre of his shop, tables covered with bolts of cloth, but he will only have one piece. I don't know how many suit lengths there will be in each piece There is no danger of your friends having a suit of clothes made out of the same cloth as yours. He rather prides himself on that?—A. Of the high class, fancy patterns.

Q. Our experience is that he will only have a piece of cloth with one or two suit lengths in it, two or three at the outside?—A. He may buy one or two, but the majority of the better class tailors will only buy one.

By Mr. Nesbitt:

Q. The majority of the better tailors will buy one suit length?—A. Yes.

Mr. Henderson, K.C.: But, Mr. Nesbitt, they will tell you that you are the only man who is getting a suit of that particular cloth.

Mr. Stevens: I don't think we are concerned with that class of tailors. If a man wants to buy an exclusive suit in a tailor shop that is his own affair, and we are not concerned with it. We are concerned only with the average man who wants a suit of clothes to wear.

[Mr. Bethune.]

By Mr. Nesbitt:

Q. Don't he buy ready-made? He has that opportunity. I should say that the ready-mades are cheaper than the customs mades.

By Mr. Douglas:

Q. Yes. This does not affect you, of course, but we are concerned this way; if a reputable tailor carrying a stock of thirty thousand dollars worth of worsteds wanted to go to the mill and buy those goods, he could not, because they would not entail the cost of the manufacturer for selling. There may be hundreds of tailors of that kind in Canada. That is the condition.—A. Do you think it would be fair for the mill to sell to the dealers and also to the distributors? I do not think it would be fair, at all.

By Mr. Stevens:

Q. Answer me this and see what you think of it. Supposing the mills adopted the practice of selling to anybody who wants a minimum quantity, a minimum, say, of five bolts, I don't think a manufacturer should be stopped doing what you do in its entirety and sell a small quantity from time to time. I think if a merchant tailor wanted to buy a quantity of suiting from the mill or mills the mill should sell it to him provided he will come up to a certain minimum, say five or ten or twenty bolts. That would be the best way. And I think it would be possible. If the mill wants to sell him I don't think they should be compelled not to.—A. I don't see how they could be compelled to sell to a man they don't want to.

Q. We are not so foolish as to think they will have to sell to every Tom, Dick and Harry that they are asked to. It is very likely this committee will have to make some recommendation, as to prices. It is perfectly clear that a very large spread exists between the original cost of cloth, and the cost on the man's back and we want to get it down in some form. There should not be an objection to such a course, but that objection exists (because the wholesalers, perhaps not by agreement, but in practice both in groceries and dry goods) to the manufacturer selling to the retail trade even in wholesale quantities.—A. The only thing is the clothing man—the wholesale clothing man might find that he was losing money through the sale of this cloth. It was being sold cheaper, and he probably would not handle it at all. He would handle something else. He is a merchant and he can buy anything and he can buy it anywhere he likes. We cannot dictate to the mill as to who they will or will not sell. We would have the option of not buying it if we were not satisfied.

Q. Would you refuse to buy it as a matter of practice?—A. I would not say we would. It is pretty hard to say just what we would do.

By Mr. Henderson:

Q. Have you ever had any experience that way?—A. There are mills that have sold exclusively to the retailers and they did not make a success of it.

By Mr. Stevens:

Q. Why?—A. I cannot tell you why, but the cost of distribution came in, and they found they had to come back to the jobbing houses and the clothiers.

Q. Was that not because the jobbers would not buy their goods?—A. They could not. It would not be worth while handling.

Q. In other words the poor consumer has to get it in the neck every time, he has to pay the piper.—A. I don't know that he is getting it in the neck so much.

By Mr. Douglas:

Q. You don't think the consumer is suffering?—A. The bulk of the consumers seem to get plenty of money to pay for things.

[Mr. Bethune.]

APPENDIX No. 7

By Mr. Stevens:

Q. Is it the principle to extract all you can, limited only by their ability to pay? —A. No, I don't think that would be fair, but what I mean is that the better class of goods seem to be sold.

By Mr. Nesbitt:

Q. They always want the best?—A. Everybody does.

By Mr. Stevens:

Q. The point I am trying—— A. (interrupting): Really, I don't think the tailor is making much more now out of a $60 suit than he did before out of a $30 suit. I doubt if he is making much larger percentage of profit. I should seriously doubt that. I should say he is making more money because he is making a larger turnover. If he can sell as many suits at $60 as he did at $30 he will manifestly make more money.

By the Chairman:

Q. He will make a larger turnover?—A. Yes.

Q. But not a larger percentage of profit?—A. Yes.

Q. He would be making a bigger turnover?—A. Yes.

Q. And even in selling a greater tonnage at a greater percentage of profit he would not make any more money.

By Mr. Douglas:

Q. Mr. Bethune, take it this way. All those clothes you were examining to-day are pretty fair suitings, pretty fair quality?—A. Yes, all worsted goods.

Q. Allowing 3½ yards for each suit, the most expensive would have cost for material $17.50?—A. Yes.

Q. Putting their own price to the tailors' charge of $30 it is $47.50?—A. Yes.

Q. The consumer would get it for $47.50 provided you did not step into the breach and put 25 per cent more on top of it?—A. The mills could not sell it at the price we sell it.

By Mr. Stevens:

Q. Take the common clothing, not referring to the exclusive odd suitings but to the common grays and blues that you see dozens of men wearing in the street, and unless you are an expert and would go up and examine the cloth you would not know the difference. That is what the bulk of the people buy, grays and blues and browns. Would you think it possible to conduct business by providing that such staple cloths as that should be sold as direct as possible from the manufacturer to the tailor and perhaps limit the profit that is to be made on these cloths. I am speaking of the main articles in your business, of those staple articles such as these suitings.—A. It might be possible.

Q. As a business man in a wholesale business would you resent or object very strongly the fixing of the prices on these staple goods?—A. How do you mean "fixing?"

Q. Fixing the spread?—A. Fixing the spread?

Q. Yes.—A. We would not object to it or we would have no right to object to it. If we found that it would not pay we would not go on handling the goods if we were not making any money.

Q. If you were limited to a fair profit?—A. If we did not make a fair profit the goods would not be worth handling.

By Mr. Douglass:

Q. The grocer claims they are selling sugar at a loss to them, and yet they are still handling it. Remember you have a public service to perform.—A. Perhaps we would.

[Mr. Bethune.]

We are handling the staple goods, and some of them do not pay us. I have seen our cottons turn over a very very small margin.

Mr. DOUGLAS: Those days have gone by.

By the Chairman:

Q. Have you any knowledge how such a company as the Lownes Company for instance, large manufacturers of clothing do—do they buy their cloth through a distributing house such as yours?—A. No, they buy it right from the mills.

Q. And Copley, Noyes and Randell.—A. Yes, Johnson and all those people.

Q. If they sell their clothing at the same price as the custom tailors they absorb their profits and yours too.—A. I don't know what they sell them at. The clothing trade is something—as I say, we do not handle that branch.

By Mr. Reid:

Q. Have you anything to recommend to the Committee here with regard to helping to reduce the cost of clothing to the every-day man—the common people? Have you got any thing to recommend as a practical business man?—A. You mean coming from the clothier or the tailor.

Q. The cost of handling to the consumer?—A. You mean the custom tailor?

Q. Or the ready-made? Take the custom tailor first?—A. That is a pretty difficult matter to get on with, because the cost of labour is constantly increasing, the wages that a custom tailor is paying are changing a great deal—the cost of his help. He is complaining of the same thing. The cost of labour is going up all the time. They are paying more money all the time.

By Mr. Stevens:

Q. There are one or two——

Mr. NESBITT: Let him answer this other question first.

Mr. BETHUNE: There is one thing we have made up our minds to. We are going to try and help out the employment——

By Mr. Stevens:

Q. (Interrupting) Will you let me point this out? I am not saying this in an unkind spirit to the manufacturer or to yourself, but as a matter of fact, speaking of the cotton and woollen manufacturers, they tell us that they have never had such a prosperous year or such large earnings as they have had during the years of war?—A. Yes.

Q. And you, in your evidence, tell us to-night that in your last year's statement (and I presume it is the same with several of your other statements) you show abnormal profits, and without going into the facts too much the consumer realizes that the manufacturer and dealer have had a most prosperous year—in fact the most prosperous years of his experience, and yet the consumer is paying a frightfully high price for his goods. What we are trying to get at is this, that there must be some portion of those profits sliced off and put on to the consumer in the way of reduced prices? That is fair to assume?—A. Yes, but it is hard to get it out. Take the English mills to-day. Their prices are advancing within the last few months abnormally.

By Mr. Douglas:

Q. You are speaking now of woollens?—A. Yes, and what are we going to do.

By Mr. Stevens:

Q. Is it true that the prices are advancing rapidly, because of the abnormal demands for the fine woollens, and consequently there is a scarcity of that kind of wool?—A. Yes, to a large extent.

[Mr. Bethune.]

Q. That will leave——A. (Interrupting): Hold on a minute. That is only partly the reason. Another thing that enters into it is the increased cost of labour over there. Another thing that enters into it is the tremendous demand. It is a case of supply and demand. They can get almost any price they like.

Q. If there is an abnormal demand for fine woollens there must of necessity be a surplus of the coarse woollens.—A. You are quite right.

Q. How is it then that goods manufactured from coarse woollens are not offered to the public at very much cheaper prices?—A. For one thing the mills are all fully occupied. They have got a large number of orders from abroad, and domestic mills cannot overtake the demand for goods at the present time, and you can hardly expect them to be coming down in their prices very much when people are begging for their goods.

By Mr. Douglas:

Q. You say the mills can get almost what they feel like demanding?—A. I think in England especially, yes; especially the makers of the better class of goods.

Q. There surely must be some honest men amongst the manufacturers. If a man has to pay (because he cannot buy it anywhere else) ten dollars a yard for a piece of cloth, that is not worth five dollars—there must be some regulations in a case of that kind?—A. It is only the supply and demand that will bring that back.

Q. We had the evidence of one manufacturer here yesterday who refused a very fancy price on an order from a foreign country, as he preferred to sell to his home customers.—A. I think he was perfectly right.

Mr. Nesbitt: This was an abnormal order, and he had sense enough to hang on to his regular trade. For the same reason that we refused war orders in the business in which I am engaged, because we had all we could do at home.

By the Chairman:

Q. Here is a situation that seems rather out of proportion. Take that class of cloth we were dealing with that will cost probably three dollars a yard in pre-war days, and you put twenty-five per cent on it and sell it for three dollars and seventy-five cents; the retailer put his sixty per cent on it and sells it for five sixty-five. The spread is two dollars and sixty-five cents a yard. Now, to-day, it has gone up to four dollars and a half. You sell it at five dollars and sixty-five cents and the retailer puts on fifty per cent, and it goes to eight dollars and forty-eight cents, a spread of three dollars and ninety-eight cents. Now the difference in profit made on that suit of clothes made out of that—on one suit of clothes—between the two is $5.73 profit before the war on the suit of clothes, or in other words a man was paying then—in pre-war days—for the service he got between the manufacturer and the retailer, of six dollars and twenty-one cents, where to-day he is paying eleven dollars and ninety-four cents for the same service, or almost one hundred per cent.

Mr. Nesbitt: Eleven dollars and ninety-four cents?

The Chairman: Yes, eleven dollars and ninety-four cents he is paying for the service, whereas he was only paying six dollars and twenty-one cents before.

Mr. Bethune: It is not a matter of service; it is a matter of percentage.

By Mr. Henderson:

Q. Why must it be made a matter of percentage?—A. Why a matter of percentage?

Q. Yes. Why is it not a profit per yard of cloth?—A. You cannot put the same profit on an article that costs you four dollars, as you put on an article that only costs you three.

[Mr. Bethune.]

Q. You can afford to take a lesser profit, subject to the expenses of the conducting of your own business increasing.—A. They are increasing all the time.

Q. We grant you that?—A. Yes, the expenses are increasing all the time. The travellers expenses are increasing; the railroad expenses are increasing; the hotel expenses are increasing. The whole cost is increasing.

By Mr. Stevens:

Q. What did you say it cost you to do business on your turnover?—A. I should say roughly about twenty per cent. Mind you, I am taking that as an average, and not on any one year like last year.

Witness discharged.

Mr. JOHN L. GARLAND called, sworn and examined.

By Mr. Henderson, K.C.:

Q. What is the name of your company?—A. The John M. Garland Sons and Company Limited.

Q. Of that Company you are the President?—A. The president.

Q. And you exercise a general management over the affairs of the Company?—A. Yes.

Q. Carrying on business here in Ottawa?—A. Yes.

Q. A business has been established here a great many years?—A. Yes, 79.

Q. And you have in it——

By the Chairman (Interrupting):

Q. 79 years or since 1879?—A. Since 1879. I have been in it 35 years.

By Mr. Henderson:

Q. Now, Mr. Garland you have heard the evidence of Mr. Bethune, what do you say as to there being any organization or association of wholesale dry goods men?—A. There is an organization which you might call—I don't know what its title is even—we used to hold meetings about once a year to discuss the question of terms. That was the original idea of calling the original meeting.

Q. How often does it meet now?—A. We have not had a meeting, I think, for a couple of years. This one was only attended by either the heads of the firm or the heads of the office who were interested in the question of terms. We used to give extremely long terms. Our terms used to be four months, 1st, of October, then they would Jew you into giving them November, and we used to meet to discuss this question of terms, and we shortened our terms down, so we now give three months starting on the 15th, of June, our terms are three months, the first of October, or four—30 days, or three off ten days. That was the object of getting together and the question of prices has not been discussed and cannot be discussed because you could no more regulate prices of drygoods than you could turn the ocean back with your hands because there are too many classes of goods.

Q. Is there any executive committee?—A. No. We have a secretary.

Q. Where does he live?—A. He lives in Toronto. The only correspondence we have had with him, is, supposing we have a scrap with a man over charging him interest. Supposing our scrap is over a matter of 35 cents, and we do not want to have a row over 35 cents, we let that interest go but we have to report we let that go. I have not written to him for a year. Our secretary-treasurer has written two or three times to tell him we let a man have his full discount when he was three days over the ten days, or something like that. If they do not adhere absolutely to our regular terms we are supposed to report this to the secretary of the association (not accusing him of trying to break an agreement, as you don't want to let a customer, perhaps a very good customer, go over a matter of 35 cents), but we must report it to the secretary.

Q. Only on the question of terms?—A. Only on the question of terms, yes.

Q. Now then, what is your turnover?—A. It varies very considerably.

Q. Have you some figures?—A. Yes.

Q. Covering what period?—A. 1907 and 1908. The reason I give you that is that I know that our profits were a little higher of late than they were in 1914, and I just thought if I took 1907 and 1908, and showed you our profits, the percentage of profits in these two years, it would show you the point I want to make, and that is we had a break, speaking from memory of 15 per cent at the beginning of 1908 and it made a difference in our profits of 3·99 per cent.

By Mr. Stevens:

Q. Excuse me for interrupting, but I don't think you could pick out two worse years than 1907 and 1908, not only for your own good but for the good of the committee; if I were you I would not mention 1907 and 1908.—A. I can give you any of the years. I am trying to show you to the best of my ability that like the previous witness, we are followers of the market and where the market is against us we naturally make less profit.

By Mr. Henderson:

Q. I see in 1914 your stock was $256,525 and some odd cents your sale $871,753, showing a profit of 3·88 per cent. In that year you paid a dividend of five per cent. —A. That is right.

Q. In 1915 with corresponding figures, without spreading them all out, you made a profit of 4·80 per cent and paid a dividend of five per cent?—A. Yes.

Q. In 1916, with somewhat the same stock, and slightly larger sales, the sales going up to less than a million, you made a profit of 9·39 per cent. That is practically double your percentage of profit, and you paid a dividend that year of six per cent.

Mr. Stevens: What year?

Mr. Henderson: 1916.

Q. In 1917, your stock was $353,799, and sales about $1,120,000, or slightly over, your profit was 9·98 per cent and you paid a dividend of six per cent?—A. Yes.

Q. In 1918, stock slightly less, $335,873, sales slightly more, 1,253,292, you made a profit of 10·59 per cent and paid a dividend of seven per cent?—A. Yes.

Q. That is your history during the war period?—A. Yes.

By Mr. Douglas:

Q. What is the capitalization of the Garland Co.?—A. You mean the paid up capital?

Q. Yes?—A. $822,848.84 is paid up.

By Mr. Henderson:

Q. That is the par value of the stock issued?—A. No. that is paid up stock, and the money that has been accumulating.

[Mr. John L. Garland.]

By Mr. Douglas:

Q. What is the authorized capital?—A. One million.

Q. What is the paid up stock for reserve or accumulated profits?—A. That goes back so far I cannot tell you.

Q. Is it a closed corporation?—A. Yes, purely a family affair.

By Mr. Stevens:

Q. The $822,000 is the accumulation of years of business profit?—A. Yes, capital paid up originally, and the capital we have accumulated.

By Mr. Henderson:

Q. That is your total working capital?—A. Yes.

By Mr. Douglas:

Q. Does that represent investment at all?—A. No, stock and building. It is all in the business.

By Mr. Henderson:

Q. Your own building?—A. No. There is also ten thousand dollars of victory bonds, I think.

By Mr. Stevens:

Q. What surpluses did you carry forward during the last five years?—A. There is the statement——

Q. Besides the dividends?—A. This is the profit we made.

Q. That is the gross profit?—A. The percentage of profit we made. I am giving you the figures.

Q. I want to get this clear, it is five, six and seven per cent?—A. That is dividends.

Q. Paid upon the $822,000 dollars?—A. No, paid upon the original stock.

Q. The original stock?—A. The original stock.

By Mr. Henderson:

Q. Otherwise you could not have increased your stock from $256,525, in 1914, to $335,873, in 1918. That is profits which have gone back into the business?—A. Yes, in fact we might also call it paper profit, because we have not got the money out of it.

By Mr. Nesbitt:

Q. Your stock entered into that surplus?—A. Yes.

By Mr. Henderson:

Q. That is your policy in valuing your stock on a rising market. Do you do the same as Mr. Bethune?—A. Do what?

Q. Do you add the value of goods that keeps creeping up.—A. When we take the inventory?

Q. No, I don't mean that. Do you change your prices?—A. We have changed our prices. If we establish a price and we find the mill price has gone higher than the price we are selling at we change the price to the mill price or possibly a little over. We would be absolutely insane to sell goods at less than the amount that we could buy them in for again. If we did that we would have to go out of business.

Q. It is the inventory or the cost which ever is the higher?—A. Yes

[Mr. John L. Garland.]

By Mr. Stevens:

Q. But how far would that principle apply? I don't think you should sell at the rate you bought, but it seems to me, to harp again on the point I made a while ago, that the consumer gets the worst of it. Supposing you bought an article represented by a figure of one hundred. Then, within a month, that goes up to one hundred and fifty, which is not an unusual thing at the present time, the way things have been going, now then, would you start selling that to the consumer by adding an equivalent to the rise in price, that is, the consumer would have to pay at the rate of one hundred and fifty. Of course, the argument may be put up that the market will fall but it is pretty certain that being a shrewd business man you are watching the market pretty closely.—A. (Interrupting.) We would not know it.

Q. Not absolutely, but what I am getting at is this: Surely there ought to be a middle course where the consumer's interests should be considered. You should not have as your aim to make the whole of your increase?—A. We sell goods at less than we could buy them for, until we discover that the price is higher than we could re-purchase them for at and then we have to raise the prices in order to protect ourselves.

By Mr. Nesbitt:

Q. What time do you sell your goods for Fall delivery?—A. We start about the 15th of June.

Q. And all the contracts you make at that time—when your travellers are out you have to fill the order at the price they quote, even if the market rises?—A. Our travellers start out to sell for Fall delivery, probably about the first of January. They have some Fall stuff out about the first of January and all of their Fall stuff early in the Spring, and we are selling for Fall delivery early in the Spring, and if a customer buys something from us for ten cents a yard and the price goes up to fifteen cents, he gets it at the ten cent prices.

Q. These placement orders take place around the first of January for the Fall delivery?—A. The orders, but some people don't buy.

Q. I understand that, but I am speaking of your placement orders.—A. Yes, the big orders are placed before the 15th of June.

Q. And you have to deliver them at the price they are sold for?—A. Yes.

Q. No matter if the price goes up or down?—A. If the price goes down you very quickly get your order cancelled.

By the Chairman:

Q. What this country is suffering from is that you have been buying goods and doing business on a rising market almost continually for five years, I was going to say, but for four years anyway. Is that true?—A. Yes, that is a fact.

By Mr. Douglas:

Q. A condition which you never saw in your life before?—A. No, and I never saw four years of war before.

By the Chairman:

Q. We would like to get something of the wholesalers' point of view—is this the feeling that your present position is that of having constantly been taking advantage of this four year's rise, and that you must do this in order to protect yourself against a possible reverse or downward slant which the market may take?—A. We certainly have. I think I can illustrate that better by showing you a few illustrations.

Here (indicating) is a copy of an order for goods which we ordered last October from the Dominion Textile Company. The bulk of these goods were delivered or were supposed to be delivered in December, January and February. I would not say

[Mr. John L. Garland.]

whether the bulk was delivered because I am not certain, but they were supposed to be delivered in December, January and February. In April the price went down, and here (indicating) are the prices and the way they run.

The mill price 14¾—our price, 12½.

The mill price, 14—our price, 12¼.

The mill price, 15—our price, 15.

By Mr. Stevens:

Q. That is for goods which you purchased or ordered in October?—A. Yes, for delivery this spring.

Q. You got them at the October prices?—A. Yes, we got them at the October prices.

Q. And you sold them at the October prices?—A. No, we are selling them now.

By Mr. Nesbitt:

Q. At a loss?—A. Yes.

By Mr. Stevens:

Q. On your purchase price?—A. Yes, for a loss. It is the actual price we paid.

Q. That is philanthrophy?—A. Yes, we are that there, sir. We have to do it. We have to follow the market down. It is all very well to say that we should not follow market, but God help us if we won't follow it down. We would go down ourselves.

Q. To what extent should this apply?—A. I don't think it should be done more than is necessary.

Q. I don't think your profits are unreasonable. Are these not profits?—A. Yes.

Q. On the turnover?—A. Yes.

Q. I think you ought to take notice that these net profits have risen constantly since nineteen hundred and fourteen, in a steady ratio, until the net profit was ten per cent in nineteen hundred and eighteen?—A. Yes, but we had to get the money to buy.

By Mr. Nesbitt:

Q. Your sales have risen constantly during the time that your net profits rose?—A. Yes.

Q. Your overhead did not increase in accordance?—A. No. Not perhaps in accordance, but we had to give bonuses to our employees, on account of the high cost of living.

Q. For instance, although your travellers are selling more goods, you may have to pay him a little more salary, but his expenses are not very much higher?—A. Well, they are higher; hotels and travelling expenses are higher. Then, too, we pay on a commission basis, so he would get more pay.

The Chairman: Don't you think we have about established what we wanted? I don't think it is necessary to go all over the same ground we covered with Mr. Bethume.

Mr. Henderson: There is no use in going over the same ground.

Witness discharged.

The Committee adjourned.

THURSDAY, June 19, 1919.

The Special Committee appointed to inquire into the price of foodstuffs and other necessaries of living met in Room 318 at eleven o'clock this morning, the Chairman, Mr. G. B. Nicholson, presiding.

Members present:—Messieurs Davidson, Davis, Devlin, Douglas (Strathcona), Euler, Hocken, McCoig, Nesbitt, Nicholson (Algoma) Chairman, Reid (Mackenzie), Sinclair (P.E.I.), Stephens (Vice Chairman), Sutherland and Vien.

Mr. T. REG. ARKELL, called, sworn and examined:

By Mr. Henderson:

Q. What is the name of the organization you represent?—A. Canadian Co-operative Wool Growers' Limited.

Q. Is it incorporated as the term "Limited" implies?—A. Yes, it was incorporated last year.

Q. Have you brought with you a copy of anything that would show us in concrete form the object of the incorporation?—A. Yes, sir. Here is a copy of our by-laws, with a copy of the prospectus and the first annual report.

Q. The first and only annual report?—A. Yes.

Q. What is your capital stock?—A. $200,000 authorized.

Q. How much is paid up?—A. At the end of last year $17,000 and some odd. At the present time $18,000 and some odd has actually been paid up with the remainder up to $20,000 permitting us to do business granted by our President.

Q. Where is your head office?—A. Toronto.

Q. And you operate practically altogether from there?—A. We represent the selling agency for sheep growers' organizations extending from British Columbia to Prince Edward Island.

Q. Your selling operations are conducted from Toronto?—A. Yes.

Q. For that $18,000, speaking in round figures, paid up capital—how many shareholders have you?—A. About 1,800.

Q. So that it is broadly speaking about $100 a piece, or is it $100 a piece?—A. No, the average is actually about $20.

Q. It is rather more than that? You mean perhaps that you have more small $20 stockholders and comparatively few large stockholders?—A. Our limit is $1,000.

Q. What is the idea? Is it that if a man takes $20 worth of stock he will be interested?—A. Yes, exactly.

Q. With that paid up capital of $18,000, will you tell me what the amount of your operations was during the year ending 31st December, 1918?—A. Our total business last year was $3,103,931, roughly $3,100,000.

Q. That is the quantity of wool which passed through your hands?—A. Yes.

By the Chairman:

Q. It was valued at that much money?—A. Yes.

By Mr. Henderson:

Q. Was that the sale price?—A. Yes.

Q. Do you sell on commission?—A. We sell absolutely on commission. We have no profits.

Q. You have a profit mentioned in the balance sheet?—A. It was the only means that the auditors knew how to mark that inasmuch as they were not accustomed to handle co-operative stores.

Q. I notice in your profit and loss account the bulk of your returns is called commissions?—A. Yes.

Q. In 1918 you had $93,616 charged for commissions. In addition to that amount you have certain small amounts of profit on shepherds' supplies, twine and sacks and bales and something on wool rejects?—A. Yes.

Q. Then you have interest, discount and exchange.—A. Yes.

Q. So that you make a total profit, using the term profit in that broad sense, of $115,951.—A. Yes.

Q. Your expenses of running your business appear under the head of appropriation account?—A. No. The appropriation account is a division of the so-called profit.

By Mr. Stevens:

Q. It is the distribution of the profit?—A. Or the surplus over and above actual cost of operating expenses.

By Mr. Henderson:

Q. Your actual operating expenditure is seen in the profit and loss account before we reach the appropriation account?—A. It is the difference between $58,755 and $115,951.

Q. You divide the $58,755 of your gross profits among the parties entitled to it. Would those be your shareholders?—A. No sir, our patrons. It was afterwards divided as shown in the appropriation account.

Q. You paid a dividend of six per cent to your shareholders?—A. Yes.

Q. And you divided the balance among your patrons?—A. Yes.

Q. So that the difference between $115,951 and $58,755, is the actual cost of running your business?—A. Yes.

Q. That $58,000 includes a dividend of six per cent?—A. According to our by-laws, in order to obtain money, in order to interest money in our organization, we pay a dividend of six per cent, no higher and no lower. Our business must be operated so as to pay six per cent.

Q. That is fixed?—A. Yes, exactly. All over that goes back to our patrons, each grower who ships wool to us whether a shareholder or not. The shareholders can get no more than six per cent.

Q. So, having charged a commission for selling the wool, you look forward to giving a rebate at the end of the year as this indicates?—A. Yes.

Q. What is the commission which you charge?—A. That varies. Last year it was 3½ per cent. We actually work on operating expenses. But not knowing definitely at the beginning of the season what our operating expenses will be we make a blanket charge as it were. Last year we charged 3½ per cent. This year we are charging 2 cents a pound. Out of that two cents, we expect to return, from present indications, three-quarters of a cent a pound at least to our patrons.

Q. There is no object in charging high commissions to rebate back at the end of the year. You charge what you think will cover actual expenditure?—A. What will be necessary to cover actual expenditure.

Q. And rebate the balance at the end of the year?—A. Yes.

Q. Were you in operation under this scheme before your incorporation?—A. No. We were not in operation. The associations throughout the country were in operation but they are mostly non-incorporated associations.

[Mr. T. Reg. Arkell.]

Q. In other words, you have brought together a number of local associations which have grown up in the course of years and you have taken the members of those associations and created one central selling agency?—A. Yes.

Q. That is the situation?—A. Yes.

Q. To what extent have you succeeded in controlling the wool trade in Canada?—A. Last year we handled 4,400,000 pounds of wool.

Q. I presume you have statistics showing the total Canadian output?—A. The total number of sheep in Canada is in the neighbourhood of 3,000,000 head with an average of probably 6 pounds, per head. That means 18,000,000 pounds of wool this year. That is according to the Census Bureau.

By Mr. Stevens:

Q. This past year?—A. This coming year.

By Mr. Henderson:

Q. Are there any figures available for the past year so that we can talk about actual figures?—A. I have not got the census statistics. They are the only figures in Canada that are in any degree reliable. We believe that there was last year in the neighbourhood of 15,000,000 pounds of wool.

Q. Why is there the difference between this year and last?—A. Because more sheep have been retained for breeding purposes on the account of high prices on account of the greater degree of remuneration in sheep raising and also because settlers especially in Southern Saskatchewan and Southern Alberta have entered sheep raising who have not done so before.

Q. Why should the 40,000,000 of last year drop to 18,000,000 this year?—A. It is 18,000,000 this year and 15,000,000 last year.

Q. I thought you said 40,000,000?—A. No, sir.

Q. You think last year's output was approximately 15,000,000?—A. Yes.

Q. You think this year's output will be about 18,000,000?—A. According to the Bureau of Statistics here in Ottawa.

Q. Of that 15,000,000 last year you handled approximately something more than a quarter?—A. 4,400,000.

Q. You handled over a quarter ot the total output?—A. Yes.

Q. Judging from present prospects, what proportion of this year's output do you think you will handle?—A. About 5,000,000 pounds, we believe.

Q. So that you will increase your proportion somewhat?—A. Yes.

Q. What do you do in the way of fixing prices. I am using that term in the broadest sense. Who arranges the prices to be paid?—A. We arrange our prices in a fashion very peculiar to ourselves.

Q. It has been intimated to us that it is very peculiar. Will you describe it in detail?—A. We fix our prices on the basis of the American market. We do it for the reason that unfortunately the bulk of our wool must, in order to have a reasonable price, go to Boston the centre of the wool trade in the United States. Even at the time when there were 10, 11, 12 cents against wool entering the United States the bulk of our wool went to United States. That is due to the reason that we have a lack of the combing or worsted industry—the bulk of our wool is combing or worsted wool. We go to Boston and we present our samples of wool before a representative of the American Woollen Company.

Q. The American Woollen Company is a company of what?—A. Of manufacturing concerns.

Q. Is it what is called the combine of woollen mills?—A. Yes. This representative considers the wool in an impartial fashion and we then arrange our prices on the basis of the American market.

[Mr. T. Reg. Arkell.]

Q. Are we to take it from that that the American Woollen Company is so powerful that it can fix the Boston price?—A. No, it is only one. For the reason that—in fact when I said a representative of the American Woollen Company, I should not have stated that, I should have simply said an impartial representative, who, when he considers our wool, considers it only on the basis of a wool expert not in his character as a representative of the American Woollen Company whatever.

Q. But he is in fact the American Woollen Company man?—A. Yes.

By Mr. Reid:

Q. What do you mean by considering your wool? Is that grading?—A. Yes. Our prices are then placed on a basis whereby we can assure quick and easy liquidation. Our prices in Canada to-day on that basis are fixed. We don't change them. We handle all of our grades on a fixed basis of price. We don't do, as has been done in the past, ask four or five cents a pound more than we expect to get and break our price. Our price is the same then to everyone. It must be a reasonable price inasmuch as we are compelled to sell our wool almost as soon as it is received and at the present time I fully believe that our wool, to manufacturers, is the cheapest Canadian wool in Canada, although, at the same time, we do increase the price that the grower receives, or, in other words, this margin on which we work of a cent and a quarter is very different from the margin which had obtained in the past and which was the reason for our organization.

By Mr. Stevens:

Q. You cut out speculation entirely?—A. Yes.

Q. And in your charges you simply charge what is necessary to cover your selling and handling expenditure?—A. Yes.

Q. Which I notice by your balance sheet is very reasonable. I think your business seems to be operated in a very reasonable and modest way. Do you expect to keep up this record of the past year?—A. We are trying to.

Mr. Stevens: I think it is very interesting, Mr. Chairman. I think you deserve a great deal of credit. If you are going to keep this up it is going to be a strong recommendation for other co-operative organizations on a similar basis.

Mr. Henderson: I notice that the first item in the profit and loss account is one of $7,541 for office and management salaries. Presumably the witness's salary is among the others.

By Mr. Stevens:

Q. In connection with your balance sheet and your method of doing business which, as I see it, appears to be very good, there is one point to which I wish to call attention. You have here customers' paper discounted, $85,568; bills receivable, $34,988; and accounts receivable, $60,884; a total of $181,440. Is that really sound, safe paper?—A. It is covered by warehouse receipts.

Mr. Stevens: With that explanation, I should say your business is on a very good basis.

The Witness: We sell entirely on a net cash basis. We do take paper where we can get warehouse receipts to cover. With the small amount of capital we have we dare not have losses.

By Mr. Henderson:

Q. I see your auditors are Clarkson, Gordon and Dilworth. Who does the work? —A. Mr. Hill.

[Mr. T. Reg. Arkell.]

By Mr. Reid:

Q. Do you sell wool on grade?—A. On grade entirely. We don't handle wool on the flat basis at all. All our wool is classified by experts and each man gets value for his wool. The man with the good wool is not forced to pay a premium to the man with poor wool.

Q. Do any prospective buyers come into your warehouse to sample wool before they buy it?—A. Yes.

Q. Is that not buying by sample?—A. It is buying by sample but it is buying on sample by grade. They will sample the wool for shrinkage and not for quality. The buyer recognizes our quality, in fact is willing to accept our quality. Shrinkage varies from time to time and according to climatic conditions.

By Mr. Stevens:

Q. You sell most of your wool on the Boston market?—A. We sold fifty per cent last year on the Boston market. It would appear this year as if the bulk of it will have to go to Boston as our manufacturers seem to be filled up, from present survey, with the British Government wool which was obtained last year.

Q. That is Australian wool?—A. Yes.

Q. Of finer quality?—A. Yes.

Q. There is a bigger demand for the finer than the coarser. That makes it necessary for Canadian wool to be marketed on the Boston market?—A. And it is due to combing.

Q. What is the spread between the best Canadian grade and the finer wool?—A. On the free market the fine Australian wool sold in Boston the other day at two dollars and forty cents. That is the clean price or about one dollar and forty cents in the grease.

By Mr. Sutherland:

Q. Was that merino?—A. That was pure merino, 64's. Most of the Australian wool is controlled by the British Government at fixed prices.

By Mr. Stevens:

Q. What about the Canadian common coarser wools?—A. They are selling about sixty to sixty-five cents approximately the same quality in the grade, or what would answer as the same quality in a Canadian grade.

Q. That is an awful spread. How do you explain that?—A. It is largely due to the fact that the Australian wool actually will spin to finer accounts than our Canadian wool, or, in other words, it is produced under better climatic conditions. When I say one dollar and forty cents I mean very choice wool. The average price of 60's and 64's was about one dollar and one dollar and one cent in the grease.

Q. Is there anything to be done to bring Canadian wool up to a better grade?—A. Our belief is that selling on a graded basis, giving to the grower actually what the wool is worth, is probably doing more than anything else to increase the quality. It is bringing about a spirit of competition among growers which did not exist before. Formerly, in Western Canada, three or four buyers would go out from the East and they would offer to pay a certain price for the wool. If it were not accepted they would go back home.

Q. Mr. Paton made a statement here the other day which I think we ought to get your views upon. His statement was this: He stated that he bought up most of the clip in Quebec and paid last year, I think, seventy-four cents for it. What did you get for your wool generally last year?—A. He bought our wool last year. That was the average price he paid for it and we got—about seventy-four cents as near as I can remember. It was between the neighbourhood of seventy-three and three-quarters and seventy-four and a quarter.

[Mr. T. Reg. Arkell.]

By Mr. Reid:

Q. What percentage of the Canadian wool crop is used in Canada?—A. I cannot tell you, sir. In the past, unfortunately, as I said before, the greater portion of our wool went out of the country and I believe last year more Canadian wool was used in Canada than almost at any other time for the simple reason that Australian wool did not arrive in ample time for it to be used.

Q. Then the Canadian wool is suitable for the Canadian trade?—A. It is suitable providing they have the machinery to utilize it.

By Mr. Sutherland:

Q. How many of the mills are using long wool?—A. Mr. Paton can use long wool. There might be five mills.

Q. What was the price last year for the coarser?—A. It varied according to the district. The price is set on a shrinkage basis. Coarse wool in Quebec was somewhere in the neighbourhood of 62 or 63 cents. In Ontario it was 63 to 64 cents a pound last year, and in the West less than that, owing to the high shrinkage as you go from East to West. In other words, wool is purchased only on the clean basis, on that portion which can be actually used for manufacture.

By Mr. Nesbitt:

Q. What is wool selling at this year?—A. It varies according to the grade. You may have grades running from 70 cents to 42 cents and 43 cents for the coarse.

Q. What is Shrop?—A. 67 to 70 cents.

Mr. SUTHERLAND: Mr. Paton led the committee to believe there had been a very slight reduction since last year, but here you have a reduction of about thirty-three per cent between this year and last year, on the coarse wools.

By the Chairman:

Q. What is the average price this year?—A. That depends on the district. The average price in Ontario—

Q. For instance, the wool you would sell to Mr. Paton?—A. The wool we sold to Mr. Paton—he only bought two grades this year—his average price being in the neighbourhood of sixty-five cents.

Q. You could not tell us exactly what it was?—A. Yes.

By Mr. Stevens:

Q. Give us the quality, the grades and the price?—A. Mr. Paton has bought 80,000 pounds this year. He paid—low, medium combing and low medium clothing, two grades—he paid 66½ cents for one, and 65½ cents for the other, one in ten.

By the Chairman:

Mr. Paton's statement was that the wool he purchased from you last year at 74 cents, would work out on this year's price at 67 cents.

Mr. STEVENS: I think he was estimating and you are giving us actual figures.

The WITNESS: Yes.

By Mr. Stevens:

Q. How does the price of wool compare with the price of wool in pre-war days?—A. Before 1912 wool sold in Canada anyway from 5 cents to 10 cents a pound. When the Underwood Tariff came into effect in the United States wool prices jumped several cents a pound.

[Mr. T. Reg. Arkell.]

By Mr. Reid:

Q. How many cents?—A. About six cents a pound. That was in 1913-14, when American buyers entered the market.

Q. What is that Underwood Tariff?—A. It allowed Canadian wool to go into the United States without duty.

By Mr. Nesbitt:

Q. What was the price in 1914?—A. Our average price was probably about 20 cents, or 22 cents.

Q. Was that including Shrop?—A. Shrop wool would be in the neighbourhood of 30. We have to take in a heavy shrinkage western wool at lower prices. The price in each district, in each province, varies as the quality varies, as the shrinkage varies.

Mr. Nesbitt: I think I sold for 34 cents, last year. I am speaking from memory.

The Witness: We have wool in Western Canada this year which will not bring more than 35 or 38 cents.

By Mr. Sutherland:

Q. There is much more grease in some than in others?—A. Yes.

Q. Consequently a great difference in the price?—A. Yes.

Q. What breeds have most grease?—A. Merino, Western wool.

Q. Are there any pure breeds?—A. Very few. But there are pure bred Delaines, and Ramboulays in Southern Alberta.

By Mr. Nesbitt:

Q. Merino, I think, sold at the highest price of any?—A. The highest price clean. But some of the merino wool shrinks as high as eighty per cent. Out of 100 pounds of wool you may only get 20 pounds of wool you can use for manufacturing.

By the Chairman:

Q. You say that the Canadian price of 1914 was 22 cents on the average?—A. Yes.

Q. And now it is about 67 cents, on the average?—A. No. Now it is in the neighbourhood of I think—I could tell you better later when all the wool is sold—probably 48 cents, on the average. I believe there that I may be a little high.

By Mr. Henderson:

Q. I don't suppose anyone has taken the trouble to find out what the cost of production will be?—A. The only statistics I have come from a ranch in Alberta. They claim on this ranch—they reduced their sheep last year from 5,000 to 900—that it cost them 55 cents last year to produce a pound of wool and that the price they received for it without considering the overhead interest, that is they took in salaries cost of feed, etc.

By Mr. Stevens:

Q. But not the interest on investment?—A. Exactly. They got 62 cents for it, delivered at Toronto. That means 60 cents.

By Mr. Henderson:

Q. That must have been a very high class wool?—A. It was a merino cross.

Q. Did you ever study their figures to see whether or not in your opinion that 55 cents figure was justified?—A. No, sir, I did not.

By the Chairman:

Q. You have not any knowledge with regard to the price at which cloths have been selling?—A. No.

By Mr. Nesbitt:

Q. You don't follow it up?—A. No, it would be safe not to.

Mr. NESBITT: That is a very wise thing.

Witness discharged.

Mr. A. O. DAWSON, Managing Director of Canadian Cottons, Limited, also Mr. A. BRUCE, Secretary-Treasurer, of the same company, called, sworn and examined.

By Mr. Henderson: (Examining Mr. Dawson).

Q. You are managing director of the Canadian Cottons?—A. Yes.

Q. And that company was organized in what year?—A. In 1910. It is a reorganization really of an old company that had been in existence eighteen years prior to that.

Q. The old company was in existence then for eighteen years?—A. Yes.

Q. Was it a reorganization in the sense of refinancing?—A. It was a reorganization within the company. We felt the need of additional capital and we took in two additional mills at that time, the Mount Royal Mill in Montreal, and the Gibson Mill in Marysville, New Brunswick.

Q. How many mills are operated by your now?—A. Six. One in Hamilton, three in Cornwall, one in Milltown, New Brunswick, and one in Marysville, New Brunswick.

Q. Which were the mills taken in in the later period?—A. I should also have mentioned the Mount Royal Mill. The Gibson Mill at Marysville was one taken in at the reorganization.

Q. When those mills were taken in were they paid for in cash or in stock?—A. The Gibson Mill was paid for altogether in bonds. I think the amount was $700,000 of bonds.

Q. Was the purchase made on a valuation of the property?—A. No. This company was in a rather bad financial condition. It was practically in the hands of the bank and it had to be disposed of and we made an offer.

Q. To whom?—A. To the bank.

Mr. BRUCE: It had been the property of the Alexander Gibson Manufacturing Company. Three and a half years previous to 1910, it was bought by Mr. David Morrice and so it was run by Mr. Morrice and the Canadian Cotton Company and Mr. Morrice had practically the same price as he paid Mr. Gibson.

Q. Mr. Morrice is very prominent in your organization. One would gather that he took that mill over temporarily, and kept it alive until your organization took it in. —A. (Mr. Dawson), I was not appointed Managing Director until the reorganization.

Q. The other mill you spoke of, the Mount Royal Mill, when was it taken in?—A. This was issued at that time?—A. Yes it was issued at the time of the reorganization.

Q. By whom?—A. Mr. Whitehead was allowed the opportunity and the group associated with him.

Q. It had been leased to the Dominion Textile Company?—A. No, we leased to the Textile. It had been running as an independent mill with rather bad results, and it was practically in the market when we reorganized our group.

Q. On what basis?—A. We gave them bonds.

Q. On the basis of valuation of the assets?—A. On the basis of the stock. Mr. Bruce will give you the figures.

APPENDIX No. 7

Q. You had outstanding stock, I see of $3,601,000 preferred, $2,615,000 common. This was issued at that time?—A. Yes it was issued at that time of the reorganization.

Q. The preferred?—A. The old company issued bonds and common only.

Q. That was the issued capital of the old company?

Mr. Bruce: $2,700,000.

Q. And what bonds?—A. Two million dollars in bonds.

Q. And by whom were the bonds held, because I gather from what you say that the bondholders took stock of one kind or another. I am not speaking of the old Canadian Cotton Company. Could you put it in in detail. I am looking for the water?—A. The old Canadian Cotton Bonds were held by the general public, and had been issued for twenty years. We got them in by providing for issuing bonds that are there now in that statement. They were practically exchanged for five per cent bonds.

Q. I see. You have here what you say was old stock?—A. $2,700,000.

Q. That was your total issued stock, and instead of that we find to-day something over $5,000,000 of common and preferred?—A. Yes.

Q. Did the common go with the preferred as bonus stock? Did the stockholders get this in the way of new stock?—A. In 1910 the holders of $2,700,000 of common stock of the Canadian Cotton Company were asked to accept seventy-five per cent of their share in preferred stock in the new company. Thas is to say, of that $3,600,000, $2,025,-000 were issued to the old shareholders. They relinquished $625,000.

Q. They took seventy-five per cent in the form of preferred in lieu of one hundred per cent common. Did they get the common as a bonus?—A. They relinquished $625,-000 common and there was offered for subscription one million dollars of preferred stock for which they paid par. They were offered, if they would subscribe to this new issue of preferred $625,000 of common which was added to the $1,325,000 for the value made up out of the reserve surplus of the Canadian Colored Cotton, which made two million dollars. $675,000 and $1,325,000 make exactly $2,000,000. That was reissued to subscribers of one million dollars of preferred shares.

Q. Am I right in understanding that they took the preferred at par?—A. Yes.

Q. I am not speaking of the seventy-five per cent preferred they bought. There were two million dollars of what the man on the street would call bonus stock distributed?—A. Yes.

By Mr. Stevens:

Q. In other words, one common share in the old company received seventy-five per cent in preferred stock plus two common shares in the new company?—A. They subscribed in the proportion of one million dollars to $2,007,000 and they got common stock in the proportion of two to one. The value of the common stock which they got was their own $675,000 plus the surplus capital from the reserve of the Canadian cotton.

Mr. Dawson: The earnings of eighteen years were capitalized, and given out in the shape of common stock.

Q. At that time, did you offer any common stock to the public?—A. No, it was all in the company.

Q. At any time has any common stock been offered to the public?—A. No.

Q. So on your admission, there were $2,715,500 of common stock none of which is issued as the result of sale to the public?—A. No.

Q. All of it has been issued as a result of these negotiations which resulted in the transfer of the holdings of the old shareholders.

Mr. Bruce: Yes, within the company.

Mr. Dawson: Every shareholder was allowed his proportion.

Q. That $3,615,000 of preferred stock was not altogether a new issue, and for that you have got from your old shareholders their common stock. To what extent again

[Mr. O. A. Dawson and Mr. A. Bruce.]

would each man take seventy-five per cent? What was your total common stock issue?—A. The same as now, $2,700,000.

Q. $2,700,000, but your present preferred issue is $3,661,000, and you only issued to common stock holders seventy-five per cent of your then holdings. What is the explanation of the further issue of preferred?

Mr. Bruce: We issued in preferred $2,025,000 to old shareholders.

By Mr. Nesbitt:

Q. All preferred?—A. Yes.

By Mr. Henderson:

Q. You issued one million dollars for cash. Was it received?—A. Yes.

By Mr. Nesbitt:

Q. Subscribed to by old shareholders?—A. Yes. We used $550,000 of it for the part purchase price of the Mount Royal Mill.

Q. That went to the Mount Royal?—A. Yes.

Q. That practically makes all your amount?—A. Yes.

Q. That makes the issue?—A. Yes.

By Mr. Henderson:

Q. Was any preferred stock divided among the promoters?

Mr. Dawson: Not a dollar. Not in the form of stock or cash.

Q. It was a family arrangement?—A. Yes, with the old shareholders, exactly.

Q. Was that preceded by any valuation of the assets of the company?

By Mr. Nesbitt:

Q. Did the old shareholders absorb all the common stock?—A. Yes, there was not one dollar outside of the old shareholders.

Mr. Bruce: $2,025,000 to the old shareholders, and part of the purchase price of the Mount Royal.

Q. How about the Mount Royal?—A. That was Mr. Gibson's. He took bonds on it. The Mount Royal was an entirely new deal.

Q. Outside of this Mount Royal transaction?—A. Yes, it was all together.

Q. Re-financing the Canadian Cotton Company was the idea?—A. Yes.

Q. Was that based on the valuation of the physical assets of the companies?—A. There is no question of valuation. The present company is the same company as the old one, and the assets remain in the books exactly as they stood.

Q. The reason I ask the question is that you pay a dividend on your present stock issue. We naturally would like to know how that present stock issue compares with the actual value of the physical assets of the concern. Have you ever had an actual valuation?—A. Oh, yes. We had a valuation taken within three months of the present time.

Q. Taken by whom?—A. The Manufacturers' Mutual Fire Insurance Co.

Q. For insurance purposes?—A. Yes.

Q. What does that valuation show?

Mr. Bruce: The valuation shows a very considerably higher amount than that carried in our books.

Mr. Dawson: That would not include the land, the fences, or the piping underground. It is practically the replacement value.

By Mr. Henderson:

Q. Did they take it at the replacement value of 1918?—A. At the present value. What they would pay us in cash if the property was burned.

[Mr. O. A. Dawson and Mr. A. Bruce.]

Q. For insurance purposes that would be proper? If your property was destroyed by fire the Company would theoretically have to replace it to-morrow. Would a group of business men buy the property at the present day replacement value?—A. They could not get the same machinery to-day at the value the insurance company put on it.

Q. Are people putting up cotton mills every day?—A. We are extending continuously. I do not think they would build a new mill. It would be a very high cost to-day.

Q. Practically prohibitive except that you are forced to extend business to take care of immediate demands, is that it?—A. Yes, although prices are still advancing. There is some more to go on the machinery by the first of July.

Q. You would not expect people to accept the insurance valuation as necessarily the value, would you?—A. It is hard to answer that question. If he wanted to build he could not build at any other valuation.

Q. And the insurance company has its standard of value, but if you were going to have a valuation of your concern for the purpose of selling it to another concern you would not call in the appraiser of an insurance company.—A. I think that the ordinary appraiser would not put less value because the appraised companies take appraisals of the machinery supplied.

Q. You know that every concern such as the Price Waterhouse, whether you are a bridge engineer or accountant, have charts showing curves of prices for years back, and you know probably that it has been the common practice in arriving at values during war times to simply project a normal curve.—A. I have no information on that.

Q. And that is normally lower than the war time curve?—A. The way the insurance companies do it they take the present valuation, and deduct for depreciation.

Q. They take the present day replacement value, deducting for depreciation but that is a difficult thing to show every deduction by a curve.—A. You may make any deduction you like. This doesn't include land or piping?

Q. You cannot give any information as to the actual value of the physical assets? —A. No.

By Mr. Stevens:

Q. You have on your books a Properties account?—A. There is dollar for dollar ever spent.

Q. Here is an item of $10,655,000 for mills, property plants, waterpowers. First, let me ask you, is it carried on your books at cost?—A. The cost to us, yes.

Q. How much represents mills, properties and plants? Exclusive of waterpowers? —A. Waterpowers are included in that.

Q. Are they not at cost?—A. That is the general value. We do not keep them separate. We have a large waterpower at Milltown, for instance.

Q. Is it valued on the cost of the waterpower to the Company?—A. It is valued on what we paid for the property.

Q. And the cost of the installation of the plant?—A. Yes.

Q. Etcetera, what is that?

Mr. Bruce: It doesn't represent anything further than the ordinary appurtenances to the plant.

Q. Your mill and plant cost this sum as represented here. You do not need any appraiser's value as far as a fair basis for dividend payment is concerned?—A. The only question is whether another appraiser would make it higher or lower than that.

By Mr. Vien:

Q. Then it represents the outlay in money?—A. The actual outlay in money.

Q. Less depreciation?—A. Yes.

By Mr. Stevens:

Q. How much have you written off for depreciation in the last three years?—A. $800,000.

[Mr. O. A. Dawson and Mr. A. Bruce.]

By Mr. Henderson:

Q. $400,000 in 1917, and in 1918 how much?—A. $300,000.

Q. The year before that?—A. $100,000.

Q. Have you discussed that with Mr. Breadner?—A. Yes, he knows that.

By Mr. Stevens:

Q. Mr. Dawson, can you tell me how much actual cash capital was put in your business?—A. As far as I know it is all, if you include the earnings.

Q. Without earnings?

Mr. Bruce: You would have to go back nearly thirty years.

Q. I gather from what you said that $2,700,000 of capital stock was in the original company, that you added one million dollars of cash put into this company for preferred shares. Is that the total amount of cash put into this company?

Mr. Henderson: Plus the Mount Royal plant.

By Mr. Stevens:

Q. That is included in the bonds?—A. Absolutely in paying for the Mount Royal we gave $500,000 preferred and $715,000 common.

Q. That is not included in the million dollars purchase?—A. No.

Q. We add $550,000 for the Mount Royal?—A. And $715,000 common that was part of the price paid for the Mount Royal.

Q. What do you value the Mount Royal at?—A. $1,100,000 in bonds, $550,000 in preferred, and $715,000 in common.

By Mr. Henderson:

Q. Was there an actual valuation made of it, that is, a physical valuation?—A. No.

By Mr. Stevens:

Q. Was it worth $3,000,000?—A. We have sold $2,375,000 of six per cent bonds for cash.

Q. It is worth more than you got it for?—A. There is a depreciation of ten years. We figure we got it at cost.

By Mr. Vien:

Q. Enhanced value?—A. We figure that we got it perhaps a little better than cost.

By Mr. Stevens:

Q. It seems that $550,000 preferred and $715,000 common represents the total investment in the business in cash preferred and common? That would be $4,950,000.

Mr. Bruce: And you leave out the whole asset of the Canadian Coloured Cotton Mills Company. It is the main asset of the company.

Q. What does that represent?—A. It represents all of $5,000,000.

Q. That was in the original company?—A. Yes.

Q. I am coming to that? It is included in the original company plus the capital, plus the surplus. What was the surpluses?—A. One million six hundred thousand dollars.

Q. That is $6,600,000 roughly, and you put it in the present capital $6,376,000. You have this in capital stock common and preferred and $4,600,000 in bonds besides that.

Mr. Dawson: Yes, making up a total valuation of ten million dollars odd.

Q. What has actually been represented in the capital on which you pay?—A. There was the earnings of eighteen years which belonged to the shareholders, and

[Mr. O. A. Dawson and Mr. A. Bruce.]

which they received in the form of common stock. During that eighteen years, I suppose I am safe in saying they never got more than four per cent, and perhaps half the time they got nothing, so that it seems that it was not an exorbitant thing for them to get. The common stock did not pay anything at all until three years ago.

Q. In the former company there was $2,700,000 common stock. How much was paid in cash?—A. That was before my time.

Mr. BRUCE: The mills were paid for in the original purchase in stocks and bonds.

Q. How much is represented in actual cash value? It was supposed to be a cash value equal to what?

Mr. DAWSON: There were five millions we threw in.

By Mr. Henderson:

Q. Was this based on the actual appraisal value, or was it the result of negotiations?—A. They were all the result of negotiation.

Q. My recollection is that at the time your company was forming, the mills were not in very good condition, and you were able to buy them cheap.—A. I imagine that was true. It was eighteen years ago.

By Mr. Stevens:

Q. This company was organized, having $2,700,000 stock, to purchase a number of mills by issuing bonds, and common stocks of this mill. All of us understand that in purchasing and issuing bonds, common stock is given as a bonus to the bond holders. Is that the case in this case?—A. No.

Q. Have you any statement to show that this is not the case?

Mr. BRUCE: I have no statement showing that. The bulk of the stock went to the shareholders of two of the mills.

Mr. DAWSON: The St. Croix Mills alone cost $1,500,000. The big Canada Mill at Cornwall must have cost $1,000,000. There were also the Stormont Mill at Cornwall, the Ontario Mill at Hamilton and the Mill at Merritton.

Mr. BRUCE: And the Lewiston and Dundas Mills. The others were our mills.

Q. Bought by agreement by the issue of common stock and bonds combined. You say, on the basis of what was the actual value of the plant?—A. As far as I know.

By Mr. Vien:

Q. How much in bonds and stock?—A. $2,000,000 in bonds, and $2,700,000 in common stock.

$4,700,000 all told?—A. Yes.

Q. You are ready to swear that the physical value of the mills that you bought were worth $4,700,000?—A. I am not prepared to swear as regarding the valuation.

Q. What was the value?—A. As far as I know the mills were bought by bargain and not by valuation. Most of the mills.

Q. No valuation is made? Surely, the new men that came in with the owners of the mills went into it and tried to find out what the valuation was?—A. They did it. They did not go to work by making an appraisal.

Q. What was their opinion of the market value of the whole thing?—A. They took the companies stock valuation.

Q. What was it?—A. I have no figures to show.

Q. Can you bring figures still in your books to show it?—A. We have no figures to show it.

By Mr. Davis:

Q. Have you a copy of the statement you sent to the shareholders when this reorganization took place?

[Mr. O. A. Dawson and Mr. A. Bruce.]

By Mr. Vien:

Q. I got from these gentlemen that at the beginning there were five mills and that they bought them from the owners and that they did not pay for them in money. They paid $2,000,000 in bonds, and $2,700,000 in common stock. I put this question: "Gentlemen, are you prepared to swear that this was the right physical valuation of the plants that you were buying?" He says, "No, I am not prepared to swear it."

By Mr. Henderson:

Q. He says that they have no records to show the physical valuation.

Mr. Dawson: We only know that the men in that group who took it over took it for granted that they were getting value for the mills.

Q. Were you in the business, do you know that they were?—A. As a small boy I was connected with the selling department.

Q. I have a recollection that it was represented to the shareholders of the mills that an economy would be brought about by dividing up the work, and giving mill "A" a certain class of manufacture to do, and mill "B" a certain other class of manufacture to do, and that that idea was the basis of the amalgamation of these mills. ?—It is probable.

Q. And that the different owners came together and negotiated over the value at which each mill should be taken in?—A. That was it, was it not, Mr. Bruce, as far as we know?

Mr. Bruce: Yes.

Q. That would account for the fact that a physical valuation was not considered necessary. It was a question of bargaining to get these men in.

Mr. Dawson: The St. Croix mill was controlled by an American group. They negotiated with the owners of similar mills and they got together in the end.

Q. How did it compare in point of time with the organization of the Dominion Textile Company?

Mr. Bruce: The Dominion Cotton Company was within the previous year.

Mr. Dawson: Long before our organization.

Mr. Bruce: The Dominion Textile was organized in 1905.

Mr. Henderson: Was that before the original amalgamation?

Mr. Dawson: We were amalgamated long before that.

Q. Before the Textile, before the group now called the Textile or the Dominion Cotton Company?

Mr. Bruce: It was organized in 1891. We were organized in 1892.

Q. They came together at pretty much the same time.

Mr. Dawson: Way back originally.

Q. Prior to that there were many cotton mills scattered all over the country?—A. Yes.

Q. They first got together in amalgamation in the Dominion Textile Company and your people followed that amalgamation immediately, each working along similar lines.

Mr. Nesbitt: The object being to strengthen the corporation.

Mr. Dawson: They wanted to save these mills from going into bankruptcy. The years were bad. They thought they could do it by getting together.

By Mr. Stevens:

Q. Did you specialize on the various mills?—A. Yes. The country is small, and we have to make a large variety of stuff, we specialize as much as possible.

Q. These balance sheet shows in the profit and loss account a lump sum of $9,000,000, raw material, etc., etc. Have you a statement showing that? What is that item of general interest $127,400.

[Mr. O. A. Dawson and Mr. A. Bruce.]

Mr. BRUCE: Bank interest on current borrowed money.

Q. What is your total turnover? Is it this, $10,828,000?—A. About twelve and a half net returns.

By Mr. Henderson:

Q. Your actual cost of operation shows a net profit of $1,365,103.82 after providing for $120,000 for war tax, reserve, and I presume that is sufficient provision.

Mr. BRUCE: Well, it is approximate.

Q. Obviously you would be on the safe side?—A. I expect this year we will pay quite that.

Q. Of that $1,605,000 how much did you pay in dividends?—A. Six per cent on the preferred, or $119,000, and six per cent on the common, or $152,000.

Q. A dividend of six per cent on the preferred which is the dividend the stock calls for, and then you declare a dividend of six per cent on the common, and paid your bond interest of course?—A. Yes.

Q. I see here you provide a reserve for renewals of $200,000.

Mr. DAWSON: That is for a new dam to be built at Milltown, New Brunswick. The power has to be renewed this year sometime. We are negotiating for it and had contracts made before the year closed.

Q. There is your depreciation of $400,000, and a reserve for bad debts of $15,000. Do you have many bad debts?—A. There have been very few in the last few years. The last big loss was a loss of $40,000 in Toronto.

Q. The difference in that amount was made up by a credit amount of $198,000, rent for the Mount Royal mill. Is that what you get for rental from the Dominion Textile Company for that Mill?—A. Yes.

By Mr. Euler:

Q. What about that depreciation of $400,000? You show $300,000 the year before and $100,000 for the year before that. What is the reason?—A. We make an effort to take more off in the earlier years, but because of the lack of profits it was not enough. It is two per cent on plant and five per cent on machinery.

By Mr. Henderson:

Q. Has Mr. Bredner allowed $400,000 for depreciation?—A. He has not made a statement yet.

Q. The $300,000?—A. We have no statement yet. That is not settled yet.

By Mr. Nesbitt:

Q. What is the rate of depreciation?—A. We allow two per cent on plant and five per cent on machinery.

Q. You will get it all right?—A. The difficulty about the mills is that raw materials and manufacturing costs are shown separately. Here is an amount of $9,197,000 and another balance of $10,000,000. You carry that forward as assets? It is $10,655,000.

Mr. BRUCE: Those two figures have no relation.

Q. You do not separate your buildings from the machinery?—A. No.

By Mr. Douglas:

Q. Have you a reserve to protect you against the raw cotton market over and above your nominal surplus?

Mr. DAWSON: We have a reserve there that we accumulated for years that we kept for possible losses, $90,000.

[Mr. O. A. Dawson and Mr. A. Bruce.]

Q. Is it only $90,000?—A. Yes. There is another reserve of nearly $100,000, and payable against losses in reduction of prices and allowances and so forth.

Q. That is shown in your statement as a contingency fund placed on one side. Only $90,000 in one case, and $100,000 in another?—A. Yes.

By Mr. Nesbitt:

Q. One hundred thousand dollars for what?—A. It is accumulated profit for some years, and we set it aside.

By Mr. Douglas:

Q. This is over and above the ordinary reserve?—A. For depreciation, yes.

Q. Over and above the amount to cover losses on raw material?—A. Yes.

Q. That is a secret reserve?—A. We do not show that to the public.

Q. It only amounts to $190,000, all told?—A. Yes.

Q. You are not as strong as the Dominion Textile that way?—A. We have never been able to.

By Mr. Nesbitt:

Q. In addition to $9,291,917?—A. No.

By Mr. Douglas:

Q. Is there any other secret fund you do not show?—A. That is the only thing. That is the statement that the directors get. That is all that the board gets. It is the complete statement furnished the board.

By Mr. Nesbitt:

Q. What were your net earnings last year?—A. The net profits were $718,000.

Q. What per cent?—A. The percentage, omitting bonds, just on the preferred and the common was 14·91 per cent.

Q. What was the net percentage on the investment?—A. It was $1,132,310 in stock and reserves.

By Mr. Stevens:

Q. What year?—A. Last year.

Q. 12·2 per cent I figure it out. It is all there in the statement?—A. Yes, about 20 per cent including bonds.

By Mr. Henderson:

Q. Have you figures for the previous year. Our accountant has compiled a statement for several years taken from the Dominion Financial Review, which is the semi-official publication?—A. We have reports for several years which we will put in if you wish it. They go back to the re-organization.

By Mr. Nesbitt:

Q. How do you find it? How do you work out your net earnings?

Mr. BRUCE: I make them out at eleven per cent, including bonds.

Mr. STEVENS: 12·2 per cent in 1918, 10·4 per cent in 1917, 9·3 per cent in 1916, 11·1 per cent in 1915, 11·7 per cent in 1914, 10·9 per cent in 1913, and 11·2 per cent in 1912.

By Mr. Nesbitt:

Q. According to that you ran pretty regular. You did not make more in 1919 than you did in 1913.

Mr. DAWSON: We did because we were able to write off depreciation. We did that lately but not in earlier years.

[Mr. O. A. Dawson and Mr. A. Bruce.]

By Mr. Douglas:

Q. You could have written off depreciation in 1913 with these figures of 11·2 per cent?—A. This company has never been a profitable concern during all the years. When I took hold of the business about nine years ago I found that there were on the company old obligations of one kind and another that we had to clean up before we had a clean slate. We were improving our position every year, and last year was naturally the best year we have had.

By Mr. Henderson:

Q. Looking over the annual statement you handed to me I see that your total profit in 1912 was $1,916,000?—A. Yes.

Q. In 1913, it was $1,249,000. In 1914 it dropped to $602,942 although there does not appear to be any balance brought forward there. In 1915 you show only $573,877. In 1916, it is $716,548. In 1917, it is $792,832 and then comes 1918 where it jumps up to $1,126,000. This statement will show the history. Put this in as one bundle. Will you tell us, if you can, how you arrive at the selling price of your product?—A. Before the war our prices were controlled practically entirely by competition. We got all we could in competition with England and the United States, and then we found difficulty in making a living. Coloured goods are very expensive to make. Pattern goods are made in small quantities, and the costs of production are naturally very much higher than in print stuff. There is an increase in cost on account of variety, the varieties of dye stuffs, colours and patterns. We got all we could during those years.

Q. What the traffic would bear?—A. Exactly. Whatever competition would allow.

By Mr. Stevens:

Q. You paid no dividend on the common stock for 1912, 1913 and 1914 and in the last three years you paid a net dividend on the common stock of four, six and six per cent.

By Mr. Davis:

Q. Your surplus had grown from $600,000 to $1,600,000?—A. Yes, we were strengthening our position. Our bank account was very low. We wanted to get our position with the bank secure.

Q. Your surplus was three times what it was in 1912?—A. Exactly.

By Mr. Vien:

Q. What I cannot understand is, how these gentlemen when getting together to organize, would not get at the rock bottom of the thing, and would not make a valuation of the thing as it was worth on the market.

Mr. STEVENS: Before you came in, an explanation was made, which probably Mr. Dawson might repeat now briefly, and that was to the effect that a number of these mills were bought as concerns which were open for sale having virtually failed. One of them was in the hands of the bank. The deal was made in some cases on the same basis.

By Mr. Vien:

Q. Before buying or putting up the money or getting into the reorganization, surely they must have gone into it carefully, and they must have considered what the physical value of the whole thing was?—A. You speak of eighteen years ago.

Q. And of the other organization nine years ago?—A. Then we need more capital for the business. Our bank account was running very high, sometimes as high as two million dollars. The bank felt and we knew, that more capital was necessary to the business. We were not making the progress we should. The bank asked me if I would take the position of Managing Director. This year our old bonds of two million dollars are maturing. I went to England in connection with the sale of the bonds. We sold some of them there, and some of them in this country. We took in two new companies. The Gibson Mill was on the market for years. It cost $1,500,000 to Mr. Gibson. He was in the lumber mill and he felt he needed a cotton mill. After he got it he did not know what to do with it. He lost money for years. We bought it for $700,000. We knew we were getting a bargain on the mill. Somebody has to have it. It made the class of goods we were making, and it seemed the natural place for it to come. We bought the new Mount Royal mill which was also having financial difficulties. They came in on the basis of negotiation, and took in new stock in exchange for theirs. That mill came in under our management.

Q. You must have gone into the valuation not to pay too much in common stock or bonds. This was a new company. Maybe it would be better for you to pay them in money than in stock or bonds. Surely you went into the physical valuation to find out what to do.

By Mr. Euler:

Q. This mill which you bought at $700,000 and which you thought was a bargain, did you put it in the books at that?—A. Yes, we put it in at what it cost.

By Mr. Vien:

Q. Did you put it at the physical valuation?—A. We held it for some years and we had a new valuation. We put the valuation at what we paid for it.

Q. That is the Gibson mill?—A. $700,000.

Q. Mount Royal mill?—A. That was by negotiation. We exchanged with the original holders of the Mount Royal.

By Mr. Stevens:

Q. Did you get value for the money in actual material and property?—A. As a running proposition I do not think that the mill cost and the cost of land and machinery, that it was worth the par value of the common stock and preferred and bonds we gave. They took common stock at that time. It was selling about thirty. That is the Canadian Cotton stock.

By Mr. Vien:

Q. What was the value of it in your opinion?—A. Well, we took the valuation on the basis of what we thought we should earn from it.

Q. What was it?—A. It was only shortly afterwards that we rented it for $198,000 a year.

Mr. STEVENS: Capitalize the $198,000, and you have the estimated value of the plant.

Mr. EULER: In the physical valuation made what is included, mills, properties, plants, waterpowers?

By Mr. Henderson:

Q. In that insurance appraisal within the last three or four months—A. About $11,000,000 without the land or piping or waterpowers.

By Mr. Euler:

Q. If that is the case, would you then say that all the securities you issued, preferred stock, common stock, or bonds, are amply covered by the assets?—A. There is no doubt of it.

Q. No water there?—A. Not a dollar.

[Mr. O. A. Dawson and Mr. A. Bruce.]

By Mr. Stevens:

Q. With regard to the Mount Royal mill you have sold it?—A. We leased it for ten years but it is expiring and we have sold it.

Q. What is the comparison of the amount you get for it after receiving $108,000 for ten years, and the price paid for it in stock and bonds?—A. We paid $1,100,000 in bonds, $550,000 in preferred, and $715,000 in common. That is the amount of these at par.

Q. What did you get for it?—A. $2,375,000; $1,705,000 in Dominion Textile 6 per cent bonds, and the rest in cash.

By Mr. Vien:

Q. The value is enhanced since then?—A. Yes.

By Mr. Nesbitt:

Q. They valued the Mount Royal at that price?—A. We thought it a good sale.

Q. May I ask the witness, Mr. Chairman, what were the gross profits in 1919?

By Mr. Douglas:

Q. The only thing that we might get from you now is on what you base your selling price?—A. Up to the time of the war our prices were purely based on competition. Since the war we simply had to figure on what we considered a fair price. I want to say this, that if we have to sell goods in Australia and New Zealand and elsewhere part of the time, and wanted to eliminate the Canadian business, we could have made more money. Our prices were lower than in any of these countries, and at times lower even than in the United States. As a matter of fact buyers time and again said, "You are selling goods too low." One buyer from Winnipeg said, "You could get seven cents a yard more than you are getting."

By Mr. Henderson:

Q. Are you controlled by the War Trade Board?—A. No.

By Mr. Douglas:

Q. Are you in competition with the Dominion Textile Company?—A. They are printers. We are yarn dyers, and weave afterwards. They have practically copied everything we make. The printing process is cheaper than the woven process. Everything we make is copied by them in print. We can say ours is a better article because it is dyed in the yarn. We are up against it in that respect because they copy our patterns in printed goods. We do not make printed goods. They print the same patterns and classes of goods and sell them against us. We make skirting, dress goods, and flannelettes. They can supply the same weight of cloth with the same pattern, with the pattern printed on the face.

By Mr. Stevens:

Q. The average consumer would not know the difference?—A. It is a sightly article. You would be surprised at the quantity of gingham that is sold against us. In trials made into men's shirts and into overalls they can copy it almost exactly. Their's is a fast colour while ours is in the yard. We talk it up and get a good deal of business on that basis. The Dominion Textile competition was not great during the war. They had all they could do in their own lines and we in ours. The English prices to-day are in many cases higher than we ask our trade.

By Mr. Vien:

Q. How do your prices compare with the American prices?—A. During the war before the armistice was signed our prices were lower. Their prices were absolutely abnormal. Since the armistice was signed their prices have had a tremendous slump.

[Mr. O. A. Dawson and Mr. A. Bruce.]

Q. And ordinarily how did their prices compare with yours?—A. Ordinarily they are lower.

Q. How much?—A. It depends on the competition. If they have competition and run the whole mill on a pattern they can produce it cheaper than we can. Naturally they look to this market. Unless we had protection they would flood this market with their stuff.

By Mr. Douglas:

Q. You did not have to take advantage of the protection until the armistice was signed?—A. That is right. Since then the protection has been beneficial. It was a sort of life saver. That has been our experience.

By Mr. Vien:

Q. You told us that you were specializing? How is it that you cannot compete with them?—A. While we specialize we can specialize only to a degree. We quote for fifty patterns. We have to make them because we have to supply our trade with a variety of patterns. English or American mills with their tremendous population can run as many looms on one particular pattern as we use for the fifty.

Q. If you had reciprocity could you not enter their market?—A. That would be a different arrangement. At times we could sell our goods there on the same basis. Just now we pay a duty on raw material which they have not got to pay.

Q. If raw material came in free and their markets were open to you, you could specialize as well and compete, could you not?—A. Yes, at times.

Witness discharged.

Committee adjourned.

The Committee resumed at three p.m., the Chairman, Mr. Nicholson, presiding.

Mr. Frank C. Fletcher, called, sworn and examined:

By Mr. Henderson:

Q. What is your full name?—A. Frank C. Fletcher.

Q. Are you the manager of the Union Stock Yards?—A. Yes, sir.

Q. In Toronto?—A. Yes.

Q. It is a joint stock company, is it not?—A. Yes, sir, it is.

Q. Incorporated how, by the Dominion or province?—A. The Dominion.

Q. When?—A. I do not know personally, but I think about ten years ago.

Q. Do you know who the incorporators were ten years ago?—A. I do not.

Q. How long have you been with the company?—A. Shortly over two years.

Q. Where did you come from?—A. I came from the States.

Q. Where, Chicago?—A. Missouri.

Q. With whom were you employed before that?—A. I was employed previously—immediately previously—by the St. Joseph Stock Yards Company.

Q. The St. Joseph Stock Yards Company?—A. Yes.

Q. Of where?—A. St. Joseph, Missouri.

Q. Is that company affiliated or has it an overlapping directorate with any of the Chicago concerns?—A. There are some directors of the St. Joseph Stock Yards Company who are associated——

Q. Also directors of what concerns? We are accustomed in this far-away country to hear of the Swifts and the Armours, etc.?—A. The St. Joseph Stock Yards Company have directors whom, I suppose, are represented on the Swift board and the Morris board.

Q. So that the St. Joseph Stock Yards Company—would you call it an allied company of the Swift or Morris Companies?—A. I don't know that they are "allied companies."

Q. The companies work together in harmony?—A. No, not exactly. Not in harmony exactly. They were a public stock yards.

Q. There is that community of interests, at all events, which is represented by what is called, in common parlance, an "over-lapping directorate" or "interlocking directorate"?—A. There are directors who are associated with the Swift Company and the Morris Company, and also directors on there who represent other interests.

Q. But I suppose you have heard it suggested that "interlocking of directors" is very apt to mean "harmony in operations"?—A. As far as the business is concerned, perhaps so.

Q. Was there any change in the directorate of the Union Stock Yards Company immediately before you came here?—A. Not that I know of.

Q. Has there been any change there since you came here?—A. I am a director of the Union Stock Yards.

Q. You are a director of the Union Stock Yards?—A. Yes, sir.

Q. Were you before you came here?—A. No.

Q. Did you acquire a financial interest in the company as of the time you came here?—A. Yes, sir.

Q. Have you others associated with you—did others acquire a financial interest about the same time as you?—A. No, I think not.

Q. Perhaps you will tell us, Mr. Fletcher, to make it shorter, how you came to come here?—A. I was offered a position here and I accepted it.

Q. By whom?—A. I was offered a position by the directors of the Union Stock Yards Company.

Q. Technically, yes; but practically, by whom?—A. Mr. Dodge, secretary of the company.

Q. Mr. Fletcher, you know, of course, what I am coming at, and I was trying to come out strictly in an orthodox way. I want to find out the relationship between your company, as it exists to-day, and some one or more of the Chicago concerns, so please let us have it without a long, weary process, on a hot day?—A. All right. The Union Stock Yards have about forty-five stockholders. Some of those stockholders are and have been residents of Ontario ever since the inception of the Stock Yards. There is some stock in the Union Stock Yards Company owned by P. D. Armour or Ogden G. Armour, and there is some held by the Morris Estate.

Q. The Milton Morris Estate?—A. Yes, sir. There are several stockholders who are in the employ of the Swift Company, of Chicago.

Q. Any others?—A. There are stockholders—the National Trust Company.

Q. In trust for—A. (Interrupting): The Harris Abattoirs, Sir John Eaton, Andrew Dodge.

Q. What proportion of your stock is owned by Canadians, who were in the Company, say three years ago or more, and what proportion of your stock is owned by Chicago interests, and other recently acquired Canadian interests?—A. There has been practically no change in the stock ownership in the Yard for several years.

Q. When did the Chicago interests come into it?—A. I cannot say, sir. Previous to my coming here.

Q. You have never traced that out?—A. No.

Q. Well, then, irrespective of these, what proportion of the stock is controlled by what we call "The Chicago interests", and what proportion by Canadian interests?—A. The combined Chicago interests probably about fifty-two or fifty-three per cent.

[Mr. Frank C. Fletcher.]

Q. Fifty-two or fifty-three per cent?—A. I don't know exactly. I am just giving you the best of my belief.

Q. That is apart from the Harris Abattoirs?—A. Yes, sir, apart for them.

Q. What is the percentage of interest of the Harris Abattoirs?—A. About twenty-three or twenty-four per cent.

Q. Added to the fifty-two per cent?—A. Yes, sir.

Q. Are you aware of any recent negotiations or transactions looking toward the closer relationship between the Harris Abattoirs, and the Chicago interests?—A. I know nothing of their private affairs.

Q. I am only going by public press, which may or may not be reliable?—A. I know absolutely nothing.

Q. You are in the business—in a sense?—A. I am in the stock-yards business, and not in the packing industry.

Q. So that between the Harris Abattoirs—I suppose you know who owns the Harris Abattoirs?—A. Only from common talk.

Q. It is of public record and available. Do you know that, Mr. Chairman?

The CHAIRMAN: Who?

Mr. HENDERSON: You will find the whole story that the Davies Company—you will find it all set out in the Cold Storage Report of a couple of years ago, with which I was unfortunately connected. It goes into elaborate details. It is available. But it shows that practically the control is with the Davies Company. That is as I recall it. I am speaking from recollection.

Mr. FLETCHER: But since that time, sir, you will find there is a dissolution somewhere.

The CHAIRMAN: Of course, I don't know as that is very important.

Mr. HENDERSON: Excepting in this sense; there was a report recently that a new Chicago combination was practically absorbing "The Company", which plainly meant the Davies Company.

Mr FLETCHER: I beg your pardon. It is the Matthews-Blackwell Company. It has been unionized. That is in the Allied Packing Company.

By Mr. Henderson:

Q. You know more than the stock yards, then?—A. It is newspaper talk. It is not from my own knowledge.

By the Chairman:

Q. You could not tell us, from your own knowledge, the personnel of the Harris Abattoirs, or the Davies Company or the Matthews-Blackwell Company?—A. No, sir.

Q. You know its stockholders are holders of approximately six per cent?

By Mr. Douglas:

Q. Just finish that. You have given us seventy-five per cent?

By the Chairman:

Q. What do the Davies Company hold?—A. None.

Q. No ownership whatever?—A. No.

Q. No stock?—A. No.

Q. How much does Sir John Eaton hold?—A. Some two hundred and forty or two hundred and fifty shares.

[Mr. Frank C. Fletcher.]

Q. What does that amount to?—A. One hundred dollars per share, par value.

Q. How many shares?—A. Twelve thousand five hundred and ninety-one shares.

Q. He is a very small holder. That is about two per cent?

By Mr. Henderson:

Q. Who are the directors of your company?—A. Mr. Herbert Waddington, deceased about two or three weeks ago. His place has not been filled.

By the Chairman:

Q. Where did he live?—A. Toronto.

Q. Who else?—A. Sir John Eaton, J. C. Smith.

Q. Of where?—A. Toronto. Andrew Dodge, of Toronto, and myself.

By Mr. Henderson:

Q. What is Mr. J. C. Smith's occupation ordinarily?—A. I think he has retired.

Q. What was he?—A. He, I believe, was in the real estate business in West Toronto.

Q. Mr. Andrew Dodge, who is he?—A. He is a barrister, of the firm of Johnson, Mackay, Dodge and Grant.

Q. You are the managing director of that company?—A. Yes.

Q. I don't suppose that Sir John Eaton takes much interest in it?—A. No.

Q. I do not suppose that Mr. Dodge takes much interest in it, excepting, being a lawyer, to collect his directors' fees?—A. The firm is also counsel for the company.

Q. And does Mr. Smith take any particular interest in the matters of management?—A. Very little. He attends the directors' meetings.

Q. So that Mr. Fletcher runs the company?—A. Well——

Q. Practically?—A. I am working for the company.

Q. Practically speaking you are the real manager of the company—the managing director?—A. Yes, sir.

Q. Do you consult, on questions of policy, with Messrs. Swift and Company, Armours, or the Morris concern?—A. To a very little extent.

Q. I suppose you visit Chicago periodically?—A. I have been in Chicago perhaps three times in the two years and a little over, I have been in Toronto.

Q. Do the representatives of these concerns consult with you?—A. I have had no visitors from Chicago, excepting one gentleman for about half a day, since I have been in Toronto.

Q. Any significance about him?—A. No.

Q. What is the capital stock of your company?—A. One million two hundred and ninety-three thousand one hundred dollars.

Q. That is issued?—A. That is issued. Authorized, a million and a half.

By the Chairman:

Q. How much paid up?—A. One million two hundred and ninety-three thousand one hundred.

By Mr. Henderson:

Q. Has there been any substantial change in the stock issued in the last five years?—A. No, sir.

Q. It is practically that it has been in that period?—A. Yes, sir.

Q. Well, then, would one million, two hundred and ninety-three thousand, one hundred, represent the actual cash?—A. That is before my time. The plant has a

[Mr. Frank C. Fletcher.]

book valuation of greater than that amount. It has an actual fiscal value of nearly two million dollars.

Q. It has an actual fiscal valuation of more than the amount issued?—A. Yes, sir.

Q. When you say that, are you speaking as the result of an actual valuation?—A. I am making that as a valuation based upon the improved value as reflected by a survey made about a year and a half ago, and of the last valuation which is taken from the asset valuation.

Q. Survey made by whom?—A. By the Canadian Appraisal Company.

Q. You use the term "survey" in the sense of the valuation of the Canadian Appraisal Company?—A. Yes.

Q. Made by the Canadian Appraisal Company?—A. Yes.

Q. To which you add the last valuation——A. (Interrupting) based upon the asset value for taxation.

Q. Is it within the limits of the City of Toronto, or West Toronto, or where?—A. The Stockyards Company owns approximately one hundred and ten acres of land, all of which with the exception of ten or fifteen acres lie within the city limits?

Q. And that ten or fifteen acres, are they within West Toronto?—A. Immediately adjoining the city limits, adjoining the property which is in the city limits.

Q. Then what was your turnover last year? Have you brought any statement which will show in concise form the history of your company's operations?—A. The gross receipts for the year nineteen hundred and eighteen is in round figures, three hundred and ninety-eight thousand dollars.

By the Chairman:

Q. For nineteen hundred and what?—A. And eighteen.

Q. Three hundred and how many thousand?—A. Three hundred and ninety-eight thousand.

By Mr. Henderson:

Q. I should first have asked in addition to that one million two hundred and ninety-three thousand one hundred dollars, have you any other working capital used in the business?—A. No, we have no bonds.

Q. No surplus which you are using as working capital?—A. We have a surplus of from three hundred or three hundred and fifty thousand dollars.

Q. Invested in the assets of the business?—A. Yes.

Q. So that your assets should be worth that amount in excess of the million three hundred thousand dollars?—A. Yes.

Q. That is the situation. You say three hundred and fifty thousand dollars. That would give you one million six hundred and forty odd thousand dollars, which is your total capital?—A. That is practically correct.

Q. And last year on that you earned three hundred and ninety-eight thousand dollars?—A. Yes, gross.

Q. And what operating expenses?—A. Two hundred and sixty-six thousand dollars.

Q. Leaving one hundred and thirty-two thousand dollars net?—A. Yes, sir.

Q. How much of that did you distribute in the form of dividends?—A. Seven per cent on the capital.

Q. What did you do with the balance?—A. Went into reserve and surplus.

Q. Carried into reserve?—A. Yes.

Q. Is it held in the shape of physical assets, in bank or how?—A. It was invested in Victory bonds.

Q. How much?—A. Fifty thousand dollars, which we bought the first of November last year.

[Mr. Frank C. Fletcher.]

Q. I do not think I will ask any more questions of this witness with regard to the directorate or the company. I will proceed with something else. I will proceed with the details of the company's operations.

Mr. Nesbitt: Yes, that is what we want, the details of the company's operations.

By Mr. Henderson:

Q. Now, I don't want a long story, and perhaps you can tell us yourself without my asking detailed questions. How is your business conducted? We know in a general way, but we want the details?—A. The stockyards are conducted and equipped for the buyer and seller of live stock to meet on common ground. We do not engage in the selling or buying of live stock or anything of that kind. We furnish the place for the buyers, sellers, to do business in and collect our fees for the privilege.

Q. You furnish pens, food and shelter?—A. Yes, and all that is necessary for the maintenance and attendance of live stock while in our care.

Q. You are like a large livery stable?—A. We are aptly termed "a warehouse for live stock."

Q. The seller brings his stock to sell and the buyer comes to buy it?—A. Yes, sir.

Q. Who supplies the feed?—A. The stockyards company.

By Mr. Nesbitt:

Q. Your company?—A. Yes.

By Mr. Henderson:

Q. You supply everything? I was going to illustrate, this way. Every one that wants to take some cattle to sell in Toronto, takes it to your stock yards and you charge him so much for the feed and attendant's accommodation. He has nothing but the actual animal?—A. That is all.

Q. To sell?—A. Yes, briefly. We receive the stock either on board the cars or on the hoof at the gate. We provide pen accommodation, water, scale facilities, for which our charges are based at the rate of twenty-five cents per head for grown cattle and ten cents per head for calves, six cents per head for hogs and five cents per head for sheep.

Q. Each per day?—A. No, it does not make any difference whether they are there a day or a week. That is what we receive for each animal.

Q. What about the feed?—A. The feed is furnished to the owner at a stipulated price in any quantity he desires, placed in the manger in front of the animal.

By Mr. Nesbitt:

Q. Do you unload?—A. We do.

Q. What charge do you make for unloading?—A. One dollar per car for unloading the car.

By Mr. Douglas:

Q. That is over and above this twenty-five cents?—A. Yes.

By Mr. Nesbitt:

Q. One dollar per car?—A. Yes.

By the Chairman:

Q. Are these fees governed by regulation?—A. They are not now, but we anticipate they will be after August 21.

[Mr. Frank C. Fletcher.]

By Mr. Henderson:

Q. By whom?—A. By the Dominion Government, under the Live Stock and Live Stock Products Act.

By the Chairman:

Q. Have the fees been fixed in the regulations yet?

By Mr. Douglas:

Q. Do you object to any outside feed being brought in?—A. No, sir.

By the Chairman:

Q. Have these fees been fixed yet?—A. No, sir, but we expect they will be in a very short time.

By Mr. Douglas:

Q. Have you any complaints as to the prices you are charging for feed?—A. No.

By the Chairman:

Q. What do you charge?—A. Forty dollars a ton for hay.

Q. Per animal?—A. No, per ton.

Q. What is the principle of that charge? Do you charge the market price, plus ten per cent or twenty per cent or five per cent or what?—A. Our price is governed very largely by what the feed is costing us. Our feed costs fluctuate, and so does our selling price of hay fluctuate.

By Mr. Henderson:

Q. The Chairman asked you if you added a percentage of your actual cost, or how do you arrive at the cost of feed?—A. I would not say we added a percentage, we try to deal in round figures as our selling basis.

By the Chairman:

Q. Have you an account showing the feed for the year?—A. Not with me.

Q. Can you tell from memory what profit was made on your feed?—A. It would average around ten dollars a ton for hay.

Q. In that, you include the distribution of the hay to the manger?—A. Yes.

Q. The cost of distribution is included in that profit—

By Mr. Douglas:

Q. Is that a net profit.—A. That is the net profit.

By Mr. Nesbitt:

Q. You do not charge extra for distribution?—A. No.

Q. Therefore it is included?—A. Yes.

By Mr. Douglas:

Q. Is the cost of distribution included in the twenty-five cent charge.—A. That is for facilities used.

Q. And attendants?—A. Yes.

Q. But that would not include the delivery of that hay?—A. No, because we have different attendants who have to handle this cattle from the scales and take possession from the scales. Immediately they pass through the pen they come under the direct ownership of the owner or the commission merchant.

[Mr. Frank C. Fletcher.]

By Mr Reid:

Q. You did not tell us your charges for feed.

Mr. Nesbitt: He was doing that when we interrupted him.

By Mr. Henderson:

Q. What are your charges for feed?—A. Our charges at the present time are forty dollars a ton for hay and three and one-half cents per pound for ground food. That is the only two classes of food we furnish excepting straw for bedding. Our charge for straw is fifteen dollars a ton, I think it is, or sixteen dollars a ton. I am not sure which it is. I have not got that with me.

Q. How much does the hay cost you.—A. Recently we paid forty-eight dollars a ton which we fed at forty dollars a ton.

Q. That is not the profit of ten dollars you were telling us about?—A. No, but that is the way business will turn against you once in a while.

Q. All the year round you make a profit of ten dollars a ton on hay?—A. That is the general profit we try to figure on.

Q. What is the profit on the feed?—A. On the ground chop we are now selling at about seventy cents, which is costing us fifty-four cents, the stuff costs us fifty-four cents without the labour incidental to handling and distributing it.

Q. What is it carrying it through the year?—A. Our average would run from seven and a half to eight dollars per ton of feed.

Q. You would sell at that throughout the year?

By Mr. Douglas:

Q. That is your profit?—A. Yes.

By Mr. Stevens:

Q. Your profit on feed is included in the three hundred and forty-eight thousand dollars?—A. Yes.

By Mr. Henderson:

Q. Is there any limitation on those who can do business at your stockyards?—A. None whatever.

Q. Any man who comes along with an animal, can he take it in there?—A. Yes.

Q. Providing he is able to pay?—A. The driven-in stock. We collect the fees at the gate, except for what feed he may desire.

Q. "Driven-in stock" means casual business?—A. Yes.

Q. On carload stuff?—A. On carload stuff consigned to owners or drovers who have been coming in for quite a time, we recognize them and extend to them the usual credit.

By Mr. Hocken:

Q. Can anybody come in?—A. Yes.

By Mr. Stevens:

Q. Could I come, a total stranger, go to the stockyards and pick out two, three, five or six steers from the pens, and buy them? I have that privilege?—A. You are not dealing with us when you buy. You are dealing with a man who is acting for the owner or who is the owner.

Q. You would not put anything in my way?—A. No.

[Mr. Frank C. Fletcher.]

By Mr. Henderson:

Q. Anybody of respectable appearance may come in?—A. He does not even have to be of respectable appearance.

By Mr. Hocken:

Q. Is there much stock sold that way?—A. We have ordinarily about fifty buyers who buy there regularly, and they comprise any one from the biggest packer buyers to the smallest Hebrew doing business in Toronto.

By Mr. Henderson:

Q. You are probably aware that something to the contrary has been suggested, if not actually stated here?—A. I saw it in the newspaper report.

Q. This Committee would like to make this situation abundantly clear. Has there been any case to your knowledge, when any person has been denied entrance to your premises either as a buyer or a seller?—A. No, sir. For the purpose of giving you a little more light on this, I have taken the liberty of asking the president of the Toronto Live Stock Exchange to come down, and he has come down without a summons, and if you desire he will state his views to you at any time.

By Mr. Hocken:

Q. Who composes the Live Stock Exchange?—A. The Live Stock Exchange is composed of one hundred and ten or one hundred and fifteen men doing business on the Toronto stock market.

Q. Butchers and drovers?—A. Yes.

Q. And farmers?—A. Yes.

By Mr. Nesbitt:

Q. They will have to be licensed?—A. They will, under the new Act coming into effect about the first of September.

Q. I thought the new Act was passed last year?—A. Yes, but it never came into effect. I think that August twenty-fifth is the correct date.

By Mr. Henderson:

Q. Do you understand the operations of the Public Abattoirs in Toronto?—A. Only in a general way.

Q. Is it your understanding that the butchers—take an ordinary butcher in Toronto—can he go to your stock yards, and buy an animal and take it to the abattoir and have it slaughtered and dressed?—A. Yes, as far as our end of it is concerned, and I understand that is the privilege of the civic abattoir.

By the Chairman:

Q. I want to ask the converse of that privilege of a man buying. Are there any restrictions that would prevent an individual drover who had a carload of cattle for sale, shipping them into the Union Stock Yards to sell them? What is the condition under which he could sell?—A. I can give you one instance of that, sir. There was a gentleman by the name of Mr. Barr, who shipped under the name of Barr Brothers, I think from Brussels, who regularly consigned all their cattle for sale either through themselves or through the Union Stock Yards.

Q. If I had two or three carloads of cattle in Northern Ontario, and consigned them to the Union Stock Yards, could I sell them there without let or hindrance?—A. No.

[Mr. Frank C. Fletcher.]

By Mr. Stevens:

Q. Is there any system of a private boycott?—A. No.

By Mr. Henderson:

Q. Is there any way by which the representatives of the large concerns could freeze out the smaller ones?—A. I presume that any man is privileged to buy that stock as cheaply as he can, but he would have competitive bids on it.

By Mr. Hocken:

Q. Do the big houses buy at an excessive price in order to keep out the little fellows?—A. No, I think not.

By Mr. Douglas:

Q. As a matter of fact, Mr. Fletcher, is it not the practice of the individual drovers who go into your stock yards and sell—do they not find it good business to sell through a commission merchant?—A. A commission merchant who is in the yard six days a week, and knows the individual buyers, and the representatives of all the concerns, and knows the condition of the market and the actual value of the animals on the hoof, is certainly worth all the cost.

Q. But there are no restrictions.—A. No, there are no restrictions. A man can bring in anything he desires to sell.

Q. There is this advantage, that the commission man has an office in your yard, and the individual drover, would have to stand round the stalls?—A. Not necessarily. We have building provided for the accommodation of the drovers, where they can transact practically their whole business without undue inconvenience.

Q. What is the practice of the drovers? When a car-load of animals are sent in to a commission agent by a farmer, has he any say in the prices?—A. You are getting a little bit beyond what I can testify to from my own knowledge, but in ordinary practice the owner of the live stock would go into the pen at the same time the drover came in to look at his stock, and could consider the bids as either fairly reasonable or unreasonable. He certainly has a voice in the transaction.

Q. He can hold them up?—A. Yes.

Q. It becomes a matter of whether he wishes to pay for the feed or not?

By Mr. Stevens:

Q. Do you have much of a hold-over from day to day?—A. We may have, but not much, and every week-end is practically a clear market.

Q. What is the average time of holding over? Just one day, or two days or three days?—A. Some stays over from, say, Monday until Wednesday. That is, some stock which came in on Monday might remain over until Wednesday, but the average is not over one day.

By Mr. Reid:

Q. Supposing a farmer ships a car-load of cattle into the yard, say eighteen head, at four o'clock in the afternoon, and they remain there that night, and the next day, and the next night and are sold the following day, say about one o'clock in the afternoon. What are your charges?—A. Twenty-five cents per head for the cattle and the actual charge for the feed.

Q What would that amount to?—A. It depends on the owner.

Q. He might consign the cattle to a commission man, and not be here himself, what would the feed be?—A. You are speaking of cattle that arrived on Monday at four o'clock, and sold on Wednesday at one o'clock?

[Mr. Frank C. Fletcher.]

By the Chairman:

Q. Yes, put it that way?—A. I can only give you a rough guess. I would say it would be in the neighbourhood of a thousand pounds of hay.

Q. Each animal?—A. No, on the eighteen head of cattle.

Mr. NESBITT: He was not referring to elephants; it is cattle he was taking about.

By Mr. Reid:

Q. Give us all the charges?—A. It is a little over fifty pounds of hay per animal.

By the Chairman:

Q. That is heavy feeding?—A. It depends on how much "fill" you want to sell the packer instead of beef.

By Mr. Reid:

Q. Give us all the charges?—A. One dollar for unloading the car; twenty-five cents a head, which is four dollars and a half, for yardage; a thousand pounds of hay at forty dollars a ton, that is twenty dollars. That is about all.

Q. What are the commission charges?—A. I think about seventeen dollars a car-load.

Q. That is all the charges?—A. Yes, sir. Freight charges, of course.

Q. That is about forty dollars. We used to be able to buy a good chunk of the steers in earlier days?—A. It is only the hindquarters now.

By Mr. Hocken:

Q. As a matter of practice do the retail butchers go in and buy at your stock yards?—A. Here are the receipts for the yard for the month of May. I notice here that we have twenty-eight local butchers. They bought all the way from seven head to four hundred head of cattle each.

By Mr. Henderson:

Q. While the Committee is looking at that statement, Mr. Fletcher, a member of the Committee would like to know if, when you speak of investing in Victory Bonds, you meant the Canadian bonds?—A. Yes, sir.

By Mr. Reid:

Q. Do you think it is possible to reduce that charge on a car-load of cattle?—A. Certainly not, in the yardage charges. The yardage charges have not changed in ten years, although the cost of material and the labour employed in the stock yards has considerably increased, and we may have to pay labour still more yet, as we certainly cannot expect to get labour as cheap as we used to for some time to come.

Q. Supposing hay only cost you ten dollars a ton?—A. Our price would automatically drop, when the cost of hay comes down.

Q. Have you any insurance in addition to your charge?—A. The Live Stock Exchange carries a blanket policy covering all the stock in the yard, for which a charge of twenty cents a car load is charged.

Q. Additional?—A. Additional, yes, for insurance.

By Mr. Nesbitt:

Q. Twenty cents a car-load?—A. Yes, sir. Now, on the profits of hay, our total yardage charges are only about fifty-five per cent of our gross earnings. We could not operate if we did not make a profit on the hay and the feed furnished.

[Mr. Frank C. Fletcher.]

By the Chairman:

Q. As a matter of practice, the ordinary drover that deals there all the time—he sends his cattle to the man he employs there as a commissioner?—A. Yes, sir. I would say that about ninety-five per cent, or better, of the stuff that comes in is consigned to a commission man.

By Mr. Douglas:

Q. How did the impression get abroad that Swift Canadian people controlled your yard?—A. I don't know.

Q. You have heard that?—A. Oh, yes, I have heard that frequently.

By Mr. Hocken:

Q. How is it that there is no cattle at the Western Market?—A. I suppose on account of the lack of buying competition.

Q. The buyers do not go there?—A. No. Perhaps there is not sufficient volume of business.

By Mr. Nesbitt:

Q. The great mass go to your yard?—A. Yes.

By Mr. Sutherland:

Q. At one time the City Yard had all the business?—A. Yes, but our yard was then practically in its infancy, and was practically unknown.

Q. Is it not a fact that the shippers who ship cattle there, find it to their advantage tosell through a Commission man rather than by themselves?—A. I think so.

Q. There is not anything to prevent him selling as he likes—but he may get better service from the commission man?—A. No.

The Chairman: You might just give Mr. Sutherland the information which you gave the Committee in regard to the commission men.—A. I said this; that a man who is on the market as a commission merchant for six days a week, and knows the turns the market is making, and gets all the news from the different markets, Buffalo, Winnipeg, Toronto, and Montreal, and Chicago—who knows the fluctuations of the market, and is there from day to day, and knows the value of the animal of the hoof, and knows the prices prevailing for the different classes of stock, and knows where to get the best prices and the quickest trades—he is much more valuable than a man who is only there once in a while, and is not keeping pace with all these different factors entering into the transactions concerning the buying and selling of cattle.

By Mr. Douglas:

Q. Has there ever been any question as to collusion between the buyer and the commission merchant?—A. I have been around stock yards for fifteen or eighteen years, and I don't know of but one crooked practice that was ever pulled off, in the stock yards, and that was collusion between a buyer and a stock yard employee, it was not between a buyer and the commission man.

By Mr. Nesbitt:

Q. Do the people generally consign their stock there for sale?—A. Yes.

Q. Can a farmer have the privilege of going in and buying stock for himself?—A. Yes.

By Mr. Sutherland:

Q. He can buy only one animal?—A. Yes, and he can bid on any quantity of stock he wants to. The only string on that is that if a man comes in, and he is not known, the stock is weighed and locked up, until he has paid for it.

[Mr. Frank C. Fletcher.]

By Mr. Reid:

Q. Do you ever have any of the commission men buying for speculative purposes?—A. I think there has been some of that, but I cannot state definitely.

Q. By the commission men?—A. I understand so.

By Mr. Douglas:

Q. Is that not contrary to law?—A. No, but I understand it will be a violation of the law when the new law comes into effect.

Q. I think the common law makes that a violation?—A. He don't necessarily buy the stock he has for sale. He can go to some other commission firm and buy.

Q. Oh, not goods consigned to him— —A. (interrupting): I don't think he speculates in his own stock.

By Mr. Reid:

Q. You don't know of any?—A. No.

The CHAIRMAN: I would suggest we question the gentleman this witness has brought with him, to see if he can throw some light on the subject. There are other things we would like to know.

Witness discharged.

Mr. SAMUEL W. MOONEY, called, sworn and examined.

By Mr. Henderson:

Q. You are the President of the Toronto Live Stock Exchange?—A. Yes.

Q. Is that the proper name?—A. Yes, sir.

Q. What is your occupation when not engaged—A. (Interrupting): I am a Live Stock Commission man.

Q. And what has your experience been with regard to the operation of the Union Stockyards in Toronto. You know the point that Mr. Fletcher wanted you to bring out?—A. Yes.

Q. Kindly tell the Committee.—A. Well, it is this. Any man is privileged to come on the market, and buy cattle himself, and at the same time, he has the privilege of bringing his own cattle in there to sell it.

By Mr. Hocken:

Q. Can he feed his own cattle?—A. Yes he can feed his own cattle, but he must buy the feed from the Union Stockyards, but he can see that the cattle are fed, himself.

By Mr. Douglas:

Q. He is not privileged to bring his own feed?—A. No.

By Mr. Henderson:

Q. Do you know the practice of other stock yards in that regard?—A. I have a little acquaintance with Buffalo, and a very great deal of acquaintance with Montreal, and the people are in the same position in Montreal. They sell a great deal through the Commission houses.

Q. But as to feed?—A. You have to buy it from the stock yards.

Q. How is it in Buffalo?—A. The same.

Q. Do you know the practice in Chicago and other places?—A. No.

[Mr. Samuel W. Mooney.]

By Mr. Douglas:

Q. Buffalo is the same as Toronto?—A. Yes, you buy from the stock yards.

By Mr. Henderson:

Q. Then there is no difficulty in buying or selling?—A. None whatever. If a man comes in and wants to buy one animal he has a perfect privilege of doing it. The only thing is, if he is a man who is not known, he has to pay for the stock before it goes out of control. If he is known, the payment is generally made once a week by the big houses or other companies.

The commission man takes the stock there, and he has a man who looks after it. Then after the hay is delivered to the yard, if it is consigned to a commission man, the commission man's employee tells him how much hay is wanted in certain yards. They get that, and they then attend to the cattle, and when the cattle are sold they take them to the scales, and do all this driving.

After the cattle go over the scales, the stockyards take hold of them and they give them out upon whatever order of whomever they are consigned to over the scales. They are weighed on the scales and driven away by the commission man's employees.

By Mr. Hocken:

Q. What are the fees for weighing?—A. Nothing in Toronto.

By Mr. Henderson:

Q. That is covered by the twenty-five cent fee?—A. Yes. In Montreal there are fees for weighing.

By Mr. Nesbitt:

Q. The scales are supplied by the stockyard people?—A. Yes, in Toronto.

Q. Under the head charge?—A. Yes.

By Mr. Douglas:

Q. What is your judgment as to the charges made by the Toronto Stock Yards?—A. I do not consider them exorbitant.

Q. Do you think, in the interest of the consuming public, that is a reasonable way of getting the cattle sold?—A. I think so.

Q. And not unreasonable in the matter of charges?—A. Yes.

Q. When you come to the commission man: What about his charges? seventeen dollars a car?—A. Yes. Where it is eighteen head or over; where it is under eighteen head, it is a dollar a head.

Q. How do those charges compare with the other stockyards?—A. Lower than Buffalo; higher than Montreal. In Montreal they have a charge of ten cents per head for weighing, irrespective of how many are in the drove.

Q. I think that under the new law, all this will be uniform?—A. I understand that will come into force in August.

By Mr. Hocken:

Q. Is it the practice amongst certain dealers to finance the drovers who bring their stock in?—A. No, not to my knowledge.

Mr. NESBITT: All the drovers, I know, finance themselves?—A. There was a question that you asked Mr. Fletcher, that I think I may be able to answer. That is, has the seller any right to say whether his stock shall be sold or not, or if he has any rights in the terms. I know of an instance this very spring where there was a commission broker had a load of cattle in there, and the owner would not accept the

[Mr. Samuel W. Mooney.]

price, and he left strict word that those cattle were not to be sold under fifteen cents. He said "don't you sell them." He was bid fourteen dollars and ninety cents for them, a hundred, and he could not sell them, on account of this man putting this restriction upon them. The cattle remained there for five weeks on the market, and only last week they were shipped back to the country, so you see he has everything to say in it.

By Mr. Henderson:

Q. Is there any agreement?—A. The seller signs the agreement, you mean?

Q. Is there any agreement which the seller signs contrary to that at any time?—A. No. The seller—if the commission man—if the seller or man who brings in the cattle says "I won't sell them for less than a certain price", you have to either go against his will or advise him to sell his cattle at the market price.

Q. Is there really a contract or anything that deprives a man of his legal rights?—A. No.

Q. He sends in his cattle and they have to be sold at certain price, or at a price which the commission man, in his judgment, thinks is all right?—A. Yes.

By Mr. Douglas:

Q. Is there any signed agreement to that effect?—A. No, as soon as the cattle are consigned to a commission man for sale, he is at liberty to take these cattle and sell them except if the owner is there, and says "I will not take such a price", otherwise he can do as he pleases.

By Mr. Nesbitt:

Q. Or if consigned at a certain price?—A. No.

By Mr. Henderson:

Q. Is there anything in the rules of the Stockyard which prevents you from consigning your cattle at a certain price?—A. No.

Q. If there is a market price, the commission man's duty is to sell at that market price?—A. Yes.

Q. And if he wants them sold at, say, the fifteen-cent price, is there anything to prohibit the commission man from breaking that stipulation?—A. No, he would not break it.

By Mr. Douglas:

Q. As a rule, because we are not working for the drovers in this committee, I think it would be better if we would consider more the consumer?—A. There is just one word. We had a meeting of the association that was in reference to Mr. Barton, a butcher on Yonge Street, Toronto. I saw the clipping in the paper and that is the reason why they asked me to come down here because the statements made here in regard to Mr. Barton we consider erroneous.

By Mr. Stevens:

Q. I don't think Mr. Barton was a butcher. I think he made the statement that he is not buying cattle, he is retailing it, he buys from a packing house or a butcher. I think at the time that too much prominence was given to Mr. Barton's statement. He was questioned here and his statement was disputed and I think the wrong impression went abroad throughout the country—a different impression than the one which he left upon the Committee.—A. I think so.

Q. With regard to the commission men, is there not some rivalry amongst them?—A. Sure. Every commission man tries to get a sale.

Q. And the cheaper ones win out?—A. Yes.

Q. As a matter of fact is there any organized competition amongst them?—A. Yes.

[Mr. Samuel W. Mooney.]

By Mr. Douglas:

Q. What do you think about the United Farmers' Association of Ontario?—A. I think it is another commission broker.

Q. They thought they were aggrieved and they thought they would put their own man in the yard, to see if he could not get better prices?—A. I do not know anything about that, but to my mind they are another commission broker.

Witness discharged.

Mr. CHARLES MCCURDY, called, sworn and examined.

By Mr. Henderson:

Q. What is your position with the United Farmers?—A. I am manager of their live stock department, and I believe I can call myself the head salesman.

Q. We just heard in the last few moments that your organization had seen fit to go into the live stock selling business on its own account, apart from the ordinary commission agent?—A. Yes, sir.

Q. Why did you do that?—A. Well, sir, I suppose the farmer considers that he has got a representative looking after his own business. I am paid by the farmers and my interest is to look after the farmers' interests to the best of my ability.

Q. One would say that the commission agent would be in the same position, because that is the very essence of the charter of the agent that he will look after his principal's business. You are there as an agent for the farmers?—A. Yes.

Q. They are the producers of live stock ordinarily?—A. Yes.

Q. Was there any other reason for it?—A. I consider that I handle nothing but the farmers' produce. He don't come into contact with any other business man but myself. He is carrying on his own business amongst men, and for that reason he has some advantage on that account.

Q. You take your instructions from the independent farmer, who probably raises the cattle himself?—A. Yes.

By the Chairman:

Q. Is that not exactly the same thing that is done by every other commission merchant in the stockyards?—A. The commission merchant deals with what he calls a drover. The drover buys the farmers' cattle in the country and takes them to the commission men, and he sells them. The farmer sees fit to send his own produce to the yard.

By Mr. Douglas:

Q. Does he have a carload?—A. Does he have to have one?

Q. Yes?—A. No, you can sell one bullock.

By Mr. Henderson:

Q. Are there many who get a carload?—A. I believe that they form a kind of a club and get together and each man puts what stock he has to sell into a car, and when they get to the stockyards, they are numbered such as number one, number two, or number five, or some such number to make up a carload. When the cattle come in they are sold entirely on the merits.

Q. Is there any distinction between you and the old line commission agent, because you are in fact a commission agent.—A. Yes.

Q. You sell on commission?—A. Yes.

Q. Or are you on salary?—A. I am on salary.

Q. Paid by whom?—A. Paid by the farmers.

Q. By the United Farmers' Association?—A. Yes.

Q. And they get the commission?—A. Yes.

Q. So it is as long as it is broad. You are in the commission business, as Mr. Mooney said?—A. Yes.

Q. But suppose that a drover comes and asks you to sell some of his cattle?—A. I will only sell for the farmers.

Q. You would refuse to sell for the drover?—A. I don't know but what I would.

Q. Have you ever had occasion to?—A. No.

Q. Have you ever had a chance to refuse?—A. Yes, I had. For what you call "speculators". We don't want their stuff but I suppose that the drover considers that I am in opposition to him.

By Mr. Douglas:

Q. Do you charge the same commission?—A. You have to do that. It is fixed by the association.

By Mr. Sutherland:

Q. By your doing business at a straight salary instead of a commission you are really earning money for the benefit of your employer?—A. As fas as my salary is concerned it has nothing to do with it. I get my salary if I do not earn it.

Q. If your commission should be double what your salary is the farmer would reap the benefit?—A. Yes.

By Mr. Douglas:

Q. What has the Live Stock Association to do with the regulation of the commission?—A. It is a body of men who have got together and pay so much a year, and they regulate the commission.

Q. They eliminate competition?—A. No, it protects the farmers, or the men they are doing business with.

By Mr. Henderson:

Q. Do they regulate the commission of the old line commission agents?—A. Yes. There is a certain commission to be charged, and that is charged. If I was found violating any of the laws of the Live Stock Association I would be fined, and I would have to pay the fine before I could do any more business.

By Mr. Douglas:

Q. They are incorporated?—A. Yes.

By Mr. Nesbitt:

Q. That exchange is like any other exchange. It has certain rules and regulations which must be lived up to?—A. Yes.

Q. These rules and regulations are very strict as regards honesty in dealings?—A. Yes.

Q. A man is punished if he turns dishonest?—A. Yes, he is punished very severely. I think it is five hundred dollars, and no business until it is paid.

By the Chairman:

Q. When did you start?—A. I started on the 15th of February.

[Mr. Charles McCurdy.]

By Mr. Nesbitt.

Q. What were you doing before?—A. I was in the commission business and a buyer; what you claim a "scalper".

By Mr. Stevens:

Q. What do you mean by " scalper " ?—A. It is buying cattle in a quantity and dividing them up and selling them to individuals and making money that way.

By Mr. Douglas:

Q. You don't know really why the United Farmers' of Ontario thought it necessary to open up a commission agency in the Union Stockyards?—A. I see the reason, because some of the farmers were not getting the value of the goods. They were at the mercy of the drovers, and they paid some men too much and other men not enough.

By Mr. Nesbitt:

Q. That had nothing to do with the Live Stock Exchange?—A. No.

Q. We have had it stated to this Committee that any independent farmer—individual farmer—in Toronto or anywhere else could ship a carload of cattle consigned to the Live Stock Exchange, and they would be sold according to instructions?—A. They cannot be, because it might be not in accordance with the market. If the market was thirteen cents you could not expect to sell the cattle for fifteen or sixteen cents even under instructions from the owner.

Q. We have statements of the men doing business to that effect, and also a statement that one man kept cattle in the stockyards for three weeks and then returned home?—A. He has that privilege.

Q. The point I wanted to bring out from you was why they engage you? You know of nothing that will prevent a farmer from consigning a carload of cattle?—A. Certainly not.

Q. Have you had any experience of the commission men not having dealt with the farmer who was selling cattle in that way?—A. No.

Q. Would a commission merchant treat a farmer as fairly as he does a drover?—A. I don't see why he would not.

By Mr. Henderson:

Q. Do the commission agents play favourites?—A. No.

Q. The question is why was it thought necessary to have him there?—A. If you are carrying on business—if you men are going into the business you would hire a man and get him to look after your interests. I am there to look after your interests.

Q. The farmer feels as if he were there himself?—A. They are there yes, I believe in my three months' of business I hae handled more men than any commission man has in a year individually.

By Mr. Douglas:

Q. If the commission men were playing the game as well as you are playing, all the farmer would have to do would be to organize his club and send the cattle to the Union Stockyards at Toronto. There must have been the thought in the back of their heads that the commission men were not giving the farmers a square deal, because the farmer as a rule is rather suspicious?—A. No. Not at all. I find the farmer the best business man that I have ever worked with. He will take a bad market or a good market. I handle lots of farmers with very little complaint. Our friend happened to walk in and I took him from pen to pen. I do the best I can for the farmer. I am selling the farmer's cattle and will get the very best price I can for it. While I

[Mr. Charles McCurdy.]

am walking around through the pens I will ask the man in charge if the owner of the cattle is present. I always like to have a talk with the owner because I think he has a right to be consulted.

By Mr. Nesbitt:

Q. Mr. McCurdy, the reason, as far as you know, for the farmer shipping direct to you was to do away with the broker's profits, or, I mean the drover's profits?—A. I think there was another thing and that is they got the market price.

Q. They can send different lots in a car?—A. Yes.

Q. You make some charge for separating these different lots?—A. No, just the same as a load of cattle. There is no charge for separating those cattle at all.

Q. No matter how many farmers are represented?—A. It does not make any difference if there are twenty-two cattle and twenty-two owners.

By Mr. Sutherland:

Q. You charge a dollar a head?—A. No, seventeen dollars a car, but if a man brings in an individual bullock he is charged so much for him. If there are thirty cattle in a car it is pro rata.

By Mr. Nesbitt:

Q. You say you charge them a commission?—A. Yes.

Q. How do you charge a commission to individuals? That is to say, supposing one man has ten cattle and the other has three; how do you sub-divide that?—A. There is seventeen dollars a car, and you take and pro-rate that, so much a head.

Q. Where does your commission go to?—A. My commission goes to the head office.

Q. How do they sub-divide that?—A. That is a matter that has to be decided yet. It might be an easy matter to sub-divide that; you can't tell.

By Mr. Sutherland:

Q. For instance, if your commissions at the end of a year amounted to fifteen thousand dollars, and you were receiving, say, half of that as salary, there would be a profit?—A. Yes.

Q. That would go to the people who employ you?—A. Yes.

Q. It is really a business proposition?—A. Yes.

By Mr. Davidson:

Q. You are making money for the United Farmers?—A. Yes.

By Mr. Henderson:

Q. You expect to make more than your salary?—A. Yes, certainly.

Q. That would be your reason for doing business that way, that the money is going back to the organization and the organization can do what it pleases with it?—A. Yes.

Q. They can divide it up amongst the members or they can give it back to the men who shipped the cattle?—A. Yes; anything they like.

By Mr. Stevens:

Q. Before you took this position, did I understand you to say that the farmers complained of the treatment they received in shipping in their goods?—A. No. I never heard any complaint. We had nothing to do with the farmers; we met the drovers.

Q. What led them to appoint you?—A. Well, I suppose they are trying to better themselves and get full value for the cattle.

[Mr. Charles McCurdy.]

Q. That is what we want to get at. If there was a complaint or cause for complaint prior to your appointment? There may be some complaints yet from some who are not in the United Farmers, and we want to get at that. What was the complaint?—A. The only complaint was that he did not think he was getting fair treatment on the market.

Q. In what way?—A. Because he did not get the market price for his goods.

Q. That is what we have been trying to get all afternoon. We have asked every witness——

By Mr. Davidson:

Q. Supposing that the United Farmers were sending their cattle in to a commision man, they might find that the commission man was selling their cattle and also a drover's cattle, but was giving a very decided preference to the drover, while in sending them to you, they know that you will devote your interests entirely and exclusively to them. It that the idea?—A. Yes, that is it. Every man——

By Mr. Stevens:

Q. What I want to get at is this. I think it is the only feature of the afternoon's work, and ought to remain on the record. Unless a man has some commission man who is friendly, whom he knows and whom he can trust, he is liable to get the short end of the deal, if he ships in himself, from the country?—A. Even if a man only took in one bullock he would have lots of buyers for it, but the great trouble is when this man comes in and he don't know the market, and then too, every man doesn't know the market value of a bullock. For my part, I like the farmer to come with the shipment to show them the value, because they may have one bullock in a load that will be worth fourteen cents, and you will have another in the same shipment right alongside of that one, that is worth only twelve cents, and if a man didn't know the value of the two bullocks he might sell the one worth fourteen cents for twelve cents, or vice versa. You want a man who thoroughly understands the value of the cattle. That is really why the commission man is there, so that the farmers can sell their cattle at their full valuation.

By the Chairman:

Q. What Mr. Stevens is coming at is this. You were asked a question that has been asked of several witnesses this afternoon, prior to your being appointed there, the United Farmers did not want to send their cattle in, and now that you are there, two or three of the farmers club together and send their cattle into you, as their representative, and you, as their commission man, would see that they get fair treatment?—A. I don't care to say that; I would not say that he would.

By Mr. Stevens:

Q. You said before he did not get it?—A. The idea is that I am hired to do a certain work, and you would rather send your cattle to me than send it to a man whom you did not know.

Q. But there are thousands of farmers in the country who are members of the United Farmers——?—A. (interrupting): Oh, yes. But I handle the cattle of any farmer. He does not have to be a member of the U.F.O. to ship in his cattle to me.

By Mr. Davidson:

Q. You said you would not sell for the drover?—A. No, I would not. I only like to sell for the farmers.

Q. Did I understand you to say that you never had a chance to refuse, but you would sell for a drover if you had the chance?—A. No. I will sell for the farmers.

[Mr. Charles McCurdy.]

By Mr. Nesbitt:

Q. If four or five farmers meet together and send a car load of cattle to another broker besides yourself, would the charges be just the same as your charges?—A. Just the same.

Q. Would there be a commission over and above the regular charges?—A. No. He could not charge any more than I. It is a fixed commission.

By Mr. Sutherland:

Q. As a matter of fact, the more business you have, the more money you make for your employers?—A. Yes.

Q. And equally so, if some other farmer ships in to you, the United Farmers will get the benefit?—A. Yes.

Q. You will have to account for the——?—A. (interrupting): I sold last month more—Mr. Fletcher told me (I have not the records, as I did not know what I was brought down here for), but Mr. Fletcher told me that I sold more cattle than any other commission man in the yard.

In April I sold four thousand three hundred and twenty three cattle, twelve hundred and six-two calves; eight thousand and fifty-three hogs, and three hundred and twenty-six sheep. That is what I and my assistants sold.

In May I sold four thousand six hundred and twenty-four cattle; ten hundred and forty-nine calves; five thousand two hundred and twelve hogs, and one hundred and fifty-one sheep. All of this for the farmers.

By the Chairman:

Q. Let us go back a moment. I want this committee to get this point abundantly clear, and I know there are some members not quite satisfied yet. You have been doing business on the Union Stockyards for some years?—A. About thirty years.

Q. Prior to your being employed by the United Farmers you were doing business as a commission merchant?—A. I was working for William H. Davis, who was an exporter, and I exported myself.

Q. You have knowledge of what has been taking place in the Union Stockyards?—A. Yes.

Q. As a result of that knowledge can you tell this Committee whether, in your judgment, the individual shipper (who was not a drover) when he consigned cattle to the Union Stockyards for sale, got a square deal or not?—A. If I was buying cattle on the market I would not know who owned this cattle. I would walk into the cattleyard and I would buy ten or fifteen head of cattle, and I would not know who owns it. I would be dealing direct with the commission men, and trying to make the best bargain I could.

Q. Let us take the converse of that. The buyer is endeavouring to make the best bargain he can?—A. Yes.

Q. And the purpose of the commission man is to get the best prices he can?—A. Yes.

Q. Would the commission merchant exert himself to get as good a price for an individual man as he would for the drover who was continually shipping to him?—A. I think if he was a man he would.

By Mr. Henderson:

Q. You don't answer the question. It was suspected that the farmers had a grievance, that they felt that the commission men were not acting for them, or rather, that they were standing in with the drovers of their big purchasers?—A. I think that is a great mistake.

By Mr. Davidson:

Q. You never saw that?—A. No.

[Mr. Charles McCurdy.]

By Mr. Stevens:

Q. You have said within the last fifteen minutes that prior to your appointment with the United Farmers, that the farmers felt they were not getting a square deal?—A. In getting the market price, we got the market price for the drover. We had very little to do with the farmers until this U.F.O. came into existence.

By Mr. Nesbitt:

Q. Your business is to eliminate the drover?—A. Yes. Take the cattle direct from the producer.

Q. They have a grievance against the commission men and want to eliminate the drovers?—A. I don't think they ever dealt with the commission men.

By Mr. Henderson:

Q. Their grievances are not in the stockyards, but on the farm?—A. Yes.

By Mr. Sutherland:

Q. You have heard the statement made here before this Committee that the butcher cannot buy an individual steer for slaughtering purposes?—A. That is a great mistake. I will sell one bullock to anybody.

Q. Will you charge him more?—A. Not one cent more than he bargains to give me. I am there to get the highest price for the cattle.

By Mr. Douglas:

Q. Have you no respect for the poor consumer?—A. We are there as wholesalers, but it is very seldom we get a man who don't know his business.

By Mr. Stevens:

Q. Why do not the United Farmers co-operate with the Toronto City people, and use their stockyards?—A. That is a thing of the past, and will never come again. It was never situated right for a cattle market, in the first place, and in the second place, we had good men running the city market, but they were interfered too much with by the City Hall, and they never got a chance to carry out what they wanted to do. I told that to one of the Aldermen, standing on the steps of the City Hall. That is the great trouble with the city yards.

By Mr. Nesbitt:

Q. Do you think it would be of any benefit to continue your business as a representative of the farmers, and use the municipal abattoir, where a man can go and buy one head of cattle for instance, and slaughter it, right there, and sell it?—A. No. At the city abattoir a man could go and buy one head and have it killed at so much a head, and even put in the freezer to keep it for him, but many of them took advantage of that, and I think that one of the reasons for that is that different butchers use different parts of the meat. Some men will use more hind quarters than front quarters, for different parts of the city, and for that reason they think they can buy their meat cheaper than they can slaughter it. That is my opinion, because they could not handle the whole bulk of the animal, and a man would not want to have a hind quarter on his hands if he could not sell it.

By Mr. Henderson:

Q. The Chairman wants you to give the price per pound in the last three months, as compared with the price four or five years ago?—A. There is an enormous difference.

By the Chairman:

Q. Can you give us the figures—approximately?—A. From six cents a pound then, to fourteen cents a pound now. We sold hind quarters from eight to ten dollars then; to-day they are twenty-two dollars and a half live weight.

By Mr. Douglas:

Q. What do you mean by "butchered cattle"?—A. It is small bullocks. You see there is a lot of difficulty now in getting rid of the heavy cattle.

Q. What weight would that be?—A. From eight hundred and fifty to ten hundred pounds.

Q. Well fattened?—A. Yes.

Q. And must be in prime condition?—A. No. There is not much difference there in the classes of cattle.

Q. Statements are made by the managers of Swifts and others, that through the facilities they have for the utilization of the offal and everything that they can hang a beef on the rack in the retailer's shop cheaper than he can put it there himself?—A. I think if the Swift Company makes what the other man loses in killing one hog, they have a large profit. I don't think he requires any more than the farmer throws away.

By the Chairman:

Q. Does he use everything?—A. I think so, yes. Everything is used, even the blood.

Witness discharged.

Mr. Daniel Chisholm, called, sworn and examined:

By Mr. Henderson, K.C.:

Q. Mr. Chisholm, you occupy the position of Property Commissioner for the city of Toronto?—A. Yes.

Q. Which means, briefly speaking, that you are responsible for the physical assets of the city?—A. In a way, yes, of public buildings, such as fire and police stations, etc.

Q. Would that include abbattoirs and municipal stockyards?—A. Yes, sir.

Q. Municipal stock yards were instituted when?—A. I cannot recall the date. It is long before my time around Toronto.

Q. A great many years ago?—A. A great many years ago.

Q. How long have you been connected with that?—A. Since nineteen hundred and twelve.

Q. And during that period of time, how have their activities competed with those of the Union Stockyards?—A. Not very well.

Q. It has been suggested here that they have become more or less dormant?—A. Yes.

Q. Is that a fact?—A. Yes.

Q. What is the reason for that?—A. To begin with I was in the Council (and perhaps one of those whom it is alleged interfered) prior to nineteen hundred and twelve, and I had reason to know, as Chairman of the Property Committee at that time, of a great diminution of stock being shipped into the market, for which we could attribute no reason. That was in nineteen hundred and ten, eleven and twelve.

Q. The usefulness of the market has disappeared?—A. Very largely.

Q. You are not able to trace the reason here?—A. No.

Q. It has been suggested here that you are not favorably located?—A. I don't think that is correct. We are on the line, one in Toronto and one in the Annex. We are situated, one on the C.P.R., with a siding, and the other is on the Grand Trunk.

Q. Where are you situated?—A. The Annex; on Strachan Avenue, and the other is on Niagara Street.

Q. Both appurtenant to the railways?—A. Yes, both of them.

Q. Do you consider that as favorable as the situation of the Union Stockyards?—A. Not with its present-day appliances.

Q. Is it a question of appliances?—A. Our sheds would not give the same accommodation to the drovers at that time as the shed of the Union Stockyards do at the present time.

Q. Have you considered the advisability of meeting competition in that yard?—A. Yes, not me, but my predecessor.

Q. What was the result?—A. The result for a time was favorable, but was greatly diminished.

Q. Do you think, Mr. Chisholm, that if you had the equipment in your yard in such shape as to enable you to compete with the Union Stockyards on even terms, that there would be any reduction in the cost of the service to the public?—A. No, sir.

Q. Well, would that be one reason why you are not an active competitor of the Union Stockyards? Why are you not keen to compete?—A. We have been very keen to compete with them, but it seems to be a hopeless task.

Q. But why "hopeless", with the energy of the city of Toronto?—A. Because we put in the neighbourhood of a quarter of a million dollars into the abattoir to draw the trade back, and give the small man an opportunity of competing with the larger firms.

Q. Let me follow that line for a moment, and, speaking for myself, please excuse our ignorance in your methods and terms. Are your yards adjoining the abattoirs?—Yes.

Q. So that an individual farmer could take his stock to your yard, sell it to some of the smaller butchers, who could have it slaughtered at the abattoir and dressed?—A. Yes.

Q. Are there storage facilities at the abattoir?—A. Yes.

Q. And the beef can be stored until it is needed?—A. Yes.

Q. Was that happy and ideal condition attractive to the stock producers?—A. We thought it would be, sir.

Q. What is the trouble out there. It appears to be that the butchers do not attend?—A. There are not enough butchers to make competition.

Q. Do you know of any reason why the butcher should not look after his own interests?—A. No, sir.

Q. You have a market?—A. Yes, sir.

Q. But the butchers don't attend your market?—A. No.

Q. Are the sellers there to any great extent?—A. No, sir; not many, now.

Q. It is practically dead?—A. I might explain and perhaps it will be a good thing for me to make this statement at this juncture. We take the majority of the stock that is killed, that is from five hundred to sixteen and seventeen hundred head, of every kind, including hogs, lambs, calves and cattle, and four-fifths of that is purchased at the Union Stockyards by small butchers and brought to our yard, unloaded from the car there and killed at that abattoir.

Q. That means that your yard is simply used as conduit pipe to the abattoir?—A. Yes.

Q. So it does not fulfil its function as a stockyard?—A. No.

Q. Is the abattoir patronized well?—A. From five to seventeen hundred.

Q. What is the capacity of it?—A. Double that.

Q. That is not satisfactory?—A. No, sir.

By Mr. Douglas:

Q. And this is all done by the smaller butchers?—A. Yes. At the present time there is one large dealer has been killing, the Armour Company has established an agency in Toronto. Prior to six or eight months ago they had no beef agency in Toronto, I think the nearest point was Hamilton.

[Mr. Daniel Chisholm.]

By Mr. Henderson:

Q. How do their charges compare with the privately owned abattoirs?—A. I do not think we could make a comparison, because I do not think they could compete with us.

By Mr. Douglas:

Q. Up to that extent, you consider the public abattoir has done good business?—A. To a certain extent.

Q. But you would rather see more use made of it?—A. Yes.

Q. You blame, or rather you think, the butchers do not avail themselves of the privileges they have?—A. No.

By Mr. Henderson:

Q. You think it is due to apathy of the butchers that farmers do not bring their stock there?—A. Partly the apathy of the butchers.

Q. Is it that they go to the Union Stockyards to buy, because they have a better selection there?—A. I would not say. I would say in reply that they have more competition in the way of buying.

Q. You are well known to be a very thoughtful man. Can you suggest anything to this Committee which they can recommend with respect to the Toronto situation which would result in an improvement of conditions to the consumers?—A. Only if we could induce the drover and farmer to come to our market. Apart from that, the smaller retail butcher for whom was erected the abattoir should patronize our abattoirs, which would bring more trade to the market.

By Mr. Nesbitt:

Q. We had a statement here that even if he has gone to the big stockyards to buy his meat and have it slaughtered at the abattoir, he could not do it as cheaply as he could buy the beef from the big dealers?—A. I would not say that. Take, for instance, Arnold Brothers, they are retail butchers, and very, very shrewd men, they patronize our abattoir every week, or very nearly every week, buying their own cattle. Sometimes at our market, sometimes direct from the man who ships it, and sometimes from the Union Stockyards, but invariably they kill their own cattle. There are other names in the same way. I did not know that I was going to be called on, and the first notification that I got did not specify along what lines I was going to be examined.

By Mr. Sutherland:

Q. The Arnold Brothers; do they buy any of their cattle in the country?—A. I have known them to bring cattle from the neighbourhood of Lindsay.

Q. And consequently they would reap the profits which the drovers would otherwise reap?—A. Yes.

By Mr. Stevens:

Q. What return would you receive from your abattoir and stockyards?—A. It has shown a loss every year since it was established.

Q. Of how much?—A. I am giving these figures just offhand, but perhaps thirty or forty thousand dollars a year.

Q. For the last ten years?—A. No, it has not been established ten years, it is in its fifth year now.

By Mr. Nesbitt:

Q. Your city built it?—A. Yes.

[Mr. Daniel Chisholm.]

By the Chairman:

Q. At a cost of how much?—A. I cannot give you the figures. Certainly over a quarter of a million dollars.

By Mr. Stevens:

Q. Is it a loss on operation?—A. Largely, the loss would be on the interest and sinking fund charges of which we have——

By Mr. Nesbitt:

Q. You keep track of your interest and sinking fund? There is a tendency in this country for public utilities not to pay any attention to that.—A. We keep track of that.

Q. Is there a price fixed for slaughtering?—A. Yes, there is a price set.

Q. How much?—A. A dollar and a quarter for cattle down to fifteen cents for hogs. We have another advantage to the butcher, which was taken into account when we considered the abattoir. Apart from our abattoir we have a by-products building, consequently the farmer who brings his cattle in for slaughter—we purchase back from him the insides, head, and legs, allowing him a price for it.

By Mr. Douglas:

Q. Do you buy the heads too?—A. If they wish to sell them. We can sell them to the outside dealer.

By Mr. Henderson:

Q. Do you carry the by-product department to the same stage as the larger concern?—A. Yes.

Q. They take care of practically everything?—A. Yes.

By Mr. Douglas:

Q. In competition, have they any advantage over their fellow butchers in Toronto? —A. I cannot answer, but I would say off-hand that they would not continue the business unless there was something in it for them.

Q. All these butchers have the same privilege as Mr. Arnold, but they prefer to buy from Swifts or Matthews-Blackwell or Gunns? Is there any way in which the cost of your service can be lowered?—A. By us?

Q. No. The city of Toronto is trying to do it by establishing the public abattoir, but in spite of that they buy from the bigger packers, so that would be evidence that there was no great hardship before?—A. Most of you gentlemen are business men. You understand the situation. There may be some existent financial consideration. They may be tied to the wholesale butcher.

By Mr. Stevens:

Q. Have you ever experienced as administrator of the municipal enterprise any discrimination or obstruction placed in the way of your doing business as a public body by the big packing concerns of Toronto: Swifts, Harris, Matthews-Blackwell, and so forth?—A. I cannot recall any.

By the Chairman:

Q. That is an important point, Mr. Chisholm, because it was stated before this Committee that there is a general impression throughout this country that there is

[Mr. Daniel Chisholm.]

collusion somewhere between the packing houses and the proprietor of the Union Stockyards, to cripple the Municipal Stockyards and abattoir in Toronto?—A. There is one thing which has been brought out this afternoon and which is entirely new to me, and which may account for the diminution of cattle shipped into the city yard. We had not known of this before. There was some mention made of the Junction——

By Mr. Stevens:

Q. What is the capacity of the yards at the Junction? How many cattle could you accommodate; and how many hogs and sheep?—A. I think, although we closed down some of the pens, that we could accommodate from fifty to seventy cars of cattle.

Q. That would be in the neighbourhood of fifteen hundred?—A. Easy.

Q. Not much more?—A. I think we could take care of that.

Q. What is the extent of the business done in Toronto at the present time?—A. I have no knowledge of that.

Q. Six or seven, or eight thousand head?—A. I hardly——

By Mr. Sutherland:

Q. (Interrupting): A day.

By Mr. Stevens:

Q. (Interrupting): Yes, and as many hogs and sheep and calves in addition to that, while the capacity of the western yard is not capable of taking care of more than a quarter of that volume of business that is done by the Union Stockyards, as I understand it. It is well known to the drovers that the business has out-grown the capacity of the City Stockyards?—A. I cannot acquiesce with that, because at the time the Junction first began to make inroads on the business, we had the capacity to take care of all the cattle that was shipped in.

Q. It was fairly congested?—A. Perhaps one day a week or at different seasons, but that was before my time as Commissioner. We might have had some congestion at different seasons, when stock was purchased but that would only last from four to six weeks.

Q. I understand there are sometimes as many as ten thousand head of cattle in the yards at Junction at one time?—A. I don't know; possibly.

By Mr. Stevens:

Q. Is it your opinion that inasmuch as the Union Stockyards is virtually controlled by the big packing interests, as far as its stock is concerned, that it would be impossible for you to compete with them?—A. Would you repeat that?

Q. Is it your opinion that it is impossible for the Municipal Yard to do business in competition with the Union Stockyards, because of the fact that the Union Stockyards are owned or controlled by the big packing interests?—A. I would go further with that and say that their yards are so situated that it is more convenient to do business with them.

Q. Do you think that was done by design?—A. I cannot answer that.

By the Chairman:

Q. You mean the city designed it so as to lose forty thousand dollars a year?

Mr. STEVENS: You know what I mean, very well, and so does the Commissioner? —A. As far as I know, the Union Stockyards, before my time as Commissioner, did a very, very small business. We had it all then, but about the year nineteen hundred and ten I had noticed and had written to several people calling their attention to the way the City Stockyards was gradually drifting away from the market and going into another market altogether. Then the abattoirs sprung up at the Junction, which gradually took our trade all away.

[Mr. Daniel Chisholm.]

By Mr. Douglas:

Q. Did the Harris Abattoir move their abattoir away—— ?—A. (interrupting): Yes. They were in close connection with our plant but not with the yard properly. Their Strachan avenue plant——

Q. (interrupting): They moved it away and transferred their business?—A. They have a public cold storage in what was formerly their abattoir.

By Mr. Stevens:

Q. They changed their business into a cold storage?—A. Yes.

By Mr. Nesbitt:

Q. Did not the Harris company have some action against them, for some stink or something of that kind?—A. That is a different Harris. It has nothing to do with this. It was a brother of the principal Harris concern. It was some four or five miles from their abattoirs.

By Mr. Stevens:

Q. You do not see much hope for the Toronto abattoir?—A. Only that we are advised to keep going, in connection with the beef trade, by reason of keeping the prices down, on account of our place being open.

Q. In other words, Toronto pays forty thousand dollars a year for the purpose of holding this other bunch from exercising the full powers of a big manufacturer?—A. I cannot go into that.

Q. It is a sort of insurance policy that the people of Toronto pay, to keep them from being entirely controlled by the monopoly of the other stockyards owned and controlled by the Swift, Morris, Cudahy, Harris, and Sir Joseph Flavelle, maybe. It don't take long to reason out that it is pretty well controlled. I think the Union Stock-yards is a very excellent one, and may be well controlled and well operated, but they are certainly controlled beyond any peradventure.

The CHAIRMAN: I think we have established what we had in view in bringing Mr. Chisholm here.

By Mr. Douglas:

Q. I suppose your experience with the city abattoir would discourage you from establishing a central meat depot in the city of Toronto?—A. I would not like to go into that.

Q. Mr. Leduc gave evidence to show that he bought beef for nine cents in the fall and kept it frozen until spring, and never sold a piece of meat over the counter at over thirty cents?—A. I have known people to hold meat that way, generally lamb, by buying it in the fall of the year and keeping them in cold storage, and be able to sell them at a less price in the spring than otherwise would be possible, and still make a very good profit.

Q. During the war, there was a continuous rising market and that would be all right?—A. Yes.

Mr. NESBITT: Mr. Leduc also said that he bought Western Ontario steers for nine cents a pound in Montreal, during the last year. I say that no human being could do that.

Mr. STEVENS: I don't know, Mr. Nesbitt, Mr. Leduc gave his evidence before this Committee.

Mr. NESBITT: He must have got calves if he got them for nine cents.

Witness discharged.

Committee adjourned.

FRIDAY, June 20, 1919.

The Special Committee appointed to inquire into the cost of foodstuffs and other necessaries of living, met in Room 318, this morning, the Chairman, Mr. G. B. Nicholson, presiding.

Members present: Messieurs Davidson, Davis, Devlin, Douglas (Strathcona), Euler, Fielding (Hon.), Hocken, Nesbitt, Nicholson (Chairman), Reid (Mackenzie), Sinclair (Queens, P.E.I.), Stevens (Vice-Chairman), Sutherland and Vien.

Mr. JOHN R. ROBINSON called, sworn and examined.

By Mr. Devlin:

Q. Mr. Robinson, where do you live?—A. Toronto.

Q. What is your occupation?—A. I am editor of the Toronto *Evening Telegram.*

Q. At Toronto?—A. At Toronto.

Q. What is the circulation of the Toronto *Telegram*?—A. About ninety-two thousand five hundred a day.

Q. What was it at the beginning of the war?—A. It was about ninety-nine thousand.

Q. It has lost in point of circulation?—A. Owing to the increase in price. We were a one-cent paper at the beginning of the war, we are now a two-cent paper.

Q. You charge more for the newspaper than you did?—A. Yes, sir.

Q. Is your circulation limited to the city of Toronto?—A. Very largely.

Q. Still it is the medium of communication to the people of the city of Toronto?—A. Oh, yes, and to the people of the province of Ontario. Our circulation is five thousand outside of Toronto, but we are making no effort for outside circulation.

Q. Is that all? I thought it was a bigger circulation.—A. No.

Q. You are responsible as editor for the news appearing in the *Telegram*?—A. Yes, sir.

Q. You have been following up the work of this Committee very closely?—A. Very closely, yes, sir.

Q. You have been reading the evidence which has been given here?—A. Yes, sir.

Q. Have you been here personally?—A. No, sir.

Q. Where did you get your facts?—A. I got them from the press reports, from my knowledge of the personnel of the Committee and from the results achieved by the Committee from day to day.

Q. So that you got your facts from other newspapers?—A. No, from our despatches.

Q. From the despatches?—A. Yes, sir.

Q. All right. You have no personal knowledge, however, of what has transpired before this Committee other than what you have obtained through correspondence in some way or other?—A. And the reports that are published. The despatches that go to the *Telegram* and other papers.

Q. The reports which come to the *Telegram,* do they come from your own men or through your own men?—A. Yes, sir.

Q. So that you, when you are called upon to write about anything in this Committee write upon their facts, not obtained personally or of which you have personal

[Mr. John R. Robinson.]

knowledge, but from what comes to you through one source or through another, chiefly from the men employed on your own staff?—A. Chiefly, because I read the despatches in all the papers.

Q. And from what you gather through other newspapers?—A. Yes, and my knowledge of the members of the Committee and their past performances.

Q. I am not asking about the members of the Committee. I am asking about the work of the Committee and I want yes or no.—A. Yes, sir.

Q. You wrote certain articles or had knowledge of certain articles appearing in your editorial columns of different dates, June 11, June 12, and June 14?—A. Yes, sir.

Q. You commented on the evidence given before this Committee by one E. C. Fox? —A. If I might be allowed, I am here as a witness as you have a right to call me as a witness, but I might suggest that if I have libelled any member either civilly or criminally I am liable to the courts. I want to protect myself as a witness. I have no right to come here as defendant. I want the ruling of the Chairman.

By the Chairman:

Q. The ruling of the Chairman is that the Committee are not here on trial. It is not the Committee that is being considered. We want evidence of your knowledge of the things we are dealing with, and Mr. Devlin will ask you some questions about that knowledge?—A. I will not be put on trial before this Committee for that article.

The CHAIRMAN: You are not on trial. All we want is the knowledge you have.

By Mr. Devlin:

Q. You are only an incident before the Committee?—A. You are an epoch, I suppose.

Q. I am totally indifferent to what you think I am?—A. Not more so than am I to what you think of me.

Q. I want no altercations?—A. I want no comment from you on my answers.

Q. Kindly answer my questions without comment?—A. I don't want comment on the evidence.

Q. I don't want a stump speech from the witness. I am asking you about Mr. E. C. Fox. You commented on the evidence he gave, did you or did you not?—A. Yes, sir.

Q. You conveyed to the public the impression in these articles that Mr. E. C. Fox concealed from this Committee certain facts which he should have given to the Committee. Did you or did you not?—A. That is an extreme way of putting it. I conveyed to the public the fact that Mr. Fox was much cleverer than you, and that he did not present the whole situation.

By the Chairman:

Q. That Mr. Fox did not present the whole situation?—A. Yes, sir.

By Mr. Devlin:

Q. Mr. Robinson, I would ask you to leave me out of the question, if you please. What facts have you personal knowledge of in the interest of the public of Canada that Mr. Fox did not give to this Committee?—A. Might I read this question which shows the fact.

Q. I am asking you a question?—A. Mr. Fox did not give to this Committee the fact that he was the head of the biggest chain of retail provision stores in the Dominion of Canada when he said: "I can give you the price at which we sold to the retailers, and then there is the step from the retailers to the consumers. That last step I can tell you nothing about." Why could not Mr. Fox tell you about that step?

Q. Why couldn't he?—A. Yes.

Q. He spoke of the retail stores of the Davies Company?—A. There is the record of the evidence. If you can find any fact there.

[Mr. John R. Robinson.]

Q. Is that a copy of the evidence given here? Will you take it, and read it, and find out if Mr. Fox did not speak of the retail stores?—A. I have read it very carefully and the question was asked what was the spread from the factory to the ultimate consumer, right from the farms to the ultimate consumer, and Mr. Fox carried you as far as the retail store, and then he said with reference to the last step from the retailer to the consumer, "that last step I can tell you nothing about."

Q. Can you tell us something about it?—A. He is head of the biggest system of retail provision stores in the Dominion of Canada, and he should have made a full disclosure of the whole position.

By Mr. Hocken:

Q. Does Mr. Robinson mean to say that Mr. Fox had this knowledge and denied that he had it, that he perjured himself?—A. I say that Mr. Fox should know what were the profits in retail stores. I did not suggest in that article that Mr. Fox perjured himself. I suggest that he was not asked the question that compelled a full disclosure of the facts.

Q. You said something now. You said that he took us up to the retail store and said he could not go any further.

By Mr. Euler:

Q. In your opinion could he go any further?—A. Surely, if anybody, the head of the provision stores should have been able to go further.

By Mr. Devlin:

Q. Do you know whether he could or could not?—A. No, it is your business to find out.

Q. You said in the paper that he concealed the facts?—A. Will you kindly read what I said?

Q. You stated in your paper that he concealed the facts, and that is what we want to get at?—A. Will you kindly read the verbiage where I said he concealed the facts?

Q. I have your three articles?—A. If you will read it, and if I said he concealed the facts I will say that he did conceal the facts. I want you to tell me exactly what I said.

Q. I am sorry to have to read it because it speaks of every member of this Committee?—A. I have listened to many of your speeches, Mr. Devlin, and I would be sorry to have to listen to many more. It won't be any harder for you to read what I have written than it has been for me when I listened to you in the past. I have stood for you. You can stand for me.

Q. That is not enlightening the Committee or the general public. It may be a satisfaction to you personally?—A. I am not looking for personal satisfaction.

Q. Let us take this editorial?—A. You accuse me of saying that Mr. Fox concealed the facts.

Q. You asked me to read the editorials?—A. No, I didn't.

Q. Yes you did?—A. If the stenographer says so, I will say so, but I won't take your say so.

(Stenographer reads the notes.)

Q. Now, Mr. Robinson——A. I think you owe me an apology, Mr. Devlin.

Mr. Devlin: I think you are too good to live.

Mr. Sutherland: I think we should confine our investigation strictly to the matter before the Committee. If any of these editorials contain statements such as Mr. Devlin says, it is only fair to the witness it should be read. Does he accuse Mr. Fox of having concealed the facts. If there is anything in the editorials the Committee would like to know of it.

By Mr. Devlin:

Q. Take the article of June 14. It is in the form of an editorial and reads: "Talk is not too cheap, but politicians are too dear. Canada's House of Commons was represented by the Cost of Living Committee, and the packers were represented by Mr. E. C. Fox of the William Davies Company. The evidence of Mr. Fox made a laughing stock of the lawyers and other parliamentarians assembled in the Cost of Living Committee. The general tendencies of the testimony of Mr. E. C. Fox as well as others proved that the packers and cold storage interests were all the time losing money in an almost philanthropic effort to supply food to consumers for less than cost. The Canadian Packers started out to prove by the evidence of Mr. E. C. Fox that the country was paying too little for its bacon. The incompetence of the Cost of Living Committee, enabled Mr. Fox to prove that the company is paying too much for its spittoons." I want to ask you if the inference the general public took from that article was not that Mr. Fox was in possession of certain facts which he did not divulge to this Committee, whether through their incompetence or otherwise is immaterial to me, and that the writer of this article knew what those facts were. I ask you, Mr. Robinson, what are those facts in order that we may call Mr. Fox here again, if necessary, and get all the truth, all the facts?—A. Well, I gave you one fact about the retail stores. Is Dr. McFall, Cost of Living Commissioner, here? There is a fact as to the percentage of butter fats as it reaches the creameries, and I want to say this: I do not know up to the present time whether these packers of Canada—and I have no quarrel with Mr. Fox at all—were a band of packers getting poor, selling the food too low, or a band of plunderers charging too much. But there is the element of butter fat. I wanted Mr. McFall here so that I could correct the figures given me, which is, I think, that there is eighty-three per cent butter fat in the butter that is sold out of the creamery. I think it was relevant to this inquiry to find the percentage of butter fat in the butter that came into the creamery and the percentage of butter fat that went out of the creamery because I am informed that in all warehouses where butter is handled, there is moisture put into the butter.

Q. You say that the committee did not get evidence as to the percentage of butter fat in creamery butter?—A. What I will say is this that the Committee—I have gone through the evidence carefully—did not get Mr. Fox pinned down to this.

By the Chairman:

Q. You say that the Committee did not get the evidence?—A. The Committee did not get effective evidence.

Q. And you based your editorial on that?—A. I will not be restricted to what I based my editorial on. I based it on a multitude of facts.

Q. And this is one of them?—A. That is one. You did not get it in an effective shape.

Mr. Hocken: We did get that evidence.

By the Chairman:

Q. Yes.—A. Yes, from another witness, probably called after I wrote the editorial.

By Mr. Douglas:

Q. Is Mr. Robinson a creamery man?—A. No.

Q. What does he know about butter fat?—A. Mr. Fox should know as much about butter fat as I know about type metal.

[Mr. John R. Robinson.]

Q. Type metal is one element in the *Telegram* business?—A. And butter fat is one of his business. He buys butter and sells it.

Q. Are you aware that there is a Statute which says that there must be a certain percentage of butter fat in butter, and there is a penalty for not obeying it?—A. That is not the point at all. I want to find if the butter he sells has more moisture than when it was obtained from the farmer, or less moisture so that we can tell what was the spread of profit.

By Mr. Nesbitt:

Q. Moisture is what you are after?—A. I am after what is in that butter other than the element of butter fat.

By Mr. Douglas:

Q. Do you accuse the Davies Company of changing anything?—A. I accuse them of nothing.

Q. You insinuated that the butter, as bought in by the Davies Company, went out of their factory in a different form.—A. In a perfectly legal form. It is possible that the farmer might have more butter fat than the law called for, and that would be to the profit of the William Davies Company. If the farmer had less, and he had to add it to the product that would be a loss, and the fact would be brought out.

Q. We have evidence that he had nothing to do with the butter after it reached him and after it went to the retail store, that he did not change that butter in any way.—A. Did he swear that there was no change made in a pound of butter while in the retail store?

By Mr. Devlin:

Q. You did not know he made that statement?—A. I didn't know it textually, not exactly in that form. He should have been vigorously cross-examined on that statement.

Q. There are other things you did not know.—A. Oh, a lot of things, Mr. Devlin.

Q. Are you aware of the fact that Mr. Fox was asked this question, "when you reported to the Cost of Living Commissioner, did you give him a statement of your annual profits"?—A. I was aware that he was asked that question. I did not know he was asked to produce that statement here. So that disclosure should have been made here.

Q. The answer to that is, "There is lodged with the Cost of Living Commissioner and with the Finance Department as well, the balance sheets and the profit and loss of the William Davies Company from March 31, 1912, down to the present date." You did not know that?—A. Yes, certainly I knew that. I think it would be just as well for us to get it, and probably you will after Parliament has adjourned and the country has forgotten about it.

By the Chairman:

Q. Are you aware that the Committee had it?—A. I did not find it in the report of Mr. Fox's evidence.

By Mr. Devlin:

Q. There it is, marked on the page. You had better know your facts.—A. Did the Committee receive it? When was it received?

Q. When was what received? The printed evidence?—A. That return.

By the Chairman:

Q. Before Mr. Fox came here at all.—A. It was not produced.

Q. It was produced.—A. Was Mr. Fox cross-examined about it?

[Mr. John R. Robinson.]

By Mr. Devlin:

Q. I have no further questions to ask Mr. Robinson. You can give no information to the Committee.—A. I want to be asked about the margarine business.

By Mr. Hocken:

Q. You want to make a speech?—A. No, no. Now that the Tiber has overwhelmed me I would like to hear from the Boyne. I would like to hear Mr. Hocken cross-examine Mr. Fox on the margarine business.

Mr. HOCKEN: I may say this, that since Mr. Robinson undertakes to cross-examine me——

The WITNESS: Oh no, I do not undertake to cross-examine you.

Mr. HOCKEN: He wants to hear from Mr. Hocken, he says. He wants to get his evidence. I want to say to this Committee that I was not present when they decided to bring Mr. Robinson here.

The WITNESS: I have no objection to that.

Mr. HOCKEN: I want to say further that if you will keep Mr. Robinson quiet.

The CHAIRMAN: I do not think it would be possible.

Mr. HOCKEN: With my knowledge, sir, of the practices of Mr. Robinson and the *Telegram,* I do not think a single statement the paper or he makes is worthy of the credence of any man until corroborated.

The WITNESS: That comes well from you.

Mr. HOCKEN: If it were pertinent to the inquiry I could give instances where Mr. Robinson has printed stories that were absolute lies, and he was told they were lies before he printed them. It is not necessary to go further.

The WITNESS: May I have a chance to reply?

Mr. HOCKEN: Mr. Robinson has brought this on himself. I had no intention to say anything to Mr. Robinson. For many years I have saved myself from loss of dignity by not demeaning myself by entering into controversy with the *Telegram,* and I have no intention of doing it here. But I do not propose to be baited as a member of the Committee by Mr. Robinson, and if he wants a controversy of that kind, I am ready for it, but it is not the business of the Committee to do that, and I do not want to discredit the work of the Committee. If he does not agree to leave us alone, I will give him something he will not want to hear.

The WITNESS: (Rising to his feet.) I was brought here——

Mr. NESBITT: You were brought here as a witness. Sit down.

The WITNESS: I won't sit down.

The CHAIRMAN: We brought you here for examination.

Mr. NESBITT: Sit down.

The WITNESS: I won't sit down.

Mr. NESBITT: I will make you sit down.

The WITNESS: I won't sit down, and you can't make me.

Mr. NESBITT: We can and we will. You have no right to act like this. You have more gall than a bull.

The WITNESS: You have less brain than a donkey.

Mr. NESBITT: Do you think we will be insulted by you?

The WITNESS: You insulted me when I was called first.

Mr. NESBITT: I am sorry for you.

The WITNESS: You had better save your sympathies for the Austro-German Military Reservists you wept over.

[Mr. John R. Robinson.]

Mr. Nesbitt: I have no sympathy for you. You have no sense of decency.

Mr. Hocken: We should have a policeman here.

The Chairman: Order. This Committee is not going to be reduced to the level of a farce while I am here. Mr. Robinson was subpœnaed to give evidence in relation to facts that he implied in editorials in his paper that he had that this Committee was unable to get. The Parliament of Canada appointed this Committee and gave it a specific work to do. We will do it if we have the ability to do it. We will get the evidence as regards the prices of foodstuffs. If Mr. Robinson has facts that we cannot get, we want to know about it.

The Witness: Margarine.

By the Chairman:

Q. Just a moment. Furthermore, Mr. Robinson is going to act according to the rules of Parliament, or we will find a way of compelling him to do so. We won't have this thing develop into a bear garden.—A. I want to make a statement regarding margarine.

Q. When you are through answering questions, and answering them as you should, if it is the wish of the Committee to let you make a speech, well and good. If not, you will be simply confined to answering questions.

Mr. Reid: As a member of this Committee, I think the time of this Committee is too valuable to be wasted in this way, and I want to move that we have a policeman here. I am sincere. I mean what I say.

The Chairman: I have asked the clerk of this Committee to get the Sergeant-at-Arms to come here, and he will be here. We will maintain order, regardless of who the man is who undertakes to disturb it.

The Witness: I want to be asked questions about margarine.

Mr. Sutherland: I want to have the resolution read on which Mr. Robinson was called here.

By Mr. Douglas:

Q. You made a statement, Mr. Robinson, that, in your judgment, Mr. Fox of the William Davies Company changed the quality of the butter after he purchased it and then resold it?—A. No, I made no such statement. What I said was this, that there was nothing in the evidence to show how much butter fat was in the butter, nor, especially what was the percentage of butter fat in it when it reached the warehouse and how much when it goes out. That is the element in the question of profit and cost that should have been brought out.

Q. Here is something in the evidence, "did any of the butter that you put on the market in these months, were they in the form of creamery solids or creamery one pound bricks? Is it all creamery butter, or did you do any compounding?" Mr. Fox said: "none whatever". Then there is another question: "there is no such thing as mixing creamery butter and creamery solids, and selling it printed as creamery butter?" His answer was: "absolutely none".—A. That is not the point.

Mr. Reid: There is a motion before the Committee seconded by Mr. Euler, that the Sergeant-at-Arms be requested to furnish protection to this Committee by sending the proper officers to maintain order.

The motion being put, was carried.

Mr. Devlin: I want to be excepted from that.

Mr. Sutherland: I don't think it should include the words "protection of this Committee."

[Mr. John R. Robinson.]

By Mr. Douglas:

Q. Mr. Robinson, will you give me an answer to my question now?—A. No, that is not the point at all. Prices are high. I will say this. People do not care so much if the prices are high from natural causes, but they want to have clear evidence that the high prices are not produced by manipulation.

Mr. DAVIDSON: I think he should answer the questions put to him.

Mr. DOUGLAS: That is all right. I don't mind.

By Mr. Davidson:

Q. Through his paper we are accustomed to receive irresponsible statements. He has admitted that he knew nothing——A. I have admitted nothing of the sort.

Q. You are here to give evidence of the facts and not of ideas of which you are very prolific, and not to give gratuitous insults to the members of this Committee.

By Mr. Douglas:

Q. I am quite satisfied with your explanation.—A. I would like to be asked about the margarine business.

Q. I am dealing with butter. You said that the public were very much interested in knowing that the high prices were not produced by manipulation. We brought it out in the Committee when Mr. Fox said that he had nothing whatever to do with changing or compounding butter?—A. That was not my point. My point is that the consuming public think that when they buy butter from the firm there is more alcohol —I mean, butter fat, than there is when it goes out although there is a legal quantity when it goes out, and they think that adds up the profit.

By Mr. Nesbitt:

Q. You claim they add moisture to the butter?—A. The public believe they can.

Q. Do you claim they can?—A. No, I do not claim they can.

By Mr. Vien:

Q. What do you claim?—A. I claim that a Committee of the House of Commons cannot examine Mr. Fox in regard to provision business any more than members of a Committee of publishers aided by Mr. W. M. Tilley, K.C., can examine Mr. Henderson here with regard to the cost of making and distributing paper until we have the help of an expert like Mr. Imrie, and we would not attempt it until we had him. That is what I claim.

By the Chairman:

Q. One or two questions. Your statement is that in your own opinion, not from your knowledge, merely from your opinion, your statement to Mr. Douglas was, that butter as it goes out from the packing-house contains more moisture than it did when it came in. That was what your answer was?—A. No, I think that the public believed that it contained more moisture and that it was necessary to remove that belief.

Q. Have you any knowledge that such is the case?—A. No, no, no.

Q. You are simply giving the Committee your opinion?—A. I wasn't giving the Committee anything. It has not entered my thought. I was giving it to the public.

By Mr. Nesbitt:

Q. Who are the public?—A. People who interest you very little, Mr. Nesbitt.

By the Chairman:

Q. When Mr. Fox stated to this Committee that there was no such thing as compounding in the packing-house of the William Davies Company, did you say that he stated a fact or not?—A. I don't know.

[Mr. John R. Robinson.]

Q. Have you any knowledge?—A. No direct personal knowledge. I am again trying to remove suspicions of the public, and let them know whether we are being robbed or not.

Q. And you gave the public facts?—A. Not from you.

Q. You don't know?—A. No, I haven't them, and I don't think this Committee has them either.

The CHAIRMAN: (To the Sergeant-at-Arms, who had just arrived): Mr. Robinson defied the Chairman of this Committee, and said he would not sit down.

SERGEANT-AT-ARMS: What do you want done, sir?

Mr. HOCKEN: We want somebody to make him sit down.

The WITNESS: I did not defy the Chairman. Mr. Nesbitt told me to sit down, and I refused to sit down for him.

The CHAIRMAN: I told you to sit down, too.

The WITNESS: Then I apologize to you, sir, not to Mr. Nesbitt.

By the Chairman:

Q. Let me say this to you. We have had before this Committee witnesses coming voluntarily before it, and giving information of what they knew anything of. We want facts. Have you any personal knowledge that there is compounding done in the packing-house or warehouses of the William Davies Company or any other packing house or firm handling butter between the producer and the ultimate consumers?—A. No, I made no such charge.

Q. Whether you did or not, have you any knowledge of it?—A. No.

Q. Have you any knowledge whatever as to the costs of producing foodstuffs, meat and meat products, dairy products or anything else?—A. No.

Q. Have you any knowledge of what the butter fat content of a pound of creamery butter should be?—A. Dr. Hastings tells me it should be eighty-three per cent.

Q. Of butter fat content?—A. Yes.

Q. Have you any knowledge as to whether they have that or not?—A. I would have to give other evidence.

Q. Did you know when you made the statement that the Committee did not have the evidence, that the Superintendent of Experimental Farms, the Live Stock Commissioner from Guelph, and a representative of the United Farmers' of Ontario, and a number of practical dairy men had been before this Committee and given that evidence?—A. Certainly, I know that.

Q. And did you know the Committee had that evidence?—A. Had what evidence?

Q. Had positive evidence as to the correct butter fat content of a pound of butter?—A. Had you positive evidence as to the contents of a pound of butter when it reaches the William Davies Company, and when it goes out?

Q. We have positive evidence, sworn evidence, that there is no such thing as compounding or mixing of butter in the warehouses of the William Davies Company. We have positive evidence?—A. Have you any records of the other companies?

Q. Yes, of every other company?—A. That the butter goes into all these places and comes out in exactly the same form?

Q. Positive evidence?—A. That will remove a grave public suspicion.

Q. Have you any evidence to the contrary?—A. None here available.

Q. Any evidence to the contrary?—A. No.

Mr. VIEN: He says, "not here available."

[Mr. John R. Robinson.]

By the Chairman:

Q. Have you any available?—A. When I produce that I want to bring witnesses with me, be defended by counsel, and I want an adjournment and I want the Committee to bring Mr. Fox here at the same time.

Q. Have you any facts? Can you give the Committee any information as to whether butter is being compounded? If you have witnesses who can, let me know?—A. If you will get Mr. Derby Nail, Church street, Toronto, he will go into it thoroughly.

Q. Do you suggest Mr. Nail? Have you any evidence of your own personal knowledge with regard to it?—A. No.

Q. Let me ask this in conclusion?—A. I would like to be asked about margarine because I am asked to give all the facts.

Q. Can you give this Committee the contents, the specific content of a pound of margarine sold on the Canadian market? What is it composed of, what are the elements out of which a pound of margarine is made for sale on the Canadian market?—A. I can tell you that margarine is made in England for twelve cents and resold for sixteen cents a pound.

Q. Yes, can you tell what it is made of?—A. No, but I can produce witnesses who have eaten both and who say it is a better article than the Canadian oleomargarine.

Q. Can you give the specific contents of that margarine?—A. No.

Q. What is its value?—A. It is manufactured for twelve cents a pound.

Q. Can you give the value of the contents out of which it is made?—A. No.

Q. Can you give the value of the contents out of which a pound of margarine is made?—A. No.

Q. Do you know anything about margarine?—A. No, nothing whatever, but I expected the Committee to produce that evidence and let the public know.

Q. Are you aware that this Committee has got that evidence?—A. Then how much does it cost to manufacture it?

Q. I am not being examined here. Did you know we had the evidence?—A. No.

Q. Then, when you made the statement that the Committee has not the evidence you spoke without knowledge of the facts?—A. I said that I expect them to get the evidence.

Q. We are working under an order from the House of Commons, and whatever the evidence is the House of Commons expects us to get it.—A. I wish you would give it if you have it.

Q. We will give it to the House of Commons. We were not appointed to get information for the Toronto *Telegram*.—A. You brought it here without any desire of its own.

Q. We brought it here to get information?—A. We will give it to you.

Q. This Committee has more important things to do than this?—A. So have I.

Q. When you wrote the editorials of June 11, 12 and June 14, did you have any personal knowledge of the evidence that was then before this Committee with regard to these specific articles mentioned in your editorials?—A. That was the despatch on which I based them, reinforced by my knowledge of the Committee, and my knowledge of Mr. Fox's ability.

Q. You had no knowledge yourself. Something you gathered from the newspapers?—A. I believed what I gathered from my own newspaper and other newspapers.

Q. You wrote your editorial without having any knowledge of the facts?—A. I wrote without malice and with an actual knowledge of the facts.

Q. You say you had a knowledge of the facts. Had you personal knowledge of the facts? Answer yes or no?—A. Would you kindly define personal knowledge? The difference between personal knowledge and actual knowledge.

Q. It is not necessary that I should define it?—A. I cannot answer until you define it.

Q. This is not a kindergarten class. Have you any personal knowledge or not?—A. Would you kindly define personal knowledge?

Mr. Devlin: Knowledge that you yourself possess.

By the Chairman:

Q. Knowledge that you yourself had, knowledge possessed by yourself?—A. I had personal knowledge of Mr. Fox, and I had personal knowledge of most of the members of this Committee.

Q. We are not investigating Mr. Fox?—A. I wrote my editorial on Mr. Fox.

Q. You wrote your editorial with regard to the work of this Committee and the costs of foodstuffs?—A. Yes.

Q. This Committee's business is to inquire into the cost of the necessaries of life?—A. Yes.

Q. Had you any knowledge yourself of the cost of these necessaries, or of the information the Committee then had. That is the point. Will you answer that?—A. I had personal knowledge of what it costs to live.

Q. Have you any personal knowledge of what it costs to produce the things that you consume in living, foodstuffs?—A. No.

Q. You had no knowledge of that?—A. I am not interested in what it costs so long as we pay an honest price. I want to pay everybody good value for their stuff so long as there is no holdup along the line, that is all.

Q. Then this is a fair summing up of what you say; that when you wrote the editorials of June 11, June 12, and June 14 you had no knowledge of the facts discussed in those editorials?—A. I had absolute knowledge. I assume the responsibility for it. I thought they were true when I wrote them, and I believe they are true to-day.

Q. Did you have personal knowledge, did you know the evidence before this Committee?—A. I knew sufficient evidence to write that, and the best proof that I knew the evidence is that these articles are true and can be maintained here by judges in your own case.

By Mr. Hocken:

Q. Did Mr. Robinson have the official report of this Committee when he was writing his article?—A. No, certainly not.

Q. His information then was not derived from the official records?—A. No.

Q. But from such condensations as the reporters sent out?—A. Certainly.

Q. Does he regard that as accurate information?—A. Well, do you wait for the official report before you write editorials?

Mr. Hocken: I am not answering questions; I am asking you questions.

By Mr. Davidson:

Q. You make charges and investigate afterwards?—A. I was not making charges; I was stating an obvious truth that a Committee of amateurs cannot examine an expert.

By the Chairman:

Q. I would ask you once more and finally whether you will give the Committee a straight and direct answer to the question I put to you. When you wrote those three editorials of June 11, June 12 and June 14, did you have any personal, specific knowledge of the evidence then before this Committee?—A. I had personal, specific—I had accurate knowledge of the work of the Committee, and I wrote the editorials on my responsibility.

Q. But you did not have the official report of the evidence?—A. No.

Q. And you simply wrote it from newspaper reports?—A. Yes.

Q. Garbled reports?—A. Of course, if these men are liars, I wrote from garbled reports.

Q. You had no knowledge of the actual facts before this Committee?—A. Certainly not. All men cannot be liars.

Q. Had you a copy of the evidence?—A. No.

Mr. Nesbitt: He has said that.

By the Chairman:

Q. This Committee is not on trial. This Committee was appointed by the House of Commons, and they will answer to the House of Commons, they are perfectly willing and ready to do so, and answer to the public. But there is another side to this question. This country is shaken from one end to the other with unrest, while you as the editor-in-chief of what is termed a great daily newspaper in the city of Toronto, the second largest city in the Dominion—in your judgment, do you think it is fair to the people of Canada, leaving out this Committee altogether, that you should write an article of that type and further agitate the people of Canada without knowing the facts?

Mr. Hocken: He will not answer that.

Witness: Oh, yes, I will answer that. I say that I knew the facts; the article was true; I wrote it and stand by every word of it. In the last analysis, the public will judge the *Telegram*, and judge this Committee, and you can prove the *Telegram* is a liar by the wisdom and courage of your actions.

By the Chairman:

Q. You have stated on oath that you did not know the facts?—A. I did not state that.

Q. You did?—A. I did not say I did not know the facts.

Q. Excuse me, you said you had not any facts before you?—A. No, I knew the facts.

Q. Let me repeat the question. Leave this Committee out of the question altogether. We will undertake to take care of ourselves?—A. How can you leave it out of the question when you bring in the Sergeant-at-Arms?

Q. Do you consider it fair to the public?—A. I think I would be recreant in my duty to the public if I had not written that article, and I will write more like it.

Q. Then we will sum it up in this way: Your judgment of the moral standard of the Press is that it should write editorials of that character, making sweeping charges without having any facts upon which to base these editorials?—A. No, my judgment is that the Press should state the facts, and that the Press should be guided by its knowledge of the members of this Committee, by their past performances, by the works of this Committee, and by the failures of this Committee.

Q. You are willing to let it stand at that?—A. I am willing to let it stand at that.

By Mr. Davidson:

Q. You said you had personal knowledge of this Committee?

Mr. Nesbitt: Never mind that.

Mr. Sinclair (P.E.I.): I would like to say a word.

The Chairman: You can ask a question.

Witness: Am I discharged?

Mr. Sinclair: I think, from listening to the examination, that nothing further can be gained by keeping him here as a witness, and I move that he be dismissed from further attendance.

By Mr. Euler:

Q. I would like to get rid of personalities, and get facts. I understand from what Mr. Robinson has said that he has knowledge of certain facts bearing upon the

[Mr. John R. Robinson.]

cost of living, which have not been elicited by this Committee in regard to the William Davies Company. Is that the fact? I am trying to get at facts?—A. Then I will be asked to say yes or no, and if I want to explain, I will be told not to make a speech.

Q. If you have knowledge of certain facts, what are these facts?—A. I will state these facts in a tribunal where I am responsible to civil law, and where I cannot be threatened or insulted without protection from the Chair.

By Mr. Vien:

Q. Do you know of any such facts?—A. Yes, I know.

Q. What are they?—A. I will disclose them in due time. If I am on trial—

By the Chairman:

Q. You are on oath to answer questions. You said you had facts, and Mr. Euler asks what they are?—A. I think—

The CHAIRMAN: It is not what you think; answer his question.

By Mr. Vien:

Q. I do not care about the *Toronto Telegram* or the persons gathered here?—A. I do not care about you.

Q. I want to get the facts. What are the facts?—A. The facts are that this Committee did not put the people in a position to know how much they were paying for bacon, how much they were paying for butter; they did not put the people in a position to know whether they were being robbed or served by those people.

Q. I am asking you if you have these facts or not?—A. Yes, I have.

Q. Where are they?—A. I have them in print here. You don't want me to read them. I will file them.

By Mr. Euler:

Q. You say you have these facts yourself?—A. Yes.

Q. What are these facts? I think that is a perfectly fair question.

By Mr. Vien:

Q. Give them to the Committee?—A. You don't want me to read that article. When I get started you will say "shut up" as was said before, and I get no protection from the Chair.

By the Chairman:

Q. Will you answer Mr. Euler's question?

By Mr. Euler:

Q. I asked what are the facts you have; will you tell us?—A. The whole issue as regards the Davies Company is, what is the cost of production, and what is the percentage of profit. Margarine can be manufactured in England at twelve cents a pound and sold at sixteen cents a pound. My boy ate that margarine while you were eating butter at home.

Q. I want to find out if we can establish that we are paying too much for margarine. You say you know that, and I want to know it?—A. To the best of my knowledge, that is true.

Q. Have you anything else?—A. Yes, I think we are paying too much for railway service.

Q. In what respect?—A. Because you helped to squander $500,000,000 in exploitation, in duplication, and over capitalization.

Q. I asked you about facts with reference to the William Davies Company. Have you any others?—A. I am not making any charge against the William Davies Company. I want to be in a position to reassure the public because we are struggling in this time

[Mr. John R. Robinson.]

to keep the public quiet, and if this Committee would produce the evidence, it will enable us to do that. You may bluff the public, but we cannot.

Q. We want to know, if you know, something that this Committee does not know, and that we should all know?—A. Supposing I say I know, I have not the documents here to prove it. You give me an adjournment and I will produce them.

By Mr. Hocken:

Q. The *Telegram* has taken a great interest in the work of this Committee. Did he instruct his reporters to attend the sittings of this Committee?—A. I sent a special man to attend the sittings of this Committee as soon as the Committee showed some sense of the importance of its own duty by retaining a lawyer.

Q. Did the special reporter of the *Telegram* report the proceedings of this Committee regularly?—A. He has begun to, yes.

Q. Began to-day?—A. No, no, he began on Monday.

Q. Last Monday?—A. Yes.

Q. After the Davies man had been examined; after we had the creamery men showing the cost of butter; after we had the farmers showing what it cost to produce butter fat, and after the evidence of the butter plant people?—A. And how free trade would reduce the cost of living and abolish combines, although it has never done it anywhere.

Mr. Hocken: If the witness will allow me to go on, I will do so. He did not take any real interest by sending his man here to get what was being done by this Committee for his own information until last Monday. Prior to that we had farmers here—

Mr. Davis: I am going to object. This is not a matter before the Committee, and the witness has been forbidden argument. I do not think it fair for a member of the Committee to argue.

Mr. Hocken: I want to bring out this fact, as I have a perfect right to do, that Mr. Robinson as editor of the *Telegram* took a great interest in the work of this Committee, but he failed to send a man here, although he had men in this building, to report the proceedings for himself, for his own edification, until all the witnesses of which he complains has been examined. As a matter of fact, did Mr. Robinson know that we had ascertained the cost to the farmer, and to the creamery man of the butter fat before he came down to-day?

Witness: I cannot say. I think I went over the evidence. As for your attack on the reporters, if I may be allowed to say so, without answering yes or no, nobody knows better than you, who jumped as many assignments as you did when you were a reporter, how difficult it is to have a reporter always on the job.

Mr. Hocken: I asked if he had actual information and he said, No.

Witness: A great deal of information you had, when you wanted to bankrupt the city of Toronto.

Mr. Sutherland: He has made a statement about oleomargarine being manufactured in Canada, and in view of the statement by the witness, he has some information on that matter. Might I be permitted to ask the witness with regard to the statement made by Mr. Fox? I am quoting from the evidence. He said——

> In oleomargarine you have a food that is just as fit to eat as butter. Why therefore should the ingredients be prohibited from being manufactured altogether and served to consumers. Every other country in the world that has advanced has it, and it has never hurt the dairy industries in those countries as far as I can see. Of course, there is a difference of opinion on that.

By Mr. Sutherland:

Q. What is your opinion with regard to the statement of Mr. Fox as to oleomargarine being as satisfactory as butter?—A. I would say that if the Committee had

[Mr. John R. Robinson.]

secured from Mr. Fox or from somebody else the cost of manufacturing the oleomargarine it would have been very helpful in quieting the unrest, and I am just as anxious to quiet that unrest as the Chairman, and—Captain Wallace is here and knows about it. He has eaten oleomargarine at 16 cents a pound in England and has eaten oleomargarine in Canada at 35 cents a pound, and he says the English oleomargarine is much better than the oleomargarine in Canada.

Q. I am reading the statement of Mr. Fox, in which he states that it is almost as good as butter. Would you confirm that?—A. No, I do not think so. I always believe that the admission of oleomargarine would just have the effect it has had; it would put up the price of oleomargarine without bringing down the price of butter, and would put oleomargarine as close to the price of butter as they could, and would not lessen the price of oleomargarine.

Q. Have you any information to give the Committee with regard to the manufacture of oleomargarine in Canada?—A. No, it is in that brief I filed with the Secretary.

By Mr. Douglas:

Q. Have you any knowledge of whether the William Davies Company are manufacturing oleomargarine?—A. No, I am told they are not. I am told they ship their oleo oils to the States and import the oleomargarine, and I may also state that oleomargarine is obsolete in every country but Canada and the United States, and that the Davies Company are preparing to manufacture oleomargarine in Canada when they get a monopoly of the patent, so that you will probably be paying 35 cents a pound for what you are now paying 16 cents.

By Mr. Davidson:

Q. You said you made no charges against the Wiliam Davies Company, the packers?—A. No.

Q. You used these words, "Canada's packers started out to prove by the evidence of Mr. E. C. Fox that the country was paying too little for its bacon"?—A. Yes.

Q. Do you think the country is paying too little for its bacon?—A. No.

Q. Do you believe the Canadian Packers could prove truthfully to this Committee—A. After my experience I do not know what they could prove to the Committee.

Q. Do you believe this company could prove truthfully to the Committee that people were paying too little for their bacon?—A. No, I do not believe it any more than I believe that free trade would abolish combines and bring down the cost of living.

Q. I will read it to you again: "Canada's packers started out to prove by the evidence of Mr. E. C. Fox that the country was paying too little for its bacon." Did you not mean to imply that these people intended to come here and by misrepresentation to lie to this Committee?—A. No, the packers honestly believe that they are philanthropists and losing money by providing cheap food for the people. They believed that, and Mr. Fox proved it in his evidence.

Q. You think you know better than they do about what it cost?—A. No, I do not.

Q. You say you believe that they were truthful when they made these reports that they were actually selling bacon—A. They honestly believe they are philanthropists.

Q. And you believe they were acting in good faith when they stated that?—A. Yes.

Q. Do you believe they were acting in good faith?—A. Yes.

By Mr. Vien:

Q. Do I sum up the situation faithfully, Mr. Robinson, when I say this: your articles were to the effect that this Committee, through its inability to cross-examine Mr. Fox, did not get the proper facts from him that it should have?—A. Did not get all the facts.

Q. And the main facts that the Committee failed to get from Mr. Fox were, first, on the spread of prices between the wholesale and retail prices, second, on the compounding of butter whilst in their warehouses, and third, after the manufacture of oleomargarine?—A. No.

Q. Are there other points?—A. Yes, there are other points.

Q. What are they?—A. Not only in regard to Mr. Fox but that—

Q. Just a minute, we are questioning you on your articles written on account of the evidence given to this Committee by Mr. Fox. Now, you say that we should get other information from Mr. Fox on these very points and on other points. What are the other points which you have in mind on which Mr. Fox should have been cross-examined?—A. The point I have in my mind is this—and I had hoped that the Committee would have put us in a position, when the Committee got through, that we should have been able to say, it costs so much to produce a pound of butter, a pound of butter is worth so much, it costs so much to the consumer; a pound of bacon is worth so much, it costs so much to the consumer, and so on down the line, so that the people could look at the result of this Committee's work and say, "Now we are being robbed," or "We are not being robbed."

Q. And you say the Committee should have put such questions to Mr. Fox as to the cost of producing a pound of butter, and the cost of a pound of oleomargarine?—A. Not necessarily from Mr. Fox; the Committee should have got the results so plain that anybody—

Q. We are questioning you on the evidence given by Mr. Fox. What are the points on which the Committee failed to cross-examine Mr. Fox?—A. Can you tell me how much a pound of bacon is worth?

Q. Just a minute, you will answer my question, you complained that the Committee failed to cross-examine Mr. Fox?—A. Yes.

Q. Now will you limit your answer to my question; on what other points did the Committee fail to examine Mr. Fox?—A. The Committee failed to cross-examine Mr. Fox on one point, "How much do you pay for a pig when it comes into your warehouse," and "How much does the pig and all the by-products of this pig bring you when it goes out?"

Mr. Nesbitt: Mr. Chairman, we have all the facts that Mr. Robinson says we should have obtained from Mr. Fox.

By Mr. Vien:

Q. There are other points on which you complained that Mr. Fox was not cross-examined outside of those you have just mentioned?—A. My complaint—you are not going to tie me down to particulars, Mr. Vien,—

Q. You will please answer my question, you have talked about pigs, let us talk about something else. Are there other points on which we failed to cross-examine Mr. Fox?—A. There are points on which you failed to cross-examine Mr. Fox all along the line effectively, in regard to everything. The facts of the case are just as much a mystery now as they were before.

Q. Will you give us some instances?—A. If you give me a list of the articles they sell, I will.

Q. You have it in your mind, you acccuse the Committee of failing to cross-examine Mr. Fox on some definite points on which you have information?—A. Not at all, I never suggested such a thing at all, I never questioned the intelligence and patriotism of the Committee at all.

Q. You accused the Committee of not having cross-examined Mr. Fox on some points with regard to which he could have enlightened the public at large?—A. Yes.

Q. But you were not aware of the facts which Mr. Fox could have divulged to this Committee?—A. I have given you the facts with regard to oleomargarine, I have given you the facts in regard to butter, and I have given you the facts in regard to bacon, and I have given you the facts on points on which I did not think you had cross-examined him with regard to the profit on his retail stores; the Committee did not get the spread of profit.

Q. You said a moment ago that Mr. Fox gave evidence in good faith?—A. Yes.

Q. And you said also that Mr. Fox was head of a chain of retail stores?—A. Yes.

Q. When Mr. Fox said at page 126 of the evidence? "Mr. Chairman, I can give you the price at which we sold the retailers, and then there is the step from the retailers to the consumer. That last step I can tell you nothing about." You contend that Mr. Fox knew everything about the spread of prices from the wholesalers to the retailers, and you contend that being the head of a chain of retail stores he knew the spread between the retail stores and the consumer?—A. I contend that he should have known it, and I can tell you if I had given you a similar answer you would not have dropped me as easily as you did Mr. Fox.

Q. You contend that Mr. Fox was not acting in good faith when he said to this Committee that he could tell nothing about the spread between the wholesale price and the retail price?—A. I have nothing whatever to do with Mr. Fox's good faith at all. The question of motive belongs not here but in heaven, and I impugn no man's motive, but I contend that Mr. Fox did not make a full disclosure.

Q. When this Committee put to him the question "What do you know about the spread between the wholesale and the retail prices" and he said "I can tell you nothing about it" you contend that he did not say everything; but that he knew everything about it?—A. Or that he may have forgotten.

Q. I would like you to tell this Committee what other question the Committee should have put to him that they failed to put, when he says "I can't tell you anything about it." You contend that we did not cross-examine him on that?—A. I think if you had been half as vigorous with Mr. Fox as you have been with me the public would have known a whole lot more about the cost of living than they do.

Q. What other facts do you know to enlighten this Committee on what Mr. Fox might have disclosed to the public?—A. He might have disclosed to the Committee that the question of free trade or protection, which he introduced, did not affect the question of combines at all.

By Mr. Davidson:

Q. You criticised the Committee for not having found out the cost of butter?—A. Yes.

Q. You were not aware that the Committee had the Superintendent of the Experimental Farm, the proprietors of creameries, and other prominent farmers before it to testify in great detail in regard to the cost of butter?—A. I know that I criticised your failure to get from Mr. Fox the information that would have enabled us to reassure the public.

By Mr. Vien:

Q. When he said that he knew nothing about it you contend that we should have gone farther?—A. As you have gone with me.

By Mr. Nesbitt:

Q. It is not fair to say that we got the wholesale price at which the packers sold to the retailers; we also got from the retailers the price at which they sell to the public. A. Will you ask Mr. Nesbitt what that price is, Mr. Chairman?

Mr. G. F. HENDERSON: I am here this morning taking the place of Mr. Pringle, as counsel to this Committee. I have thought it proper to maintain absolute silence

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during the cross-examinantion of this witness by the individual members of the Committee, because of the fact that the issue appeared to be whether or not the individual members of this Committee were competent to conduct the cross-examination of the witnesses, like a witness of agile mind, such as I happen to know Mr. Fox to be, and such as I know Mr. Robinson to be. I may say, sir, I see no reason whatever to doubt the ability of the members of this Committee to elicit information which it is necessary to obtain, and unless the Committee wishes me to do so I do not think any good purpose can be served by my continuing the process that we have been listening to for the past hour. I would be quite content, and would rather enjoy a play of wit with Mr. Robinson, although I doubt that it would serve any useful purpose.

Mr. Hocken: That means you could not get anything out of him.

Witness retired.

Mr. Gordon W. Shantz, called, sworn and examined.

By Mr. Henderson:

Q. What is your position with the Manitoba Cold Storage Company?—A. Secretary Treasurer and Acting Manager of the Manitoba Cold Storage Company, Limited.

Q. How long has that company been in business?—A. Approximately 15 years.

Q. How long have you been in charge of the management?—A. I have been three and a half years.

Q. What were you before that?—A. I was secretary to the company and accountant.

Q. How long have you been in the employment of the company?—A. A little over 8 years.

Q. How many cold storage concerns are there altogether in Winnipeg?—A. Do you mean public cold storages?

Q. I mean cold storages—are you a packer's cold storage or cold storage only?—A. We are a public cold storage only, we do not buy or sell.

Q. That is the distinction—you do not buy and sell the commodities which are stored in your warehouse?—A. Yes.

Q. You operate purely and simply a storage business?—A. For the purpose of storing perishable goods for wholesalers and retailers.

Q. Are there any others doing busines in Winnipeg in that way only?—A. There is only one other firm that does business on exactly the same lines as we do, that is the Winnipeg?—A. There is another cold storage that takes in merchandise and stores it for the public.

Q. And the latter also buys and sells the articles which it stores?—A. Yes.

Q. Is that other one a packer?—A. A packer, yes.

Q. What is the capitalization or authorized capital of your company?—A. Our authorized capital is $300,000.

Q. Of which how much is actually issued?—A. $218,700.

Q. Are you in a position to say whether that was issued for cash, or in discount or for properties?—A. A portion of it was issued as discount, some years ago, because the company found it necessary to raise funds for an addition to our plant.

Q. What was the discount, was it material?—A. Our shareholders took the stock at 75 for par value.

Q. The par value being $100?—A. Par value being $100.

Q. How much was issued under that arrangement?—A. I have not the exact figures. I have never been told.

Q. Of your $218,700 was it one-half, one-third or one quarter? Of course, you see I want to get at the actual cash invested in this plant?—A. You see, this took place about 6 years ago, and it will be pretty hard to remember that.

Q. You would remember, would you not, if the capital outstanding then was $100,000, $150,000 or $200,000, and whether this was a substantial issue? The fact that your present figure is $218,700 should help you.—A. Approximately our shareholders took advantage of approximately $60,000 worth of par value stock.

Q. So that you were about $15,000 short there?—A. Yes.

Q. So that this $218,700 is par value issue?—A. Par value issue.

Q. And the actual cash would be approximately $15,000 less than that?—A. Not any more than that.

Q. That is one-fourth of $60,000 it would not be more than that?—A. Yes.

Q. That is near enough. Then, what was your turnover last year?—A. It was in the revenue statement.

Q. Did you bring that statement?—A. I did not, it was not mentioned in my notice, and I did not bring the annual report because we have filed all our annual statements with the Cost of Living Commissioner.

Q. But this is not the Cost of Living Commission.—A. I have the wire you sent me, and it is not mentioned in that.

Q. Can you tell me how much business you did last year?—A. If I spoke from memory and my statement did not agree with the annual report when compared with it it would be criticised.

By Mr. Nesbitt:

Q. I suppose they thought you were a trading company?—A. Yes, I thought they were under that impression myself.

Q. But you are simply a cold storage?—A. Simply cold storage.

Q. And you charge in what way?—A. We charge so much per article of standard size, if it is not standard size we charge so much per hundred pounds.

Q. We do not want to go into all the details of that, can you tell us what your gross income was, what is the gross amount of charges to the public last year? If you cannot give me the exact figures give them as nearly as you can.—A. It might be very wide from the mark if I depended upon memory.

Q. Surely you must realize that we want some information. And surely you realize when we are dealing with the high cost of living we want to find whether or not your charges are reasonable and in the result, whether you are charging too much or too little? Let us take it another way; what dividend did you pay last year?—A. Eight per cent.

Q. And how much did you carry to reserve or some other fund?—A. About $50,000.

Q. To what fund did you carry it?—A. To surplus profits or revenue account, we call it.

Q. I do not care what you call it, a name is only a name in a case of that kind. You paid 8 per cent, you carried over $50,000 and did you spend, how much, during the year in improvements? Most of the cold storage concerns have been extended in the last few years?—A. The only moneys we have expended have been in actual repairs.

Q. I am not cencerned in actual repairs.—A. We expend no money in extensions.

Q. Or in acquiring new premises?—A. No, sir.

Q. What did you set aside for depreciation?—A. We set aside 5 per cent on the building and 10 per cent on the plant.

Q. How did that compare with the amount you had set aside for depreciation in the previous years, in the ante-war period?—A. It is more than we wrote off for a few years previous to the war.

Q. How much did you write off before the war?—A. Approximately the same.

Q. You said five and ten just now for last year. What is the value of your buildings on which you wrote off five per cent?—A. Our depreciation amounts to about $25,000.

Q. That you say was the total of both buildings and plant.—A. The total of both buildings and plant.

Q. Was there any other fund, did you pay any bonuses to employees or to anybody last year? That was a little fashion in that line of business you know?—A. We paid out $800 in bonuses last year.

Q. Only $800?—A. Only $800.

Q. I presume that was a war fashion, you had not done that before the war?—A. Yes, we had done that before the war.

Q. If so, it is only fair to state it?—A. Yes.

Q. How long has it been the practice in that concern?—A. My predecessor received a bonus.

Q. Was it only to the management? What I want to get at is this, if men are employed at so much per month, or per week, as the case may be, knowing that the company has for years back made a practice of paying a bonus that is practically a part of the wages. Has there been any such practice in the concern?—A. Previous to the declaration of war no employees but the management received a bonus, last year and the year previous a small bonus was paid to a few of the employees, those that we considered worthy of it. But last year there was $300 distributed among the other employees.

Q. And that is included in the total?—A. Yes.

Q. Was there anything else of extraordinary character?—A. There was one item; we have two sections to our building, one of them was a very old section, of construction and another of insular construction. The old section is very dilapidated and requires rebuilding as soon as it is practicable. Last year we set aside $20,000 into a reserve account against the re-insulation of our old building.

Q. How much do you say?—A. $20,000.

Q. For a reserve?—A. For re-insulation.

Q. I really asked you about that a while ago but you probably overlooked it. Is there anything else?—A. We set aside a certain portion against the war profits tax.

Q. How much is that?—A. $8,000.

Q. And has your war profits tax not yet been adjusted?—A. It is in, we have sent in our statement, but have heard nothing from the department requesting payment. There is also $3,000 last year. That account is $11,000 at the present time.

Q. Why do you keep $8,000 as against last year?—A. That is approximately the amount. We had no way of telling what the exact amount would be, because I believe an adjustment was made in the taxation laws this year. That is merely an approximate amount.

Mr. Henderson: We have a dividend of $17,496, we will call it $18,000. Then we have the $50,000, the $25,000, the $800 and the $20,000 in building reserve. That gives us $95,800 in addition to the $18,000.

Mr. Euler: Are you including the 8 per cent dividend?

Mr. Henderson: I am including the 8 per cent. It comes to slightly under $18,000. Then there was the $50,000 surplus, $25,000 depreciation, $800 bonus, and $20,000 building reserve. I am not including the war tax.

By Mr. Euler:

Q. Is that all in the same year?—A. Yes.

Mr. Henderson: So that after making provision for the war tax, your net profits for the year would be $113,800 on an actual capital, cash invested, of a little over $200,000?

Mr. NESBITT: That takes in depreciation?

Mr. HENDERSON: That includes depreciation.

Mr. VIEN: It has been met out of the profits of the company during the year.

Mr. HENDERSON: There was written off 5 per cent and 10 per cent.

WITNESS: Five per cent on the buildings and ten per cent on the plant.

By Mr. Reid:

Q. What do you call the plant?—A. The machinery.

By Mr. Henderson:

Q. It is only fair to say this; I am speaking from experience in a case recently. You have a very great deal of moisture around your building?—A. There naturally is.

Q. The character of the plant is such that you have to allow ample depreciation? —A. Yes, sir.

By Mr. Nesbitt:

Q. What is it, an ammonia plant?—A. Yes.

Mr. HENDERSON: So I do not think the Committee will quarrel with five per cent and ten per cent for depreciation. Perhaps I could take that off. That leaves us $88,800. That would be your annual net profit apparently on your investment of nominally $218,700 and actually and latterly $200,000.

By Mr. Henderson:

Q. What is the practice of your competitors as to charges? I suppose you know what their charges are?—A. We know fairly well what our competitors charge, not exactly. They tell us what they charge, but they do not always adhere to it.

Q. How do their charges compare with yours, so far as your knowledge carries you?—A. I understand they are practically the same.

Q. How is your business; is your capacity pretty fully taken care of?—A. It has been only during the last few years because of abnormal conditions, but owing to our situation, there are seasons, very long seasons of the year, when we do very little business at all. Comparatively large numbers of our staff remain idle.

Q. With whom do you deal; who are your customers?—A. The producer and the retailer.

Q. When you say producer, whom do you mean?—A. The farmer, the creamery man and the abattoir; yes, he is a producer, not exactly.

Q. Do you find that the local butcher takes advantage of your facilities?—A. Yes.

Q. To any great extent?—A. Not to the extent he should.

Q. Do you find that the householder buys in quantities when the market is lower and stores with you?—A. Yes, quite a number of them.

Q. I think that would be of special interest to this Committee. Tell us what your experiences are as to that.

Q. Tell me what your experience is?—A. Last year I think I might say, without fear of contradiction, that fully a third of our customers were individual householders.

Q. Would that represent a third in actual number?—A. A third in actual number of our customers.

Q. How would that compare in quantity?—A. It would not compare whatever, because a case of eggs will not compare with a carload.

Mr. DAVIS: This company may have had a surplus which they were using as capital.

Mr. HENDERSON: I have overlooked that.

[Mr. Gordon W. Shantz.]

By Mr. Henderson:

Q. Since you set aside a surplus this year, had you any surplus invested in your business?—A. Yes, for four long years we did not declare any dividends whatever.

Q. What years?—A. Some years we did not make much money.

Q. Those were the lean years?—A. Very lean years.

Q. Since you have not your statement here, what is the amount of your surplus account whatever you call it?—A. I do not remember. I have been mentioning approximate amounts. Do you not think it would be fairer——

Q. I think it would be well if you would send these things to us?—A. When you compare my approximate figures with the actual statement, there might be a difference.

Q. You are giving your evidence fairly and you are not likely to be criticised?

By Mr. Devlin:

Q. How many telegrams did you receive?—A. I received three.

Q. Did each one of these telegrams state what you were to produce before the Committee?—A. No, sir. Here is the first one that I received, "What day in the immediate future could you appear at Ottawa and give evidence before the Cost of Living Committee. Wire answer." It did not state the nature of the evidence, and I wired answer, "Am urgently needed here till strike settled. Would it be satisfactory if I wired the day after settlement of strike." We are up against it. We had an explosion two months ago, lost our superintendent and his assistant, and owing to the strike we are very short of help and could not very well get away. I received another wire from the Committee, apparently ignoring the first wire that I sent, or at least that made no reference to it, reiterating the first request, "Name day when you can appear before Cost of Living Committee here, bringing invoices for last year, with a list of shareholders and prices paid upon stock held by each shareholder."

The CLERK OF THE COMMITTEE: The first telegram was sent by Mr. Howe and the second by myself.

WITNESS: I was rather at a loss to know how to act.

By Mr. Henderson:

Q. Is there in Manitoba a subsidy to cold storage stores, either provincial or Dominion?—A. No, sir.

Q. Do you receive anything?—A. Nothing whatever.

Q. So that no portion of this income of your company is subsidy?—A. No, sir.

By Mr. Davis:

Q. Did you receive any subsidy when establishing your company?—A. No.

By Mr. Reid:

Q. You did not take advantage of the subsidy paid by the Federal Government?—A. No, sir. I am not positive of this, but I believe the Act was not in force when we were incorporated, and I do not believe we could have applied for it under the circumstances.

Q. When were you incorporated?—A. 1902 or 1903. It would be about 15 years ago.

By Mr. Vien:

Q. Were there any other cold storages in Winnipeg when you started?—A. Not cold storages. There were refrigerators in Winnipeg but no cold storages.

Q. No public warehouse for cold storage?—A. No.

By Mr. Stevens:

Q. Do you do a trading business?—A. We never have at any time.

[Mr. Gordon W. Shantz.]

Q. None at all?—A. No.

Q. How about quantities of stuff you have in storage? Do you carry large stocks for individual firms?—A. We send in reports every month to the Cost of Living Commission of the different quantities of products we have in storage each month.

Q. You have these reports?—A. Yes, that does not mention the individual firms; that mentions the total quantities.

Q. That may be misleading, because I notice you say a great many firms store stuff for their own use?—A. Although there are a number of individuals who store, the aggregate amount of the product they store is very small compared to the others.

Q. Can you tell us what the big dealers store with you and what quantity they carry elsewhere?—A. The big dealers naturally give us more business than the smaller dealers. I cannot state the quantities of products they stored with us last year, because we have never kept statistics on that.

Q. You keep a record of it?—A. We keep a record of the total quantities.

Q. Take for instance butter, who is your biggest storer of butter?—A. Well, there is not any firm that can be called the biggest storer, there are really about 5 or 6 that store quantities of butter with us.

Q. Name one of your many large storers?—A. The Crescent Creamery Company.

Q. When do they put in their butter in large quantities?—A. The butter usually is always stored in the months of June and July.

Q. Last year did the Crescent Creamery store with you any large quantity?—A. A fairly large quantity.

Q. How long did they carry the bulk of that?—A. They carried the bulk of it till about September.

Q. Till September only?—A. September or October.

Q. And how long from September on did it take to release all of it?—A. Of course that company is situated a little differently from some other concerns; they do not remove the butter just as it required for their trade because they have their own facilities, and just at that time of the year their own refrigeration facilities are free to take the butter from ours, and they put it into their own storage.

Q. Will you give me another typical customer?—A. The T. Eaton Company.

Q. Do they store in June and July?—A. In June and July.

Q. Did they store last year a large quantity?—A. Fairly large quantity.

Q. When did they release that?—A. Very little of it was left in by Christmas.

Q. It was practically all out by Christmas then?—A. Yes.

Q. How did they draw it out?—A. In whatever quantities they require.

Q. Daily or weekly?—A. Almost daily. In small quantities, truck loads perhaps.

Q. Do they seem to rush it out?—A. They take it out as they require it, it is regulated by the demand for it.

Q. You have no idea of the prices when it came in and when it was taken out?

By Mr. Henderson:

Q. Do you know any substantial customer that put it in in June and July and left it over till the following winter?—A. We have more or less quantities of butter in storage after Christmas, but the quantity compared with the stock held during June and July is fairly small, but the new make of butter does not come in earlier.

The Chairman: Before the adjournment of the committee I would like to make a statement supplementing something I said yesterday with regard to the rather sensational part of the evidence given here by Mr. Paton. When I made that statement I had no intention whatever of casting any reflexion upon the reports of the evidence in the press. The statement I made was with regard to the headings. I have read the full report of the evidence given by Mr. Paton and I have read the report of that evidence as given in the papers. As far as the body of the report of the evidence in the newspapers is concerned I feel it has been reported with all reasonable accuracy. What I

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had reference to was the headlines. Apparently there was a desire to feature the sensational, and to over emphasize certain statements. I wish to make it perfectly clear that my remarks applied to the elaborate headings, and that the body of the news reports are perfectly legitimate.

Committee adjourned.

The Committee resumed at Three p.m., Mr. Nicholson, Chairman, presiding.

GORDON W. SHANTZ, re-called.

Mr. HENDERSON, K.C.:

Mr. Shantz, I am going to ask you to send to the Committee as soon as you get home (and please take a note of it) copies of your annual statements including the year of the formation of the company—I mean the issue of new stock—including the year of the issue of new stock, and from that on down. I think that will cover your ground.—A. We will have to send you copies. We have already sent the statements.

Q. Please bear in mind that this Committee is entirely separate from any other Government body. Send copies of the annual statements to the Secretary of the High Cost of Living Committee, Mr. V. Cloutier.—A. All right.

Q. Will you tell me the names of the President and Directors of your Company? —A. Yes, I have a list of the shareholders.

Q. If you have a list simply put it in.—A. Yes, and the stock held by each.

Q. You are handing me a list of the shareholders of the company with the amount of stock at par value, held by each?—A. Yes.

Q. There are some very good names on this list. Who is the President of your company?—A. Mr. W. A. Black.

Q. Who are the directors of the company?—A. A. R. Dobel is our Vice-President. R. J. Mackenzie, Joseph Taylor, R. J. Andrews. Those are the five directors including the President and the Vice-President.

Q. I see the Murray Estate of Edinburgh is the largest stockholder?—A. Yes.

Q. Is that a mere investment?—A. Yes, that is an investment. It also holds a mortgage on our company.

Q. The Murray Estate has five hundred and fifty shares?—A. Yes.

Q. Mr. Black comes next? You say the Murray Estate holds a mortgage on your property?—A. Yes.

Q. They are not in the way of cold storage business in the Old Country?—A. No.

Q. They are not cold storage people?—A. No, sir.

Q. It is a pure investment?—A. Yes, The Sir John Murray Estate. Perhaps you have heard of him.

Q. It does sound familiar?—A. Yes, he died about three years ago.

Q. What business was he in?—A. He was an explorer of some kind.

Q. Mr. Black is from Montreal?—A. Yes, from the Ogilvy Flour Mills.

Q. He holds four hundred and five shares?—A. Yes.

Q. R. J. Mackenzie is another of your Directors and a large shareholder?—A. Yes.

Q. What Mackenzie is that?—A. Rod. Mackenzie, of Mackenzie and Mann. Son of Sir William Mackenzie. He is not an active director. I have been with the firm over eight years and I have never seen the man.

By Mr. Devlin:

Q. Where is he employed?—A. His occupation is varied. He was with Mackenzie and Mann for a time, and he has other interests out West.

Q. He is a financier?—A. More or less.

Q. The Murrays: Who are they? The Murray Estate?—A. Sir John Murray of Edinburgh, Scotland.

Q. And the Blacks; are they the Blacks of the Ogilvy Flour Mills?—A. Mr. W. A. Black transferred some of his stock, some to his wife, and some to his family—his immediate family.

Q. Have they all an interest in the Ogilvy Flour Mills?—A. I do not know what interest they have.

Q. Who is that man Andrews?—A. P. C. Andrews?

Q. Yes.—A. He is the manager of a coal Mine at Bruell Lake, Alberta. He has no connection with Mackenzie and Mann.

Q. He has no connection with them?—A. No.

Q. Is he related to them?—A. Not as far as I know.

Q. The Right Honourable Sir Robert Borden?—A. Yes, that is the Premier.

Q. He has nine thousand five hundred shares?—A. Yes.

By Mr. Henderson:

Q. Nine thousand five hundred dollars?—A. Yes, it is merely an investment on his part. I have never seen Sir Robert personally in all the time I have been with the Company. He does not take an active interest in it.

Q. What amount did you say was paid upon these shares by the shareholders, in actual cash.—A. I mentioned an approximate amount of ten or fifteen thousand dollars which would represent the discount that is given to the shareholders who accepted the offer which was made to them.

By Mr. Stevens:

Q. You mean you offered a discount if they paid up the unpaid balance of the stock?

Mr. HENDERSON: No. What he said was that they offered a certain block of stock to the then existing shareholders at seventy-five cents or a dollar. He said that approximately sixty thousand dollars par value of that stock was taken up by the shareholders. That would represent approximately fifteen thousand dollars less than the face value of the stock. I took that fifteen thousand, you remember, from the two hundred and eighteen thousand seven hundred net estimate, but I asked the witness just now to send to the committee copies of the annual statement including the year in which that transaction took place, and from then on, so that it could be dissected.

Mr. STEVENS: I think in examining witness in regard to the cold storages, the point that really interests this Committee and which ought to be brought out very clearly, is whether the cold storages in question are being used for the purpose of hoarding the food, or not.

Mr. HENDERSON: We went into that before luncheon.

Mr. STEVENS: I asked one or two question before lunch, but I think that is the main thing, in my mind.

Mr. HENDERSON: I asked two things, whether it was being carried on fairly, and the other. Those were two outstanding features.

Mr. STEVENS: I had not the privilege of hearing all of the witness' evidence this morning, but as far as I have seen, this business is run on a sound business basis, and if that is the case, I think it ought to be abundantly clear, but if they are using the cold storage for the purpose of hoarding food, we ought to know it, and we want to know it, and if not, we want that to be impressed upon the public very clearly, and if we do that, the better for all concerned.

[Mr. Gordon W. Shantz.]

By Mr. Henderson:

Q. Let us first clean up the question of cost to the public for using your facilities. Have you a copy of your tariff with you?—A. Yes. I have a copy of our general tariff, which I personally divert from, and make special concessions, depending on the amount of business given us by the customer.

Q. How long has this tariff been in operation?—A. This tariff has been in operation only a matter of some six months. A portion of the tariff has only been in operation a few months.

Q. I believe you have raised your rates a bit in this new tariff?—A. Absolutely.

Q. You have not cut down the rates?—A. No.

Q. What would be the general raise throughout?—A. What is the general raise?

Q. Yes?—A. The average increase would be approximately twenty per cent.

Q. Approximately twenty per cent?—A. Yes. The tariff was increased six months ago.

Q. That is the average?—A. Yes.

Q. How long had that tariff been in existence?—A. It was increased several times during the period of the war.

Q. Then what relation does your present tariff have, say, to your nineteen hundred and thirteen tariff?—A. I was referring to the difference between our nineteen hundred and sixteen tariff, and our present tariff, when I mentioned the average increase of from twenty to twenty-five per cent.

Q. During the duration of the war you increased your charges by twenty or twenty-five per cent?—A. Yes. Our expenses have increased a great deal more. Our labour charges alone have increased one hundred per cent. The costs of living, as constituted, have gone up about eighty-five per cent, and has come down only ten per cent since last February.

Q. Are you able to give us some figures as to what your cost for operating your business?—A. That varies very much.

Q. Will your annual statement show that?—A. Yes.

Q. From year to year?—A. Yes, sir.

Q. Dealing with the other matter, that Mr. Stevens mentioned a moment ago, and to which you made some reference this morning. Is it true that it is a common practice for people to (to use a common expression) hoard goods in cold storage?—A. Our position is this. We receive the goods from the producer, or the wholesaler or the retailer, and take them in, and hand them to them when they want them. We can be made the cause of hoarding goods.

Q. I am not suggesting that you are hoarding goods, and I can readily understand that you don't want to give your customers away unless you absolutely have to, but this is a case of "have to," if the practice exists, so that nobody can blame you?—A. That is why I made that remark, Mr. Henderson, that we may be the cause of hoarding goods.

Q. Is there a practice of hoarding goods in Winnipeg? We have heard it said that there was such a practice existing in Winnipeg?—A. There has been no hoarding that I know anything about.

By Mr. Stevens:

Q. Let me ask you a direct question. Did you handle the ten thousand pounds of chickens that Sir Joseph Flavelle's Company destroyed some time ago?—A. No, sir, that happened in the William Davies' own company in Winnipeg.

Q. Have you any knowledge of the amount of provisions of bad stuff in any quantity, being taken from your cold storage plant, condemned and incinerated?—A. There was a quantity removed on account of the explosion we had a few months ago.

Q. That is excusable or explanable? But taking out the goods kept too long in storage?—A. No, not in our place."

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Q. You don't know of any goods?—A. No.

Q. Are you quite sure of that?—A. Positive. Goods naturally may deteriorate, even in cold storage if kept too long but a customer will not tell us they are going to send their goods to the incinerators, after they take them out.

Q. Do inspectors come around?——A. Yes, we have a civic inspector.

Q. Do you know of any case where the inspector has condemned goods while in your plant?—A. There have been cases in small quantities.

Q. Give us an example. Give us a sample quantity. It may not be exact, but give us the figures you are positive will cover it.—A. We store vegetables which are very perishable.

Q. Do you store potatoes?—A. We do.

Q. Have you ever had any knowledge of a hundred bags of potatoes?—A. No.

Q. You never had any knowledge of anything of that quantity?—A. No.

Q. Or of onions?—A. No.

By Mr. Sutherland:

Q. Eggs?—A. No. No eggs at all.

Q. Meats?—A. No, meats if properly kept will keep for a few years.

By the Chairman:

Q. Poultry?—A. No, there is no poultry there. There is only an occasional lot of vegetables which are imported from California and British Columbia.

By Mr. Stevens:

Q. That is ordinary wastage?—A. Ordinary wastage. It may be due to careless packing.

Q. We are trying to get at the quantity that is reported to have been taken from cold storage plants. Have you any knowledge or can you state definitely—it is accurate information that we want?—A. I can state positively that goods can spoil in cold storage. Carelessness on the part of an engineer may spoil a hundred thousand dollars worth of eggs over night, but we have been fortunate enough not to have suffered a loss of that kind.

By Mr. Devlin:

Q. I would like to ask you one question. It was rumored, (and I am not placing any credence in rumours) that at the beginning of the strike in Winnipeg your cold storage contained two million and one half pounds of produce. I would like to know if that is true?—A. By produce do you include meats, beef and pork?

Q. Yes.—A. Yes, there was.

By Mr. Henderson:

Q. Is that abnormal?—A. It was at that time of the year, because as a matter of fact the greater part of that was for export. The greatest part of that was beef.

By Mr. Devlin:

Q. It was not for consumption in the West?—A. No.

Q. It was to be exported to England and other countries?—A. Yes. Shipments were held up owing to conditions which existed since the signing of the armistice. The Government merely cancelled their contract and we did not get any shipping order for a matter of four or five months.

Q. What has become of that?—A. We have orders for that. They are putting it out now. As a matter of fact if the strike had not come on when it did, it would be all right to-day. They were working on it when I left.

Q. Is there some of it there yet?—A. There was, when I left.

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Q. Was there an apparent shortage among the retail men or others?—A. There was a shortage but there is not as great a demand for the frozen beef on the local market as there is for fresh beef. People always prefer the fresh beef to the frozen beef; so since the strike came on there has been a shortage, but there never was any shortage in frozen beef.

Q. Could you get a higher price by exporting it?—A. I cannot tell you anything about the prices, because the beef belongs to the abattoirs.

Mr. HENDERSON: He is neither a buyer nor seller .

By Mr. Stevens:

Q. To whom does this meat belong?—A. To various companies, The Swift Canadian Company; Gordon, Ironsides and Fair, and various companies.

Q. Have Swifts no cold storage plant?——A. No, it would not pay them to have one. I have already told you that we might be made the means of hoarding.

Q. Has that contract order been exported?—A. It was held up awaiting the arrival of ships.

Q. It is in the way of export now?—A. I was told that it was. They are preparing that meat at the present time for export.

By Mr. Sutherland:

Q. A great portion of it was still there when you left?—A. Yes.

By Mr. Henderson:

Q. Let us return to this question of hoarding. There is a general impression amongst the public (and this Committee would like to either prove it or disabuse the public's mind) that dealers did hoard their foodstuff, and give as their reason, that the dealers are getting their goods at the cheap season and holding them in cold storage for the dear season?—A. That is the meaning of "hoarding" as I understand it.

Q. I did not say "winter season," because that is the ultimate function of a cold storage plant, to properly distribute goods, but are goods held for a rising market rather than properly distributed throughout the country?—A. Goods have got to be—there is a certain amount of speculation attached to it, but placing a quantity of goods in cold storage removes the speculation, because they can deliver the goods six months in advance.

By the Chairman:

Q. I think the committee will recognize that the ultimate business of the cold storage warehouse is to take produce in, butter for example, in June and July, for distribution the next year. From your own knowledge of the operation of your own cold storage plant, was there any evidence during last December, January and February, at the time when the produce put in there in June and July should be distributed—that it was not being distributed, but was being hoarded and not being put onto the market as it should have been?—A. No, I don't know of any. Comparing it by years, at that time of the year as compared with the previous year, there was no butter hoarded.

Q. Come down to butter then. Was there any butter held over—butter or other dairy products—or any kind of over-lapping of supplies coming in this year?—A. Not in any great quantity. There is always some that is held over by certain customers, like hotels and cafes, but not by dealers.

By Mr. Stevens:

Q. You are sure of that?—A. Butter always goes out before the new butter comes in.

Q. Was it cleaned out this spring?—A. Yes.

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By the Chairman:

Q. Eggs?—A. Eggs the same way. If a customer forgets and allows eggs to stay in the warehouse, we immediately write him a letter and tell him to come and take them out. There is no such thing with eggs. With butter you can do it, but it has never been done with eggs. They will not keep from one year to another, and remain saleable.

By Mr. Sutherland:

Q. How long will butter keep?—A. Two years, and still be good butter.

Q. How long can you keep eggs?—A. I would not keep them longer than nine or ten months, depending on the season in which they were produced. Hot weather eggs will not keep as well as eggs produced in the cold weather.

Q. Do they ever freeze?—A. Eggs have been frozen due to carelessness.

By Mr. Euler:

Q. It does not spoil them?—A. No, I don't think so.

By Mr. Stevens:

Q. Did you ever have knowledge of an instance where produce was withheld from the market—the customers refused to put them on the market—and was advised by your company to come and get them, and they would take them out and then re-store them in your warehouse under another dealer's name? Is that a practice?—A. What would be the good in doing that? Don't think I am trying to side-step your question, but I would like a little more information on that.

Q. I may not be as familiar with the practices as you are, but I understand that dealers have to report to the Food Controller—A. No, I have never heard of anything like that.

Q. You would not know?—A. If they take it out of our place and put it back again?

Q. How would you know it?—A. Because we have marks on our goods, and unless they remove these marks, or put the goods in a new package, we would always know it.

Q. You have marks on the packages?—A. Yes.

Q. And so would have a reasonable chance of knowing?—A. We would certainly have a reasonable chance of knowing it, if they did that.

Q. But you will state that you know of no cases where that was done by the dealers?—A. None whatever. There would be no advantage on the part of any of our customers in doing that, because when we report the holdings of the goods every month, the holdings are given in a sum-total, but they, as individuals, have their own reports to make; they have to report also every month and it would not do a customer of ours any good to follow a practice of that kind.

Q. As far as you know, it is not done?—A. As far as I know it is not done.

By Mr. Henderson:

Q. Is butter ever handled, compounded or mixed (use whatever expression you like) in your establishment?—A. Not in our place.

Q. It goes out exactly as it comes in?—A. It goes out exactly as it comes in. I listened with some interest to Mr. Robinson's remarks about butter.

Q. Do you understand about the question of moisture in butter?—A. I have a fair knowledge of the fact that the Federal Government allows a certain amount of moisture in butter, but they provide a penalty if there is more moisture than allowable found in butter. As a matter of fact, for your information, two lots of butter were seized by the Dominion Government inspectors a few days before I left, so that shows that they are very much on the job.

Q. This butter which was seized contained excessive moisture?—A. Yes.

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Q. Are you fully familiar with the butter trade—sufficiently so to be able to say whether it would pay a producer to put excess moisture into butter by some mechanical processes?—A. Hardly.

Q. Would the expense of handling be worth while?—A. It would, positively.

Q. Was there, before this law was enforced, a practice of that kind?—A. Yes, undoubtedly. There was a practice of that kind; that is why the law was put into force.

Q. Your experience is that that law is enforced?—A. Absolutely.

By Mr. Nesbitt:

Q. You say there were two parcels seized for excess of moisture?—A. Yes.

Q. That was put in by the makers of the butter?—A. I don't know how it was put in, or whom it was put in by. It was put in before it reached our place.

Q. It comes direct to you from the creamery?—A. No. Not from the creamery. It comes from the wholesaler or the commission man. I think in one instance of these two I spoke of, that it came from the wholesaler, and in the other instance it came from the commission man.

Q. Was it shipped by freight or how?—A. It was delivered in carloads and delivered to us by trucks. That is all we know about it, unless it comes in by local freight, when we receive an expense bill.

Q. You know that excess moisture cannot be put in the butter without re-working it?—A. It is impossible to do it without re-working.

By Mr. Reid:

Q. Do you know if there is such a thing as a mechanical machine by which this butter can have excess moisture injected into it?—A. I don't know of any. The idea sounds ridiculous to me.

Q. It does to me too.—A. Butter put into our place is held in a temperature of zero, and is as hard as a rock.

Q. Supposing a certain concern found that their butter was lacking in moisture and wanted to put some more moisture into it, what would it cost to re-churn that butter to add the moisture?—A. I cannot tell you what it would cost. You can get that cost from one of the creameries.

Mr. Nesbitt: Mr. Shantz says that he knows of no method of adding moisture, without re-working it.

Mr. Stevens: It is done, but we have a very strict inspection system which makes it a very unprofitable proposition.

By Mr. Reid:

Q. Have you any knowledge, Mr. Shantz, of any butter ever stored in your cold storage plant being taken out and re-worked, or being put through a process to put more moisture into it, to freshen it?—A. I have no actual personal knowledge of that, but I suppose it has been done.

Mr. Pringle: May I ask the witness a question, Mr. Chairman?

The Chairman: Certainly, Mr. Pringle.

By Mr. Pringle:

Q. Have you had any experience of a combination of oleomargarine and butter being sold as creamery butter?—A. A combination of oleomargarine and butter?

Q. Yes?—A. No, sir; I have never heard of it.

Q. There was a case a short time ago in Montreal, where it was done, and it was confiscated and the man was punished. I was wondering if anything of that sort was occurring in the West. The wrong in Montreal was in making it and selling it as creamery butter?—A. They have very stringent rules and laws in our place. Butter

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inspectors make an inspection of all the butter that comes into our place. Creamery butter was, up to a while ago, the only butter which was stored in boxes; dairy butter was stored in tubs, but lately some of the men have forgotten to mark their butter boxes "Dairy" or "Creamery," and they were fined for even doing that—or rather for forgetting to do that.

By Mr. Davis:

Q. The only reason for holding that butter—is it because there is a scarcity of that commodity at the present time?—A. At the present time?

Q. Yes?—A. I cannot but only speak of the holdings in our own place. There is a shortage of eggs, partly due to the strike. I believe you will see high prices for eggs next fall, if our holdings are any indication of it.

Q. That is the only commodity?—A. We are still liable to get all the butter we can use.

By Mr. Stevens:

Q. Did the strike in Winnipeg prevent the handling of butter?—A. It will affect the production. The transportation of milk, which is required for the manufacture of butter, is very seriously affected. I read statistics in the Winnipeg paper, made up by the Dairy Commissioner, showing that there was a very small percentage of butter being manufactured.

By Mr. Nesbitt:

Q. Did the hens go on strike too, in Winnipeg?—A. No. The eggs just went rotten.

By Mr. Davis:

Q. That is just a local condition, but taking it for last year, was there any scarcity or any diminution in the supply?—A. There was a scarcity of butter.

Q. To what do you attribute that?—A. The old, old story of "Supply and Demand." The heavy export demand and the production not being sufficient to meet all the demands, owing to the fact that the Government commandeered, I believe it was, five million pounds. That had some effect on the supply of butter.

The CHAIRMAN: I think Mr. Shantz has given us all the information that we need to get the benefit of it.

Mr. HENDERSON: I think so, Mr. Chairman.

Mr. CHARLES BIRKETT called, sworn and examined.

By Mr. Pringle:

Q. You are connected with the Fort William Grain Exchange?—A. Yes, sir.

Q. In what capacity?—A. Secretary.

Q. Is that an incorporated body?—A. No, sir. It is a voluntary association.

Q. Now, what is your general business?—A. The Grain Exchanges of Canada are very similar, Winnipeg, Fort William, Calgary, Toronto and Montreal. They are meeting places for buyers and sellers to get together to deal in grain. I think that is about as good an explanation of the functions of a Grain Exchange as I can give you.

Q. The buyer and seller fix the prices—in an untrammelled market?—A. Yes, in a competitive market.

Q. In a competitive market the price is fixed in that way?—A. Yes, sir.

Q. Supposing there was a fixed price for grain, what effect do you think that would have in the cost of living?—A. We have had a fixed price of wheat for two years

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and two months. In the summer of nineteen hundred and seventeen, a Board of Grain Supervisors was formed by the Government and they fixed the price for the last two months of the crop year at two dollars and forty cents, and on the first of September, for the crop year up to the end of August, nineteen hundred and eighteen, they fixed a price of two dollars and twenty-one cents. The following year they fixed the price at two dollars and twenty-four and a half cents, which was three and a half cents higher than for the previous year, which just took care of the increase in the freight rates, over the previous year.

The fixed price, to my mind, has a great deal to do with the cost of living. As you know, in the United States, steel is a good business barometer. In Canada we consider wheat as our business barometer. If that is fixed it shows its reflection on a good many things.

The average person to-day consumes about a barrel of flour per annum at eleven dollars and fifty cents; roll that down to a per-diem basis, and it makes about forty-five cents per day for each person. Then there are the brans and shorts which shows its effect upon the price; feed for cattle and hens and chickens, and the price of wheat is reflected on the price of oats and barley. Then you have the other commodities, eggs, butter and milk, all affected by the price of wheat; whether it is a fictitious price or not I don't know, but it has its effect, and I believe with an open market, it would, of course, be better.

By Mr. Nesbitt:

Q. Supposing it would be higher?—A. At the present time?

Q. Supposing it would be higher?—A. Do you mean at the present time?

By Mr. Pringle:

Q. In normal times.

By Mr. Nesbitt:

Q. Supposing the prices would be higher, would not all these things be higher, according to your argument?—A. It naturally follows that they would.

By Mr. Davis:

Q. You think we cannot expect any reduction in the prices of living until the price of wheat comes down?—A. Yes.

Mr. PRINGLE: I don't know whether the Committee desires Mr. Birkett's opinion as to the desirability of price fixing on wheat during peace—during normal times. I don't know whether you desire that or not.

Mr. SUTHERLAND: I think that would be very useful.

Mr. NESBITT: What he has given us is all right, but that is a matter for the Government.

Mr. PRINGLE: It is a matter of policy entirely, excepting, that he, being in the business, can probably give us some information as to whether he thinks it advisable and desirable in the public's interest, that these prices should be fixed during the normal, peace times. Of course, we are in so near the United States—they have fixed the price for the balance of this year?—A. Until June, nineteen hundred and twenty.

By Mr. Reid:

Q. In normal times what fixes the price of wheat?—A. The ordinary times the law of supply and demand has a great deal to do with it.

Q. What market?—A. Well, it is followed out in this way. About the middle of June the exchange opens what they call their October options for the new crop, and it all depends on the exporters who are dealing with foreign countries as to the level at which wheat is opened. We export 75 per cent of the wheat we grow, and upon the price in certain competitive markets in Liverpool and London depends the price in Canada.

Q. So the Liverpool market fixes the price of wheat in Canada?—A. In normal times.

By Mr. Pringle.

Q. And the Exchange?—A. No; the Exchange does not fix the price.

Q. Are there not times when the market can be advanced or depressed by the speculators in grain?—A. No. Oh, by the speculators in grain? Certainly. By the speculators in the Grain Exchange, certainly; but not by the Exchange as an Exchange.

Q. Not by the Exchange as an Exchange?—A. No.

Q. By individuals?—A. Yes.

Q. Those operating in the Exchange, if they are big enough they can either create higher prices or they can put the grain down to a low price?—A. Yes. That has been illustrated by the "corners" in past years.

Mr. Reid: I would not call that "fixing" the price; I would call that "fluctuating" the price.

By Mr. Sutherland:

Q. In your judgment, did the fixing of the price have the effect of raising or lowering the market?—A. In nineteen hundred and fifteen, there was practically a "corner" in May wheat by the Wheat Exporting Company for the Imperial Government, which put the price up to three dollars and seventy cents at one time. That was the time the Grain Exchange fixed it so it could not go any higher, and the Government then stepped in by appointing the Board of Grain Supervisors. If that had not been done, owing to the necessity for wheat in Europe, the price would probably have gone up to four or five dollars a bushel.

By Mr. Reid:

Q. What did the Grain Exchange do?—A. They put a "stop-loss" on.

Q. How did the Grain Exchange put that stop-loss on?—A. They withdrew the options and men had to cover up their options by the actual delivery of the grain. There was no further trading in it. It practically closed the Trading Floor.

Q. Did it stop the speculation?—A. Undoubtedly, because they could not exercise further options without the actual delivery of the wheat.

By Mr. Stevens:

Q. I was going to ask you a question. Was the Government action a fixed price? It could not go higher nor lower?—A. It was a set price.

Q. Was the American price a minimum price?—A. Yes.

Q. You could go higher in the United States?—A. Yes. About five weeks ago they were paying fifty or seventy-five cents a bushel over the set price.

Q. You, in Fort William, are in close touch with the world's markets, will you give your opinion to this committee as to the possible effect upon the market this fall of the removal of this fixed price, or the failure to renew the fixed price?—A. I might say, Mr. Chairman, that at the request of the Minister of Trade and Commerce, we have been here since Wednesday morning, the representatives of all the exchanges and millers and some representatives from the farmers in the House, Mr. Argue, Mr. Henders and Mr. McCready, and some of the representatives from the transportation companies, and after listening to Mr. McLean

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for a time, he sent us out to see about coming to some agreement as to the best method of handling this year's wheat. We cannot come to an agreement. We got into two camps. The Grain Exchanges at Winnipeg, Fort William and Toronto are very anxious for an open market. We want the law of supply and demand to regulate the price, but the millers and farmers as represented by Mr. Argue, and Mr. Henders and Mr. McCready, want a fixed price.

We laid both proposals before the Minister last night with our different arguments that even if the price of wheat is not fixed this year, but an open price is allowed, the price of wheat will drop to its normal level. We believe that two dollars and twenty-six and one-half cents, basis Chicago, is fictitious for wheat, and we believe (and it is the concensus of opinion of the grain men) that the price of wheat will drop to one dollar and thirty cents a bushel for good winter wheat.

By Mr. Pringle:

Q. Upon what do you base your belief? How is the Argentine Republic? Is it not a large wheat growing country? Is there not a large amount of wheat this year for the market? Has not Australia an enormous amount of wheat that has not yet reached the market? These are matters I have seen from scanning the papers, but you ought to know.—A. I understand that Australia has one hundred and seventeen million bushels of wheat—millable bushels—for export, and that Great Britain has purchased a lot of that. That is being distributed to India and Egypt, and it cost Great Britain about one dollar and thirteen cents f.o.b. steamer, Australia.

As far as the Argentine is concerned: They have a large quantity, but what the price is, I don't know.

Q. As a matter of all probability Russia is not counted on this year?—A. No. In the Government statistics Russia has been left out—by the Government Statistician.

Q. What this Committee want to get at is what effect it will have on the cost of living to the people of the Dominion of Canada, the fixing of a definite price for the wheat crop for nineteen hundred and nineteen. Would there be any certainty that the people of this country would be better off by an open market than they would if the price was fixed by the Government?—A. Well, of course, as I said before, there are two different opinions. We believe the open market would be better, which belief, I think, is shared to a large extent by some of the officers of the Trade and Labour Congress. On the other hand you have the producer and the miller (and I want to point out that the millers' objections are well taken). They say that the ocean tonnage is under the control of Great Britain, and they will find it very difficult indeed to finance themselves unless they can get some assurance that they can sell the product. Of course, it is very nice for the millers to give the failure of the wheat crop to the Government and let the Government take the risk, but the grain dealers are willing to take the risk; they are willing to put their own capital into it. Of course they will want big help from the bankers, but that is a matter between them.

Q. You have given as your opinion that the open market will bring the price of wheat down?—A. Yes.

By Mr. Stevens:

Q. What do you think of this: Instead of having a fixed price what effect would it have, if there was a maximum price, leaving the possibility of a lower market but no increase?—A. We have never given that a thought. As a Grain Exchange, we say "An open market first; if not that, then a minimum price; if not even a minimum price; then a set price."

By Mr. Nesbitt:

Q. You tell us that wheat will drop in price? Can you give us your reason for arriving at that conclusion?—A. Yes. At the present time the United States have

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commenced garnering their winter wheat crop, the largest in their history, and both Mr. Howe and Mr. Julius Barnes, the president of the Grain Corporation, say that they will have three hundred and seventy to four hundred millions bushels for export. Last year they exported about two hundred million bushels. It is estimated that Canada has sixteen million acres of wheat in; now, take sixteen bushels to the acre as a fair, conservative estimate, that would be two hundred and fifty to two hundred and sixty million bushels; take off eighty million bushels for our own domestic requirements, and that leaves one hundred and eighty million bushels, say two hundred million bushels. That makes six hundred million bushels of wheat for these two countries. Then there is Australia and the Argentine Republic raising, say, two million bushels, that makes eight million bushels, and various smaller countries which are not estimated. Now Mr. Hoover says that he can feed all of Europe, with the exception of Russia, with seven hundred and fifty million bushels. The grain men think that estimate is too high, but naturally he wants to keep the prices up, and so next September, unless we have a calamity in this country and the United States, there will be a world's surplus of wheat which will bring the price down.

By Mr. Stevens:

Q. On the open market?—A. Yes.

By Mr. Pringle:

Q. Wheat is practically sold in the United States at two dollars and ninety-one cents a bushel?—A. Yes, but it is at its level now, two dollars and twenty-six cents.

By Mr. Davis:

Q. With shipping and finances both supplied by the Government is it not fair that the Government should have some say in the prices?—A. Shipping and finances are controlled by the British Government, not by the Canadian Government.

Q. We are told by our own Finance Minister that the Canadian Government is largely supplying the finances, and he said that we are carrying from one hundred and thirty to one hundred and seventy million dollars in Canada?—A. It is not this year's crop, but we are expecting to do that with the next year's crop.

By Mr. Pringle:

Q. Is not Great Britain retaining seventy per cent of the shipping at the present time for food stuffs for Great Britain? I understood there was practically seventy per cent retained?—A. They have a food contract for what they call the "nine-penny" loaf, which costs the British Government about thirty million a year, and accordingly, they are going to withdraw it. We believe they will and that will make the grain merchants in England go to the competitive markets on a competitive basis. Mind this, gentlemen, from the beginning of the war up to the present time, while the British Government paid these dealers their large commissions, notwithstanding the fact that they were playing golf, so they are not very anxious to get back, although the British Government is very anxious for——

By Mr. Stevens:

Q. (Interrupting): Your point is if he gets back and the nine-penny loaf is removed there will be a competitive market in Europe which will bring down prices?—A. They will buy the wheat where it can be bought the cheapest.

By the Chairman:

Q. I would like to have the matter brought out very clearly with regard to the effect of the fixing of the price of the loaf in Great Britain, because without any doubt one of the things that is agitating the people of Canada is whether the consumer is buying cheaper bread in England than in Canada?—A. It is another form of taxa-

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tion. The British Government was asked by the Labor Party to maintain the nine-penny loaf of four pounds. To do that, they bought wheat at our fixed price and sold it to the millers at the millers' price. That would make a nine-penny loaf, and the Government absorbs the deficit, which amounts to about sixty million dollars per annum.

By Mr. Pringle:

Q. What would a similar loaf cost here on the fixed price of wheat at two-twenty-four and a half?—A. I cannot say that. I can tell you what the wheat here should cost to make a nine-penny loaf.

Q. What should it cost?—A. We should be able to sell wheat at Fort William for one dollar or a dollar ten per bushel, and make a four pound loaf of bread either in Canada or Great Britain without any subsidy from the Government. We have to deliver that wheat in Great Britain at one dollar and eighty cents. At the present time it costs one cent per pound for ocean freight alone.

Q. That makes the price of the loaf in Canada.—A. Nine-pence is eighteen cents in Canada.

Q. Is the weight the same?

What Mr. Birkett says is this: If you want a nine-penny loaf, or an eighteen cent loaf, in the Dominion of Canada, a four-pound loaf, the wheat would have to be sold at a dollar ten a bushel.

By Mr. Nesbitt:

Q. Our loaves weight about two pounds?—A. No; from a pound to a pound and an half. You can figure on eighty cents a bushel from Fort William to Liverpool. We have to deliver wheat at one dollar and eighty cents a bushel, to allow them to give a nine-penny loaf without any further subsidy. Great Britain takes this view, that they have paid our fixed price for four years. They have paid a pretty heavy tax to get wheat, meats and everything else. They have had their representatives over here in Winnipeg, and they have said that they will not buy any more wheat until they actually need it, and then only on a world competitive basis.

By Mr. Stephens:

Q. On the new crop?—A. Yes. If the Government fixes the price they are no better off.

By Mr. Douglas:

Q. As a rule I believe in a competitive market, but I would like you to bring out side of the matter. The farmer says that the Grain Dealers want to open the market because he can compete. What is the advantage to the State at large if this scheme is carried out and the market is opened?—A. I will say this, that if you fix the price only about seventeen and a half per cent of the people will benefit by it, but if you have an open market, and, as the grain men believe, the price goes down, eighty two and a half per cent of the population will benefit by it.

By Mr. Sutherland:

Q. How will it affect you as a grain dealer?—A. I am not a grain dealer. It don't affect us in the Grain Exchange. We are more like a club. We charge for membership and assessments.

Q. How will it affect the grain dealers?—A. It will put them back on a peace basis.

By Mr. Reid:

Q. The grain dealers have not been making any money while the price of wheat was fixed.—A. Oh, yes.

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Q. But if there was an open market, the grain dealers would get back to work?—A. Yes.

Q. Who would pay the difference which the grain dealers would want when they come into the market? Would the British Government lose it or would the consumer pay it?—A. The wheat carries its——

By Mr. Pringle:

Q. Is this the position we——

By Mr. Douglas:

Q. (interrupting): Pardon me. Let us have an answer to this question. You say "The wheat carries it", but who pays it?—A. You see the importing firms of Britain know how much wheat they are capable of taking at a certain price. These are the agents I am speaking of now. They have been out possibly trying to buy it at that price. If he buys it he gets his commission, but it goes eventually into the cost of the wheat delivered in England. The chances are that the wheat has been sold by the farmer six months previously.

Q. So you say really (and I think I am right) that it is not possible to say who pays it? In one case it may be the consumer and in another case it may be the producer? One may get less, as a result of the commission than the other man?—A. As a broad statement I would say the producer paid it, because what he gets is reflected on the British market.

By Mr. Reid:

Q. When the price of wheat was first fixed in Canada. was it fixed at the prevailing price then, or above it?—A. Much below.

Q. The consumer was benefitted?—A. Yes. The farmer lost money.

By Mr. Euler:

Q. I would like to ask the witness if he made the statement that wheat was now selling for a dollar and a half, or would be so selling, if the market was opened?—A. No. From a dollar seventy to two dollars per bushel.

Q. If that took place, take the pound and an half loaf which I think is the customary weight, and is now selling in a great majority of the places throughout Canada at ten, eleven or twelve cents a loaf—about what price do you think that would bring the cost of the loaf down to as you say it will with an open market. If the price is not fixed, that may be taken into account and would be interesting information to know?—A. You will have to ask a miller that. I would say about a cent a loaf.

Q. Not more than a cent?—A. No.

By Mr. Stevens:

Q. Would it not make a difference in percentage in the same ratio that a dollar sixty or a dollar eighty bears to two twenty-four?—A. Yes.

By Mr. Sutherland:

Q. If there were no grain dealers, I think the Grain Exchange would be out of business?—A. Of course, the grain business is in so many different sections. The country elevators have been operating; the terminal elevators; the private elevators have all been operating, and a little domestic business in oats, and flax, and the one buyer purchases it—there is a big difference.

By Mr. Stevens:

Q. There is one buyer. The Wheat Exporting Company buys wheat?—A. Yes.

Q. But dealers in coarse grain?—A. Yes.

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By Mr. Pringle:

Q. How do you expect the prices to come down to a dollar and an half, if Great Britain has to buy from Canada and the United States? If the price is fixed in the United States until nineteen hundred and twenty it should be fixed here. Would you expect the Government would have to lose the difference between the market price and the fixed price? In other words we will have approximately one hunderd and eighty million bushels of wheat to export, and they have a price fixed at two dollars and twenty-four cents and an half, and the market falls to a dollar and an half. Who sustains the loss?—A. The millers would like the Government to sustain the loss. They want the Government to take all the risks.

By Mr. Sutherland:

Q. That would be a species of protection?—A. Yes.

By Mr. Reid:

Q. Will the millers ask the Government to fix the price at two twenty-four?—A. No. It is up to the Government to fix the price.

By Mr. Pringle:

Q. Who will assume this loss in the United States? According to your contention if the market falls, the wheat goes down to a dollar and a half. There will be a tremendous loss in the United States?—A. To take care of that they have passed a Bill giving Mr. Barnes one billion dollars which he can lose without any criticism. He will endeavour to get out of it without losing the money. Their chief argument against an open market is that we will not find a buyer for our grain, but if our price is going down in Winnipeg—Mr. Barnes has an agent in Winnipeg, and he will very soon instruct his agent to maintain the price by buying wheat to save his own neck.

Q. Unless the price is maintained there will be a large loss?—A. Yes.

Q. Unless they can keep the price up?—A. That is right.

By Mr. Euler:

Q. Do you think that would operate to keep the prices up?—A. Yes. I think on prices, in any event, in an open market, will be kept up fairly well.

Q. Because of that condition in the United States?—A. Yes.

By the Chairman:

Q. Has there been any suggestion from any source as to what the price of wheat should be fixed at in Canada?—A. No. Another suggestion was made yesterday that we carry out the Australian pool system. That is, pay the farmer a dollar and half a bushel; the Government take the grain and sell it to the best advantage in the world's competitive market, and if at the end of the crop year there was a surplus they would divide the money amongst the shippers, so the farmer might get two dollars a bushel and he might get only a dollar and a half. That was discussed very fully by Mr. Barnes and was thrown out as impracticable.

By Mr. Pringle:

Q. Could not the price be regularly set? I remember when Mr. Hughes did——

A. (interrupting) In the United States?

Q. No. In Australia?—A. I cannot answer that question.

Q. They have a tremendous amount of wheat they have not got rid of at that fixed price?—A. About one hundred and fifteen million bushels.

Q. Fit for export, and still on their hands?—A. Yes, which means that Great Britain will be where she can get it cheaper.

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By the Chairman:

Q. They will guarantee a minimum and if our price goes below that they would have to take the loss?—A. Yes.

By Mr. Reid:

Q. The Australian Legislature, in order to encourage the agriculturists of Australia to devote their energies to raising wheat passed legislation fixing the price, and under that legislation, as you say, they have now accumulated some hundred and fifteen million bushels of wheat?—A. Yes.

Q. For which they will have to find a market?—A. Yes.

By Mr. Douglas:

Q. Did you say the price was—A. (interrupting) Great Britain bought it at a dollar seventeen, f.o.b. Australian ports.

By Mr. Reid:

Q. When was that?—A. Last year.

Q. What time?—A. After the armistice.

Q. Was it not prior to the signing of the armistice?—A. It was after.

By the Chairman:

Q. Sometime in December?—A. Somewhere around that, because they withdrew some of their steamers from the Australian trade.

Q. On that trade, will the Australian Government stand a loss of thirty-three cents a bushel? —A. No. That is the scheme for Canada. That is the Australian pool system.

Q. What is the Australian price?—A. It varied from ninety-five cents to a dollar eight or a dollar and nine cents.

By Mr. Euler:

Q. How much wheat is there in Argentine? How much could they sell it for?—A. That is a debatable point, but I should say eighty or seventy million bushels, but they will soon have another crop. It is cheaper wheat than ours. Wheat was quoted at Roasrio at a dollar thirty-six a bushel.

Q. What would the transportation add to that?—A. I don't think there would be added more than ten cents a bushel.

Q. That would be a dollar and forty-six cents?—A. Yes.

By Mr. Stevens:

Q. You mentioned a few minutes ago that your Exchange was informed that the British Government would simply buy on the world's markets, and if we fixed a price in Canada and that fixed price happened to be above the world's markets, we would not sell our wheat. Now tell me, is this the deduction to make from that? That, in order to sell our wheat, the Dominion Government, having fixed the price, would have to pay the difference between the prevailing market price in Liverpool and the fixed price here?—A. Yes. We don't think the Dominion Government should fix the price of wheat any more than they fix the price of pork, coal, shoes, or anything else.

Q. Am I correct in that point?—A. Yes. We say this: There are two schemes to decide; the open or closed market. The closed market means guaranteeing the price of that two hundred million bushels of wheat for export at two dollars a bushel; that means to market the four hundred million bushels, they might get three hundred million. In other words, they will subsidize a portion of our population for one hundred million difference.

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By Mr. Reid:

Q. You are going a little too far there. The agriculturists are not asking the Government to fix the price to lose money, but to keep out the speculators from the market, and thereby, not only giving cheaper bread to the consumer, but giving more to the producer. You must bear this in mid, that the Government is trying to increase production. The western farmers have not asked for a definite price, but they ask that the price be fixed.

By Mr. Stevens:

Q. What is a "fixed price," if it is not a "definite price?"

Mr. Reid: They have not set a price for the Dominion Government to fix, but to fix a price to prevent speculation.

Mr. Pringle: Mr. Birkett tells us that the producer lost a great deal of money by the fixed price of two dollars and twenty-four cents. They might have got four dollars a bushel.

Mr. Reid: That is the idea.

By Mr. Nesbitt:

Q. Do you know the cost of freight from Australia to England?—A. No.

By Mr. Douglas:

Q. These are still disturbed times. Should the quarrel break out when the wheat is out of the hands of the producer and into the hands of the elevators, who will profit?—A. On the fluctuation of the market?

Q. Yes?—A. The grain dealers, heretofore, are not allowed by their banks to speculate. There is a difference between speculation and what we call "hedging."

Q. But if the stuff is in the course of transmission across the seas, who will profit? Which way will the fall and rise be? Who will get it?—A. I would imagine it would be the man that is importing it.

Q. I would imagine that the man holding the wheat would get a huge rise out of that?—A. No.

By Mr. Sutherland:

Q. What do you say about that?—A. One elevator company in the Western provinces probably buys one hundred thousand bushels of wheat a day at their different elevators. They buy that, and immediately they get word as to the approximate amount, they sell a similar quantity on the option next morning, because they don't know when it will be delivered at the terminal. Their transportation may not be as they would like it. As result of that the elevator company knows what profit it made, whether the price went up fifty cents a bushel or down. That elevator company knows the next morning what they have made.

By Mr. Stevens:

Q. Is it not true that every bushel of wheat that is actually in transit between the head of the lakes and Europe is really in the possession of the European buyer?—A. Yes. You have but two sides to the market. You have the market, which creates one side, and you have a certain amount of speculation. We do not deny there is speculation, but it is hard to check. The Grain Exchange don't like it, and the big grain firms of our country do not allow their officers to deal in grain speculatively—just "hedging."

By Mr. Euler:

Q. What do you mean by "hedging?"

Mr. Sutherland: We know what it is in the Debates but not in the grain trade.

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Mr. STEVENS: It is the same thing.

The WITNESS: Take Mr. Reid here, for instance. He has a thousand bushels of grain. He believes the price is going up and he will sell the thousand bushels and buy a thousand bushels on the option——

By Mr. Pringle:

Q. (Interrupting.) Then he gets into the speculative branch of the business?—A. Yes. He would be in any event.

Q. Has the result not been that firms that got in on speculation have generally got the worst of it?—A. I would not say that. Every man that loses means that some other man has made. The Clearing House has to balance every day.

The CHAIRMAN: I think, Mr. Pringle, that we have got everything we want from this witness.

Mr. PRINGLE: I think, broadly speaking, that Mr. Birkett's idea of an open market would be to the advantage of the consumer.

Mr. REID: I would like to ask one question.

Q. Did you say that your Grain Exchange at Fort William is a voluntary concern?—A. Both the Winnipeg and Fort William——

Q. (Interrupting) Never mind Winnipeg?—A. Yes.

Q. The Grain Exchange at Fort William is a voluntary organization?—A. Yes.

Q. Have you any Provincial charter?—A. No.

Q. Does the Winnipeg Grain Exchange have a Provincial charter?—A. No.

Q. Are you sure of that?—A. They had, but they have not now.

Q. They had a Provincial charter?—A. Yes, sir.

Q. But you say they have not got one now?—A. No.

Q. But the Grain Exchange at Fort William is a voluntary concern?—A. Yes, sir.

Q. The members of the Grain Exchange at Fort William are all grain dealers, are they not?—A. Yes.

By Mr. Douglas:

Q. Mr. Birkett, is there anything you would like to present to this Committee, in addition to what you have said. Is there anything further that occurs to you which you would like to place before us?—(No answer.)

By the Chairman:

Q. Yes, if there is anything further on this subject about which we have not questioned you, and which you would like us to know, we should be glad to hear it.

The WITNESS: No, Mr. Chairman, I don't think there is anything further.

Witness discharged.

Mr. J. LAMBERT PAYNE, called, sworn and examined.

Mr. PRINGLE: I do not know what statement you intend to make, Mr. Payne, and so we will leave it entirely to you to make your statement.

Mr. PAYNE: I had just a hasty notice yesterday afternoon to come before this Committee, and although I have given a very great deal of consideration to the problem of the high cost of living, this is a very short notice in which to organize and analyze thoughts on such a wide subject.

I thought I might save the Committee's time, and incidentally my own, and also save myself from a great deal of discursiveness, if I just read slowly and distinctly as possible, a very short statement that will take me seven or eight minutes, that will suggest to the Committee the line of thought in my own mind, and the matter then will be over.

By Mr. Davidson:

Q. You do not object to being interrupted?—A. On the contrary.

In considering the problem of high prices we shall not make real progress nor get to the root of the matter with a reasonable prospect of a remedy, unless we clearly realize the basic character of food prices.

In studying and analyzing what has happened since eighteen hundred and ninety-six, when the rise of prices began—one is led quite definitely to the conclusion that everything is dear, simply because food is dear.

The processes by which this has been brought about is quite evident. When the first pinch of higher prices was felt, the immediate problem was not attacked at the base, but at the apex. That is to say, instead of attempting to reduce the burden means were taken to increase the power to bear that burden. The pay envelope was fattened. We have been paying for that economic blunder ever since. It was possible to arrest the upward movement at any of its stages, but the effort was not made. Higher wages was the only remedy applied. This was very much like using gasolene as a fire extinguisher; for by this method was set in motion that vicious process of reciprocal leverage and reaction by which the price of one thing raised the price of another. It has been going on ever since eighteen hundred and ninety-six, and must inevitably continue with increasing momentum until the proper steps are taken to arrest it. Can it be arrested? It certainly can.

That is the primary and fundamental aspect. Food prices lie at the bottom of all prices.

Let us now look for a few moments at the process by which food prices have advanced since eighteen hundred and ninety-six.

We shall get quickly to the kernel of the matter, by asking and answering the question, how are market prices made and by whom?

There are at the foundation, or ought to be, but two parties in the transaction. They are the producers and the consumers. If they could meet they would inevitably bargain about prices. But they do not meet. They cannot very well. If I want a loaf of bread, I do not go to a wheat grower, buy so many pounds of wheat, grind it into flour and then get my bread. No. I buy a loaf of bread from the baker. This brings us at once quite sharply into contact with the vast system of distribution which operates between producer and consumer. Within that system we shall surely find the causes for our present trouble with respect to food prices.

If producers and consumers could get together they would undoubtedly recognize the mutuality of their relationship to each other, and in the recognition of that mutuality they would be disposed to treat each other fairly. It is quite inconceivable that there would be any other disposition. But they do not, as has been said, come together in any way whatever. Between them lies this great system of distribution to which I have alluded. Let us get this situation clearly visualized.

Between the wheat grower in Saskatchewan and the consumer of bread in Ottawa, there are four agencies—the primary buyer, the railway which moves the grain, the miller who grinds it into flour, and the baker who turns it into bread. In our efforts to protect the producer and consumer, we have thought it well to put an absolutely effective check on only one of these agencies—the railway. The other three we permit to run wild. The railway is not allowed to charge the fraction of a cent more for transportation than the Railway Commission will authorize, no matter how abnormal the conditions may be, nor how forcibly the alleged law of supply and demand might be pleaded. The other three agents operating in the wide channel of distribution are permitted to charge all they can get. We all know what this license has meant since the outbreak of the war.

Let us first take the case of the buyers. They got possession of the nineteen hundred and fifteen wheat crop of North America, at an average of about one dollar and fifty cents per bushel, and then they ran up the price to three dollars and twenty-eight cents. How did they do this? By buying that selling among themselves. One cannot discern anything of the operations of the so-called law of supply and demand, but rather the power of high organization to wring totally unearned profits from unorganized and unresisting consumers.

The millers were no less active. They also are organized and behind them is the strength and force of vast capital resources. Operating without check they were able during the war to make very high profits. I remember seeing the financial statement of one big corporation which showed a surface profit of more than seventy per cent for the year, but was really twice that.

The bakers have not done badly, although they stand more or less at the retail end of the line, and I want to say quite frankly that in all my investigations, I have not found that the retailer has been a conspicuous profiteer.

These agents in a very large degree make market prices. Our experience during the war have very clearly and positively demonstrated the utter fallacy of the law of supply and demand. There is no such law anyway, under modern conditions. Supply and demand are, of course, factors in the determination of market prices, but they are completely subordinate to the purely human factors of organization and greed. When the indicator shows a market price you may be sure that a group of shrewd men have set the mechanism in motion. Behind the elaborate stage setting which stands for supply and demand, and which the professors of economics have for generations taught it was both automatic and inexorable in its operations, is the real force which moves the indicator. That force, say what we may, is created by human beings like ourselves, banded together and backed by enormous financial power, with the single purpose in view of exploiting human needs to the utmost. The laws of nature create the demand, and it is the business of these men to get control of the supply. They carefully measure the available supply in order not to defeat the end in view, that end being profit. They do not operate for the glory of God, but wholly for themselves. If you cast your eyes over the world you will find that they are invariably very rich. Being very rich, we have fallen into the habit of pointing to them as successful men.

I repeat that there is no such thing as the law of supply and demand to-day. If there were such a law it would have to be universal in its application, and absolutely just. What we see going on about us is neither universal nor just. It applies to the few at the expense of the many, and is, therefore, most unjust. If it is a divinely ordained law, representing the foundation of commerce, why do we rob the railways, the telephone and telegraph corporations of the right to avail themselves of its benefits?

I am not here expressing a mere personal opinion. It is the logical deduction from indisputable facts. The so-called law of supply and demand is predicated on the assumption that the relationship of supply to demand automatically raises or lowers market prices.

We have seen precisely the opposite unparalleled addition to supply coincident with an unparalleled increase in market prices. For example, in the United States and Canada when war broke out there were thirty-nine million two hundred and eighteen thousand five hundred and thirty-one beef cattle and sixty-two million, three hundred and sixty-seven thousand two hundred and sixty-one swine. On the first of January last in the two countries, there were fifty million, fifty-three thousand, two hundred and sixty-seven beef cattle, and seventy-five million, six hundred and sixty-three thousand, six hundred and eighty-two swine. In the face of this extraordinary increase in supply, notwithstanding the demand from Europe, an increase of

[Mr. J. Lambert Payne.]

more than one hundred per cent took place in market prices. If the law of supply and demand had been operating automatically and in accordance with the dogmas of the professors, we should have seen prices very much below what they were in nineteen hundred and fourteen. Precisely the same thing is true of all other food prices. It is strikingly true of dairy products, the supply of which must have some direct relationship to the number of milch cows. Prices were advanced by the force of organized efforts, and these advances took place simply because there was little or no resistance.

If the present situation with respect to food prices is properly analyzed, it will be found to represent, view it how you will, the triumph of organization over unorganization, the success of co-ordinated forces against the great body of non-resisting and non-co-operating consumers. They could not resist, because they were unorganized and because their needs compelled them to buy. They had to buy or die.

It will help us to a better understanding of our problem, and lead us quite logically to the suggestion of a practicable remedy, if we pause for a moment and ask why it is that this so-called law of supply and demand is seldom heard of except in connection with food. The man who stood before this committee the other day and confessed to the making of exorbitant profits in his textile business, did not defend himself behind the plea of supply and demand. Speaking broadly, we never hear of this law apart from foods. The reason is that we can adjust practically all our other needs to prevailing conditions, but we must have food at any cost. The capitalization of that vital need by highly organized and utterly unscrupulous men is beyond all doubts the cause of our present high cost of living.

Is there a remedy? There certainly is. To say otherwise, is to deny the power of a sane and resourceful people to co-operate for the common good.

It seems to me hideously wrong that in this land of abundance, with a great surplus beyond our domestic needs, we should be compelled to pay famine prices for food. If there is a famine in some other land, and we have food to spare, it also seems to me to be wrong that the urgent need of such people is to any degree a justification for charging them more than a fair price. They are our brothers.

It ought to be as easily practicable to stabilize the market prices of foods as to stabilize freight rates. There is no difference whatever in the underlying principle or condition. We have seen that our existing troubles have been caused by the absence of any check or exploitation of human needs. Such a check could readily be provided.

Let us first get two or three fundamental facts clearly in view. Producers and consumers are dependent upon each other. What one should receive and the other pay should be determined by a just standard. That standard should be the payment by the consumer to the producer of the cost of production, plus a reasonable profit. To the middleman, whose services are absolutely indispensable, a fair commission should be allowed. Unless such a plan is put in operation, much as the world is suffering from high prices at the present time, it is practically certain that prices will further advance. The process of reciprocal leverage to which I have alluded can only be arrested by stabilizing the market prices of foods, which occupy a basis position in relations to all prices. If the rise of food prices is to be stopped, the rise of all other prices will be stopped. If food prices can be brought down all other prices will be brought down. The situation merely demands the abandonment of our unscientific methods and the assertion of as much control over food prices as we now apply to transportation and other forms of toll for public utilities. The former is just as practicable as the latter. The reason in one case is just as good as the reason in the other. We are suffering simply because not the slightest effort has been made to establish resistance against the free play of greed.

Can the cost of producing food be accurately determined? Certainly. There is no insuperable obstacles in the way. It is relatively easier to determine the cost of raising a bushel of wheat than it is to determine the cost of hauling a ton of

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freight between Montreal and Toronto. We should not hesitate to set up utterly regardless of the immediate cost, adequate machinery to deal with the regulation of food prices. The welfare and happiness of the whole people turn on a courageous and determined effort to push aside the hurtful methods which now prevail with regard to the production and marketing of food and to substitute in its stead a system which would be scientific and sound. At the foundation of such a system, should be this fixed principle: that the market price of any staple food commodity should not be advanced without the consent of a properly organized tribunal, and that such consent should be witheld unless it had been clearly established that a legitimate and unavoidable increase had occurred in the cost of production.

This would eliminate the plea of mere scarcity as a ground for price raising. Scarcity by itself should not affect prices. It would also prevent an urgent demand being used to inflate the market prices. Looking back on the war, where shall we classify the patriotism of the men who merely saw in it an opportunity to make the hard-pressed allies pay all he could extort for the necessaries with which to carry on?

I know full well that this suggestion as a remedy will be scorned by those whose self-interest would be imperilled. The men who pay immense membership fees for the privilege of operating within exchanges will say it is an idle dream. The cold storage men will sneer at it. All who are making millions out of the exploitation of human need for food will deride it, and try to block it, and probably will succeed for a time, under present conditions; but the common people will see its merits and will demand that at least something of that nature be done to protect them. Nobody in authority seems to care about the interests of consumers, since it has been the habit of the men who make our laws to cultivate the sympathetic disposition of the organized classes; but the light of a new day is breaking on the horizon of this old world. A new life is stirring the common people, and in the exercise of the power that resides in numbers we shall see great changes demanded by an aroused democracy——

Mr. SUTHERLAND: Mr. Chairman, I object to such statements being made. I would like to know by what authority the witness comes here and makes such remarks as he has been making here, and as we have been listening to this afternoon, in view of the conditions prevailing throughout Canada to-day, and I think it is done deliberately to aggravate the situation. As a member of this Committee I must object to any such remarks as this appearing in the record.

Mr. NESBITT: It is a diary of words that will not do any harm.

Mr. SUTHERLAND: It will certainly create a very bad impression if this is made public.

The CHAIRMAN: I said to certain members of the Committee that, having permitted Mr. Payne to proceed, and with the statement which he previously made——

Mr. SUTHERLAND: It has been read so far. Was this statement submitted to you beforehand, as Chairman?

The CHAIRMAN: The statement has practically been completed.

Mr. PAYNE: I can complete it in half a minute. There are only one or two more sentences.

The CHAIRMAN: This Committee will have to cross-examine Mr. Payne on this statement.

Mr. SUTHERLAND: As a member of this Committee, I move that the statement be not completed, and that it be not published in this country and that it be suppressed.

Mr. DOUGLAS: I would have to take exception to that. We are calling witnesses here, and if we are going to prevent our witnesses from expressing their free and honest opinions—that is what your motion means, Mr. Sutherland. I would suggest that you withdraw it.

Mr. REID: I move that Mr. Payne be allowed to finish his statement.

Mr. EULER: Excuse me a moment——

The CHAIRMAN: There is no necessity for that resolution, Mr. Reid. Unless the Committee rules that he cannot be permitted to proceed he will go ahead. That is the point. I think, Mr. Sutherland, that the matter having been put before the Committee as it has, it may possibly tend to correct some of these rather fantastic ideas, if Mr. Payne is asked to answer some questions in regard to some of the theories advanced.

Mr. SUTHERLAND: I think this was given with the view of aggravating the present situation, and I move that the witness be not permitted to proceed, and that his statement, so far, be expunged from the records of the Committee.

The CHAIRMAN: Is there a seconder to that? It is not seconded. I think we will hear Mr. Payne out.

Mr. PAYNE: No change, in my humble judgment, will tend so effectively to allay unrest among the wage-earning and salary-earning classes, who make up the majority of the whole people, as an intelligent, scientific and resolute effort to stabilize food prices on a basis of full justice to both producer and consumer. Do not let anybody say it cannot be done. It can be done, and it should be done.

By the Chairman:

Q. Now, Mr. Payne, I want to ask you one or two questions. Where would you begin price fixing in the line of staple food stuff? We will commence with meat production. Where would you begin price fixing in the production of meat?—A. I would begin the fixing of prices—although I have never used the term "fixing of prices," but the term "regulate the price"——

Q. (Interrupting): The prices must be fixed if you are going to regulate them? If you are going to prevent the price from going up, you can fix it.—A. Fixing a minimum?

Q. Where would you begin?—A. I tried to make it clear that the plan that would be just to both producer and the consumer would involve the actual cost of production, to which should be added a reasonable profit to the producer.

Q. Would you then begin fixing the price with the man who produces the animal out of which the meat is produced?—A. That is a starting point whereby you are dealing with that price. You would have to commence with the foundation of the prices.

By Mr. Nesbitt:

Q. Do you know what it would cost to raise a pig up to two hundred pounds?

The CHAIRMAN: Just a minute, Mr. Nesbitt, please. I would like to finish this question with the witness.

Mr. NESBITT: Let him answer that. He came here with a lot of theories.

Mr. DOUGLAS: Or a bushel of wheat.

Mr. PAYNE: I know about wheat, but I do not know anything about hogs.

Mr. REID: I would like the Chairman to finish with this witness, and when he is through, let some of the others have a chance.

Mr. EULER: Let them rip him up, if they can.

By the Chairman:

Q. Let us begin with the man who produces the food stuffs in the first place. Are you aware that the prices to-day to the producers are more than one hundred

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per cent greater than they were five years ago?—A. It is one hundred per cent more in the case of the wheat producer.

Q. How is that?—A. It is more than one hundred per cent more in the case of the wheat producer.

Q. The price is one hundred and eighty per cent greater.—A. Oh, the market price. I thought you meant the cost.

Q. I am dealing with one particular line—meat products—which I believe, after all, is the most vital question before the people. Are you aware that the price that is paid for the animal out of which we get the beef we eat, is more than one hundred per cent greater than it was five years ago?—A. I don't know.

Q. One hundred per cent greater than it was five years ago?—A. I did not know that.

Q. And the same with regard to hogs and butter and eggs?—A. I don't believe that the cost of raising eggs has increased to any material degree.

Q. Now, let me follow this through. You are not aware of what the conditions really are with regard to that?—A. I am. It just depends on what you mean by "conditions."

Q. What I mean is what are the actual conditions. If you, or any one else, had to go into the country to-day to buy an animal out of which the meat is produced, are you aware of what the relative value is to-day to what it was five years ago?—A. I am aware of what the relationship is in the market. I am partly aware, but perhaps not accurately aware.

Q. Now, this question of cost: Are you aware of the relative cost (we are now talking of meat and meat products)—of the price that is being paid to the farmer for these products?—A. You are asking me, if I understand you rightly, Mr. Chairman, in what degree has the cost of production increased?

Q. Yes. Starting with the farmers.—A. My suggestion is that that cost should be lowered. I think we lack very seriously, definite information on the subject. What one man states to be the cost, another man may differ with him, and state something quite to the contrary. For example, within four weeks I had before me four statements with regard to the production of wheat——

Q. (Interrupting): We will get into the matter of wheat in a few minutes.—A. That was only an illustration I was making. I am not trying to take you away from the subject of the meat business.

Q. I would like to say to you that we have definite information before this committee, that the price of meat and meat products, butter, eggs, and dairy products, etc., at the basis of the price paid to the farmers, is more than one hundred per cent greater than they were five years ago.

Mr. Euler: But he said it is not necessarily——

Mr. Nesbitt: What has that got to do with price fixing? If we are going to start with an elaborate system, beginning from the bottom up and say "You will produce cattle at seven or eight cents a pound or whatever price you wish to fix, and if you do not produce at that price, you cannot produce at all"——

Mr. Payne: (Interrupting): My answer to that will be made very frankly, by saying this; that if a tribunal could be established, before which we could place the set facts, there will be justification——

Mr. Nesbitt: I am not saying that, but I am suggesting that perhaps if you set a price at which meat can be produced, the farmer or producer will say that the price is too low to bother with, and won't produce at all.

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By the Chairman:

Q. Do you think it is practicable to fix the exact cost of producing the animal out of which we get our meat, or that we can strike a dead level, and say to the farmers of this country "You can produce beef cattle at fixed rate per pound"?—A. I believe that within certain zones, a fixed rate with regard to the cost can be accurately ascertained. When I say "accurately" I mean within reasonable limitations of accuracy. But here is a complex problem. One man may be a poor or wasteful raiser of cattle, and another man may produce scientifically and soundly for a lower cost rate.

The CHAIRMAN: Right there, now. Just a minute.

Q. What would you do? Would you punish the man who had the ability to develop along higher lines to produce these things cheaper, or would you suppress the other fellow altogether?—A. I will be very frank again, because my position before this Committee is very much misunderstood. I think the producer has been as often cheated as the consumer. My sympathies are as much with the producer as with the consumer. What I want to see is a system that will deal justly with both.

By Mr. Sutherland:

Q. You say the trouble has arisen in the channels of distribution?—A. Yes.

Mr. PRINGLE: I don't think we ought to get a misconception of this. If you will permit me for a moment, I would like to ask one or two questions, I think the whole trend of the address which Mr. Payne has given to us is to the effect that there should be a system of State control—

A. (Interrupting): Or state regulation.

Mr. PRINGLE: (continuing):—over all the changes, and if the State finds, for instance, that there is a diminution of competition, and the conditions are such that the ordinary laws of supply and demand do not prevail, then that the State can function just as they did under their war-time regulations. We know the history of the war-time regulations in Great Britain is absolutely opposed to any interference with the law of supply and demand. They had discarded State control in the seventeenth century, and never thought they would revive it in their history, but when the war conditions arose, they found there was profiteering, and they found the prices in the steel products had gone up to such a point that it was absolutely impossible for them to pay the price. They then set about to make an investigation, and they found that they had got back to the system of State control. We find that in the United States they had their War Industrial Board, and when they found this profiteering was going on, and owing to the war conditions, the laws of supply and demand has been put to one side, that there had been an elimination of competition, depending upon the profiteers to get any thing they could, they began investigating the fixing of prices.

I am not saying for one minute that State control is a good thing, nor am I suggesting that under normal conditions there should be a system of State control, but what I am endeavoring to get at are the facts.

I understand that Mr. Payne's suggestion is that we are not living in normal times, but that we are living in abnormal times, and the fact has come out, that there has been profiteering, and that large returns have been made by the manufacturers and producers, middlemen and so on, and that some remedy should be adopted.

I would like to ask Mr. Payne two or three questions. In many things I do not agree with him, but in some others I do most certainly agree with him.

Mr. EULER: Mr. Chairman, I do not think that we are treating Mr. Payne altogether fairly. We have been digging around trying to get a number of isolated facts and we have not anything of very much importance in my opinion. Mr. Payne comes here and tries to get at the fundamental principles, and I think we might recognize that. There is one thing he has brought out and that is this, that this Committee is called together because of an idea in the minds of the public and Government that there is undue profiteering going on.

Mr. Payne: Quite so.

Mr. Euler: It simply means that somebody is getting more than the commodities are worth. For instance, they are selling goods for more than they are worth, and his contention is this, and I think it is the only thing which stands out in his address, that the fair basis for the fixing of prices is the cost plus a fair profit. If we recognize that, and I think everybody ought to recognize that, that the price at which any article of food, or anything else for that matter, should be sold at a fair cost of production plus a reasonable profit. If we agree with that, and I think any sane man will agree with it, then it is a matter of finding out the ways and means by which that condition can be brought out.

Mr. Payne: Thank you, Mr. Euler. Mr. Euler has stated the case so fairly and frankly that I want to thank him for his remarks. I want to say to this Committee, if you will permit me, that these are no new ideas on my part. I had an article in Scribner's Magazine in November last, on the regulation of food prices——

Mr. Pringle: Yes, I read it.

Mr. Payne (Continuing): ——which was very widely discussed, and concerning which a great deal of correspondence took place with eminent economists, and I was very much surprised to have my address this morning before this Committee construed as coming from an agitator and extremist, a socialist, or something of that kind, trying to make trouble or cause trouble in the country, instead of attempting to allay it.

We must find the trouble. You should not condemn me for honest opinion. You can discard them as worthless. I am disposed to do that myself, but they are frank opinions, and they certainly do not come from an agitator.

Mr. Nesbitt: That is all quite true, but what we want to get at is where the profiteering is.

Mr. Sutherland: I presume the witness has reference to something that I said when he made the statement that scarcity should not increase prices. You will understand how impossible such a statement is in view of the conditions prevailing to-day. Take for instance foodstuffs. We might have a very limited supply, and if that principle was carried out the same price would prevail. If you did have anything you would have the same prices, but not the foodstuffs.

Mr. Payne: I would like to ask a question of Mr. Sutherland.

By the Chairman: Go ahead.

Mr. Sutherland: You quoted the quantity of stuff produced in Canada, and the increase in live stock, without taking into consideration the demand of the foreign market. You were going in the assumption that we were living by ourselves and that so long as we had food in this country the price ought to be fixed.

Mr. Payne: Supposing you have a supply represented by one hundred, when the movement began. The demand rose to two hundred, but if at the same time the supply rose to three hundred what justification have you here, under our economic clause of supply and demand, for any increase in price of one hundred per cent?

By Mr Sutherland:

Q. Then what benefit will it be to fix prices?—A. But, we had an enormously increased production.

Q. But if you have an enormously less production?—A. That is another situation.

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Mr. STEVENS: Right on that point, is it not a case like this. Let me refer you to some remarks made a while ago, that there had been an increase in the price of these commodities although there had been an increase in the price of production. Would the increase in production have occurred if the prices had not increased to stimulate production?—A. I do not think anyone could be dogmatic about the point of that question, or have a diversity of opinion about it. I have all the official facts here regarding the production of meats, such as cattle, swine, and milk cows, it was declining for a long period prior to the war, and the prices of the commodities based on these staples rose very slowly, and only in a slight degree. What happened was that when a tremendous increase occurred in the supply, without any reference to how much the demand was, a tremendous increase took place in the prices.

Mr. DOUGLAS: There you are wrong, and for this reason. We are not isolated here. The demand is elsewhere, and as we respond to that demand our prices are raised for our own consumption.

By Mr. Stevens:

Q. Before you leave that point, is it not true (I am trying to get actually at the facts)—is it not proven beyond any peradventure that the increase of supply and production did not occur until the prices became involved due to the increase of demand from abroad. There was a standard market created increasing the price which induced people to speculate on increased production?—A. I think you are right. I think all that occurred to the cost, was caused. That is an economic law that works out without any question. The point we are facing is this. That if we arbitrarily lower and fix the price we will inevitably stop the production and that will remove the speculators.

Mr. EULER: Not as long as there is profit to be made.

Mr. SUTHERLAND: The point is to what extent we can go.

By Mr. Euler:

Q. That is your whole argument. You do not argue that the cost of production is higher than it was a few years ago, but the point is that whatever the cost is a price should be charged for the goods equal to that cost plus a fair profit?—A. I like Mr. Euler's statement to it, which is much more practical. If there has been a regulating influence at work when this upward movement began at the outbreak of the war, these higher prices which increased the cost of production would not have risen. One price raises another. In this article I have quoted here in Scribners from Professors Kellogg and Taylor in their book on the food problem. These men were Hoover's right hand men in Belgium and members of the United States administration. I only repeated their words, and they are entitled to as much abuse as I am.

Mr. PRINGLE: I think Mr. Hoover's plan was that no prices should be fixed——

Mr. PAYNE: You don't wish to be understood as advocating the fixing of prices in a narrow line?

Mr. PRINGLE: The principle was laid down by Hoover that the prices had to be fixed, which would give even to the high cost producer, a reasonable profit, even if it gave to the low cost producer a substantial profit, because otherwise the production would be interfered with.

Mr. PAYNE: I do not look for any interference in production.

By Mr. Pringle:

Q. Will you kindly——A. (Interrupting) I have Scribner's Magazine here——

The CHAIRMAN: Do you intend to read that article?

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Mr. PAYNE: Just two sentences, from Professors Kellogg and Taylor's book on the food problem.

Mr. SUTHERLAND: I think that is available for the Committee if any one wants to see it.

Mr. PAYNE: Just two sentences.

The CHAIRMAN: Go ahead and read it.

Mr. PAYNE: (Reading) "These terrible present prices of all commodities weigh heavily on the consumers. The fundamental cost is certainly not regulated in the way in which the extraordinary demands from our Allies and the European neutrals has been made."

I have simply elaborated that idea before this Committee.

By Mr. Pringle:

Q. I have just two or three questions. Have you made a study, Mr. Payne, of state control in Great Britain during the period prior to the eighteenth century?—A. Prior to the eighteenth century?

Q. Yes, when it was abandoned?—A. I have not. That is seventeen hundred and something?

Q. Yes. Have you read the very valuable history of state control. If you have, you will find that Great Britain had state control for centuries, and they abandoned it finding it was a failure, and that it destroyed all incentive to progress. From that time to the present time you find no state control in Great Britain until the outbreak of the war. Then, have you read any works in connection with the War Time Regulations in Great Britain and the United States?—A. Oh, yes, I have.

Q. Now, we will follow this up. Do you think that state control should not be considered for one moment by the Government, unless that Government through some tribunal or investigatory body ascertains that the ordinary laws of supply and demand have been interfered with and there has been an elimination of competition and has consequently given to the manufacturer and producer the opportunity of unduly increasing prices?—A. That fairly suggests one aspect of my thought about it.

Q. Have you given any consideration to the subject taking any interest as regards the advantage of an investigatory body as against the body having power to control?—A. There has been nothing in any way of any comprehensive investigation carried on in the United States.

Q. I would say that the Federal Trade Commission which is an investigatory body which has power to make public all these matters has done good?—A. I would take it for granted they have done good, as a general thing, but I should not like to get any notion in my head about things in this country.

Mr. SUTHERLAND: You said in this article, "The light of a new day is breaking on the horizon of this old world, a new life is stirring the common people, and in the exercise of power that resides in numbers we shall see great changes demanded by an aroused democracy." What do you call that?

The WITNESS: I would call that a very happy dawn of the times when larger and a more general spread of intelligence enables the common people of this country to protect their own interests.

Q. How about this? "If the rise of food prices is to be stopped the rise of all other prices will be stopped. If food prices can be brought down all other prices will be brought down?"—A. Sure, I said that.

Q. If you have not got the food how are you going to bring it down? How will you induce people to grow food?—A. You don't have to pay an exorbitant price.

Q. You say if the price of food comes down everything else will come down?—A. Won't it?

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By Mr. Euler:

Q. You have referred to something that everybody knows is a fact, that there is a very vicious circle. As the prices of commodities go up other things go up and as other things go up the prices go up. It is a very vicious circle. It is going around in a continuous movement?—A. Yes.

Q. Do you believe that if this tribunal, as you suggest, stepped in and fixed the prices on the basis you suggest, that cost plus a fair profit was the proper basis, that the circle of movement would be arrested, and prices would come down?—A. Without any reference as to whether prices will come down (I think I will be misunderstood), I am endeavouring to see that prices don't go any further. We accept prices just where they are to-day. In my judgment, whatever value you like to attach to it that the establishment of this tribunal of which I have spoken, will prevent an increase in any staple food commodities prices unless it can be shown that the legitimate increase has occurred in the cost of production. That will make for safety.

Q. It would arrest the upward trend of prices?—A. Yes.

Q. I want to ask one question with regard to the statement made by Mr. Payne—I think this statement was made in a Toronto club—the statement was that there was imported into Canada in 1918 more anthracite coal than in 1917; more in 1917 than the year previous. As a matter of fact more coal was brought into Canada in 1918 than before the war began, yet the population has not increased, but in fact has decreased. You also stated that the cost of that coal was something like seventy cents greater in nineteen hundred and eighteen than it was before the war?—A. The average imports were.

Q. But, with the cost of coal to the consumer in the city of Ottawa increased to the extent of four dollars a ton?—A. Yes.

Q. Have you these facts?—A. I have them, certainly. I think that article was unfortunate in that it did not make clear that there were some preventable and defensible additions to the price charged to the consumer. For example, it cost more to deliver coal. He pays more freight than he did before. The general cost of handling is greater. I merely pointed out that an increase of seventy cents in the average price had resulted in a spread of four dollars, some of which could not be accounted for. With the best judgment that I have at my command I have looked into this problem very carefully, as is my habit, and I still believe that the coal dealers received a greater profit in 1918 than they did in nineteen hundred and fourteen.

By Mr. Douglas:

Q. What in your opinion would be the effect of doubling the volume of our currency, under present conditions? We have as a matter of fact increased our currency two hundred and fifty to three hundred per cent in the period that your statement covers?—A. I may have a limited mind or something of that kind, but I looked in Professor Irving Fisher's Treaties with regard to the gold standard, and I have read a few of the other Economists works and I read the works of Professor Fisher, and I must confess I have never clearly understood in my own mind why the increase in available gold——

Q. (Interrupting) I am not speaking about gold. I am speaking about currency. —A. It is based on gold.

Q. Currency had a backing of eighty seven per cent, to-day it has a backing of thirty-six or thirty-eight per cent.—A. Twenty per cent gold, twenty per cent of Dominion notes upon our dollar bill limited to the——

Q. You have not then considered that in this essay?—A. No. I have not referred to all these more or less abstract problems and I do not think that my opinion would be of much value. I do not wish to be considered before this committee in an attitude of a Bolshevist, increasing the gravity of public discontent with conditions in this country. My intentions are the opposite.

Mr. Euler: I do not think it was a fair statement to make.

Mr. Sutherland: The price of wheat was fixed and a statement was made that if the price was not fixed, it would have gone up to four or five dollars a bushel. That in itself would show that steps have been taken to remedy this, and yet in the face of that you say, "we are suffering simply because not the slightest effort has been made to establish resistance against the free play of greed." We have the Food Controller who has been regulating the food?—A. (Interrupting) You asked me, sir, if the Food Controller had done anything about the prices. It goes on to say that in view of the increase of the number of cattle in United States and Canada the price should not be increased.

Mr. Euler: What prices were regulated during the war?

Mr. Stevens: Sugar, coal, fish, and flour.

Mr. Payne: They were?

The Chairman: Sure they were.

Mr. Payne: I am open to conviction, but I cannot find——

Mr. Stevens: (Interrupting) the spread in milk was fixed all over Canada.

Mr. Payne: I must not say anything about the Food Controller; but about the fish cost, I studied the situation very thoroughly as I was in pretty well myself.

By Mr. Sutherland:

Q. You studied that?—A. Yes.
Q. What about coal?—A. That was fixed.

By Mr. Euler:

Q. What about the bread in Halifax?—

The Chairman: We will come to that in a few minutes.

Mr. Payne: I want to point out that you are finding fault with me—

The Chairman: No, I think this is the point, and we have got to get on to the next witness.

By Mr. Nesbitt:

Q. Where did you get your statistics as to the increase of the importation of coal in nineteen hundred and eighteen?—A. From the Trade and Navigation Department.
Q. I see that Mr. McFall does not think that your statement is correct.

The Chairman: Might I say a word in regard to this matter? This committee is anxious to get evidence, if we can get any evidence that will show that undue profits are being made anywhere, but I believe the unanimous opinion of this committee is that sweeping general statements going out through the country, from any source whatever and particularly from a source as reputable as your own evidence might carry with it the wrong impression and will only do harm.

Mr. Payne: You cannot possibly be as sorry as I am if this is a fact, but I think you are mistaken.

Mr. Stevens: Permit me to say this, Mr. Payne. I am very, very much in sympathy with a considerable portion of your views, and it is my intention within the next week if no one else does it, to present to this Committee my opinion to a measurable degree on some of the views that you have submitted, but I don't want you to go away with the idea that anything——

[Mr. J. Lambert Payne.]

Mr. Payne (Interrupting): I sat there and listened to a motion to expunge from the record some of these ideas of mine.

Mr. Pringle: You have given us an address, Mr. Payne, and you have made an especial study of conditions, just eactly the conditions that we are inquiring into. What would be your suggested remedy? For instance, we had before us the other day evidence in regard to certain manufacturers, whom I cannot say, who took advantage of conditions to diminish competition, the ocean transportation being practically shut off, goods were not coming from Great Britain and this enabled them to get very substantial profits on their woollen goods and textiles. What would be your remedy in a case of that sort? What is your suggested remedy?—A. What would I suggest?

Q. What is your suggested remedy? For instance, we had a case the other day. It is not necessary to mention the rate of profit, but it was at least a very, substantial profit, and that profit was unquestionably coming out of the people of this country. What would your suggested remedy be in the event of a Government tribunal, or any official of the department, finding this was going on throughout the country? How would the Government start to work to remove it? There should be a remedy, we are all agreed on that?—A. Are you asking me a question, Mr. Pringle?

Q. Yes?—A. I would say this. This summarizes what I have tried to present in this paper. There has been something very lacking up to the present time, and that is resistance. You have a highly organized force operating for gain.

Q. That is very theoretical?—A. I don't believe it is.

Q. Yes it is. The consumer is represented in Parliament. He has his representation now, and his representatives unquestionably want to do what is in the interest of the consumer, at the same time not doing an injustice to the producer. We ask you what remedy you would suggest if conditions arose such as we have had placed before this Committee in the last two or three days, the parties making an abnormal profit owing to the conditions which prevailed throughout the war, but which I do not think will prevail hereafter. (No answer.)

Mr. Euler:

Q. You would put organization against organization?—A. Exactly. I would have one force met by a corresponding force, but more desirable than that would be to have representatives of the producers meet at a table like this, with representatives chosen in the proper way of all the consumers, to sit down and talk over prices and they would come to a reasonable agreement.

Mr. Stevens:

Q. Supposing we proceeded from this point and assembled this group. Give us an idea of what your suggestion would be?—A. My first step would be to get the consumer definitely organized.

Q. We will now step to that. We will organize the consumer. What are the first practical steps to get them to organize?—A. Every movement has a beginning, somebody will have to call a meeting.

Q. Who will call the meeting?

The Chairman: I don't think we can expect this gentleman to work out a big scheme like that right away.

Mr. Stevens: What I am getting at is this. I have a great deal of sympathy with the views expressed by Mr. Payne, but what is puzzling me is how to bring about a practical workable thing. If we can get an idea as to how that can be done, it will certainly assist us.

Mr. Payne: I thought this, Mr. Chairman; that if in the large centres where you have a population easily reached through the medium of the newspapers, some public

[Mr. J. Lambert Payne.]

meeting should be called. If that were done, it would soon take life in other places, and they would establish a great body of organized consumers who would create——

By Mr. Douglas:

Q. You will have to tell us what this first step will be?—A. It is of no importance——

Q. (Interrupting): Oh, yes, it is. It is controlling the profits and the dissolution of the profiteering condition and something we can recommend for Governmental action.

The CHAIRMAN: That is a national condition. You cannot go at it by localities. You must deal with it in a national way.

Mr. PRINGLE: Is it not the duty of the State to protect the people? Is it not their duty to devise the means if they find the people have not been properly treated? I think it is the duty of this committee o make some definite recommendations, and I have no doubt but they will do it.

Mr. NESBITT: Has this witness any specific case of overcharge?

The CHAIRMAN: That is what I was going to ask him.

Q. Have you any specific case of overcharge that you can bring before us?—A. I have not.

Q. I will ask you one more question and then I am finished. In this question of levelling down humanity and say what we all shall produce and at what price—take any particular commodity you wish, but in order to take up something that I know about, take the lumber business. Take the logs from the wood, manufacture them into lumber, and put them on the market. Suppose I am doing that, and I have a neighbour alongside of me doing the same thing. By the exercise of a little more brain power than I have, he can do his work more economically than I can, and he can produce that lumber for fifty or seventy-five cents a thousand feet less. The same thing applies to farms, farmers side by side producing exactly the same things, but you will find one is more efficient than the other. Where will you fix the price? Will you fix it at the price at which the most efficient man can produce it, and squeeze the other fellow into the earth?—A. I think we have practically given an answer to this. You will not put a premium on inefficiency nor put a discount on efficiency. There is a case for the presentation of the facts. Here is where a tribunal, as intelligent as this committee, will sit down and weigh the facts. There are difficulties in the way. It is not a simple matter. But all problems should not be deserted because they are difficult. We all ought to be desirous of reaching some point where we can prevent increases which are not justified.

Q. Absolutely.—A. Then you must take some steps along my lines.

By Mr. Stevens:

Q. You would propose a court or commission or internal trade board to deal with it?—A. I certainly do. The more I think of it the more I think it is inevitable.

The CHAIRMAN: Would you suggest that court should fix the prices of goods, starting out with the farmer?—A. My answer is this. I hope they will fix the price for the primary producer, because I do not think he has got enough in the past, but now he is getting too much.

By Mr. Reid:

Q. Are you sure of that? You say "the producer," whom do you mean, when you say the producer?"—A. The primary producer, the farmer.

Q. Are you sure—absolutely sure—that he is getting too much?—A. We must not quarrel about it. It is one of the things based on my opinion.

[Mr. J. Lambert Payne.]

By Mr. Sutherland:

Q. Have you ever gone out in the country around Ottawa and tried to produce?—A. I think a lot of people have tried it.

Mr. PRINGLE: You think that a practical solution would be that if you appointed a tribunal, and that that tribunal would only interfere when they found that prices being charged were accepted.—A. You are going to see prices go up and keep on going up indefinitely if you don't.

By Mr. Sutherland:

Q. Unless you get at the producer. What do you mean when you say "if the rise of food prices is to be stopped the rise of all prices will be stopped. If food prices can be brought down all other prices will be brought down" and "we are suffering simply because not the slightest effort has been made to establish resistance against the free play of greed"—A. Nobody seems to have done that.

Q. What about the bonus. The bonuses are given to people who are non-producers?—A. In the past. This is the first opportunity in the history of Parliament of their trying to do anything for the interests of the consumers,—this Committee.

Q. I am not speaking of Parliament.—A. I am speaking of the past.

Mr. EULER: Before Mr. Payne leaves us I would like to say that he is here as a disinterested party and I think our thanks are due to him rather than the treatment that he has been accorded. He was here honestly, in the interest of the public and I do not quite coincide with the reception which has been accorded him.

Mr. PAYNE: Thank you, Mr. Euler.

The Witness discharged.

Mr. WILLIAM S. EDWARDS, called, sworn and examined.

By Mr. Pringle:

Q. Were you instructed to prosecute certain bakers in the city of Halifax in connection with an illegal combination?—A. We were instructed to look into the situation at Halifax, and if we found we could secure evidence sufficient to convict any of the bakers or retailers in Halifax, under the High Cost of Living Order in Council, we were to take the necessary proceedings.

Q. Did you make an investigation?—A. We instructed our Halifax agent to make that investigation, upon instructions received from our Department of Labour, and to look into the bread situation at Halifax, and we advised if any of the bakers or retailers down there had been guilty of any infringement of the high cost of living order, to take the necessary proceedings. We instructed our agent on the 26th of May. Our instructions were received on the 20th of May, and they have been looking into the situation, and have been advising us, and we are now engaged in getting together the necessary facts or what we have, up to now, in order to lay the information. Since those facts have been gathered, our instructions are to lay the information.

By Mr. Euler:

Q. When did you receive your instructions?—A. On the 20th of May. On the 26th May we gave the instructions to a firm of lawyers in Halifax, and at the same time instructed the Labour Department to send down all the papers which they had on the subject. These papers did not come forward immediately, and when they did they were not complete, and there has been considerable correspondence in order to get additional facts. As soon as they are available we will lay the information.

By Mr. Pringle:

Q. What was the combination in Halifax?—A. That there was a scheme between the bakers and the grocers and butchers, and those who retail bread, that they would not sell bread except at a 20 per cent advance of the baker's prices.

Q. That is to say, that nobody who retailed bread would do so except at a 20 per cent advance on the price charged by the bakers?—A. Yes. The bakers furnished the bread at eleven cents, and that scheme was that they would not retail it less than thirteen cents, and the High Cost of Living Commissioner thought that it should be sold at twelve cents.

Q. The complaint is that there is an illegal combination of the bakers, to unduly increase the price?—A. Bakers and other retailers.

Q. That is the only matter which you have in connection with this high cost of living at the present time?—A. All that I know of.

Mr. PRINGLE: I don't think that we should go into the details of what has been done by the Department of Justice, such as what information they have been able to secure, and how, etc.

The CHAIRMAN: No, I don't think so. I think that is all we wanted from that Department. It was just to set the public's mind at rest, that the Department was not laying down on the job.

Mr. EDWARDS: We are proceeding as fast as we can.

Witness discharged.

Mr. CHARLES HENRY HIBBARD, called, sworn and examined.

By Mr. Pringle:

Q. Where do you live?—A. Stanbridge East, County of Missisquoi.

Q. Are you connected with any Dairy Association?—A. With the Stanbridge East Creameries. It is a co-operative system.

Q. It is a co-operative system?—A. Yes.

Q. The farmers joining together for the purpose of producing?—A. Exactly.

Q. What do you manufacture?—A. Butter only. We sell cream too, but unless we sell the cream, butter only.

Q. And what is the price that you charge for butter?—A. Whatever the market will give us.

Q. You are governed entirely by the market price in Montreal?—A. Exactly. There is a Board—we have a Dairy Board at Cowansville, in the county, where the butter is sold every Saturday.

Q. Is butter sold in the same way, that is, boarded, the same way that cheese is boarded in your district?—A. Yes, sold by auction to the highest bidder.

Q. That governs the price?—A. Yes.

Q. The price varies from day to day and from week to week?—A. Yes, sir; exactly.

Mr. PRINGLE: Is there any object in getting at the late prices?

The CHAIRMAN: Yes, and I will tell you why. Evidence was brought here before this Committee to the effect that the sales of butter made just as this gentleman has indicated, that is, by auction—sales of butter, made openly, as this gentleman indicates—in Montreal controls and practically regulates or controls the price of butter all over Ontario, and practically the rest of Canada.

By Mr. Pringle:

Q. Could you give us the price for the last week?—A. Butter was sold last Saturday at forty-nine cents.

[Mr. W. S. Edwards.]

By the Chairman:

Q. In bricks or solid?—A. Solid.

By Mr. Pringle:

Q. Is that what you call creamery butter?—A. Yes.

By Mr. Sutherland:

Q. What date was that?—A. Last Saturday.

By Mr. Pringle:

Q. Is that a lower or a higher price than the week before?—A. Lower.

Q. What was the price before that?—A. Fifty-two and three-eighth cents.

Q. Give us, if you can, the highest price for, say creamery butter, in the last two months?—A. Sixty-three and three-eighths.

By the Chairman:

Q. That is the wholesale price?—A. Yes.

Mr. PRINGLE: Well, we have the comforting knowledge that it is coming down.

Mr. HIBBARD: Yes, and we have to suffer as a consequence.

By Mr. Pringle:

Q. So that butter has come down from sixty-three and three-eighths, as you said?—A. Yes, sir.

Q. How long ago was that maximum price?—A. In April, I think.

Q. The price is now down to forty-nine cents?—A. Yes.

Q. Do you know at what price that butter is resold retail?—A. It is bought by the wholesalers in the city, and then it is resold to the retailers.

Q. Sold by the wholesalers to the retailers?—A. Yes, sir.

Q. And the retailers sell it to the public?—A. Yes.

Q. Do you know what the spread is between your price and the price to the consumer?—A. From the market prices quoted, in the neighbourhood of four cents.

Q. What would be the spread between your creamery and the actual consumer, or between yourselves and the retail merchants?—A. It is between ourselves and the retail merchants.

Q. Then, when it reaches the consumer——?—A. (interrupting) Of course, that price varies, Mr. Pringle. It depends on what the retailer wishes to ask.

Q. But you think it reaches the retailer? Take, for instance, last week's prices of forty-nine cents for, I suppose, No. 1 choice creamery butter; it reaches the retailer, you think, at fifty-three cents?—A. At least that. Very often more. It depends on the customers of the retailer. The best stores on St. Catherine street, who cater to the better classes, ask more.

Q. They get a better price for butter?—A. They don't seem to care what they pay.

By Mr. Davidson:

Q. For the very same butter?—A. Yes.

Mr. PRINGLE: We don't want to go into your profits, Mr. Hibbard, excepting in a general way.

Q. You don't think you are making a reasonable profit?—A. No.

By Mr. Davidson:

Q. What do you get a pound?—A. The farmer brings in his milk, or sends it to the dairy, and it is manufactured by the maker at so much a pound. He gets three and three-quarter cents a pound.

Q. And the farmer gets the rest?—A. There are other expenses. After the expenses are taken out of the total receipts for the sales, the farmer gets the balance.

By Mr. Nesbitt:

Q. What does that net the farmer per hundred pounds for milk at forty-nine cents for butter?—A. About two dollars and thirty-five cents. That has not been figured out.

Q. But on the average supply of the milk, say three and one-half butter fat, would that net him two dollars and thirty-five cents?—A. Yes, 3.5——

Q. That would not net him two dollars and thirty-five cents?—A. No, that is the average. Some get a little more. It depends entirely on the test.

By Mr. Pringle:

Q. How do you account for the falling off of fourteen cents a pound in such a short period as you mentioned. Is it the difference between the spring and summer season, or greater production, or because the export demands were so great?—A. The export demand has a great deal to do with it. The supply and demand govern the price of butter undoubtedly.

Q. In the spring there was a tremendous demand for butter in Canada?—A. Yes.

Q. A tremendous scarcity?—A. Yes.

Q. Since then the supply and demand are getting more on an even basis, and the price is coming down?—A. Yes. The high prices occurred when milk was not so plentiful as it is now.

The Committee adjourned.

The Committee resumed at 8 p.m.

Mr. C. H. Hibbard: Recalled.

Mr. Pringle: I have finished asking Mr. Hibbard questions. He has given us the price of butter at different periods. It is governed entirely by the market. The butter is sold on the board, and I think the last price was 49 cents as against 63⅝ cents in the spring.

By the Chairman:

Q. I wish to ask one question arising out of former evidence. Speaking from recollection, the evidence was that butter went into cold storage in June and July, 1918, and that would be the butter that would go on the market during the past winter at 43½ cents to 44½ cents as against a price to-day of 49½ cents. Would you say that that was about the comparison between the price this week and a year ago?—A. The prices last week were higher.

Q. Yes. But I was going on to say that about the average price during June and July of 1918 on large stocks of creamery butter that went into cold storage for the lean period during the past winter, was from 43½ cents to 44½ cents, so that if the butter is 49½ cents to-day—is that the figure?—A. 49 cents.

Q. It would be a price ranging about 5½ cents to 6 cents higher?—A. Yes.

By Mr. Pringle:

Q. Is the winter price always higher than the summer?—A. Not always. The winter butter is not considered of as good quality as the summer butter, the grass butter. The hay butter is not of as good a quality.

[Mr. C. H. Hibbard]

By the Chairman:

Q. The point I wanted to bring out was this: That it looks like dearer butter for the next twelve months, and that if the prevailing price four months ago at the time butter was being stored for the winter was 43½ cents and 44½ cents, and the price to-day is ranging around 49 cents, that looks like more expensive butter?—A. It is hard to say. Next winter it may be cheaper than they are paying for it now. It depends entirely upon conditions.

Q. Is there any considerable quantity of butter going into storage now?—A. I imagine there is a considerable amount going into storage, but that is purely speculation on the part of the dealer. There is an enormous quantity of summer butter stored every year.

By Mr. Stevens:

Q. When you say purely speculation, what do you mean?—A. They store it for a higher price. They buy it just as a person buys stocks and expects them to rise. They buy at a certain price and they hold it to make a profit. Butter is handled the same way by the dealers.

By the Chairman:

Q. If we have evidence that would show that as a rule it is not a speculative business, that butter is put into cold storage in June and July for use in the winter months, and that it is sold on a cost plus a reasonable profit basis; when this is taken out of there, and not on a speculative market—what would you say with regard to that?—A. Well, of course, it is necessary to store a certain amount of butter for winter use.

Q. That is recognized?—A. There is not enough butter produced in the winter to supply the demand. That is the object of cold storage.

By Mr. Stevens:

Q. Do you as a co-operative company store butter for sale in the winter?—A. No, we sell butter every winter; we never keep it.

Q. Why don't you store for the higher price?—A. Because the patrons of the factories want their money. They prefer to have their cash. Every two weeks they get their money.

Q. You prefer to sell for cash?—A. Yes.

By the Chairman:

Q. And let the other fellow take the chance?—A. Yes.

By Mr. Stevens:

Q. As a business man, would you consider it better business to sell now for cash or to store that and sell on the higher market?—A. On the whole, I think it is better policy to sell the butter as it is made.

Q. In your experience has there been any number of occasions when the butter fell and the dealer lost?—A. Oh, yes, lately I understand the dealers in Montreal have been losing money, because, as I stated previously, we sold butter at 63⅝ cents, and since then it has been continually dropping until it has got down to 49 cents. To-morrow it may be sold for less than that.

Q. You are selling at the creamery for 49 cents?—A. On the board.

Q. Is that f.o.b. Montreal?—A. No.

Q. F.o.b. creamery?—A. F.o.b. at our stations.

By Mr. Reid:

Q. You say that you charge 3¾ cents for making?—A. Yes, sir.

Q. That is all your patrons pay for the manufacture of your butter?—A. Yes.

Q. Does that pay you?—A. Yes, that pays.

[Mr. C. H. Hibbard.]

Q. Who gets the skimmed milk?—A. The farmers get the skimmed milk.

Q. Or the buttermilk?—A. The farmers are entitled to the skimmed milk in proportion to the quantity they bring.

Q. That is the understanding?—A. It is the understanding. It is valuable for the farmer because he depends on that to feed the pigs.

Q. Do the farmers own the building?—A. No.

By Mr. Stevens:

Q. The farmer gets the buttermilk?—A. He buys the buttermilk. He pays 22 cents a hundred for the buttermilk.

Q. You get that in addition to the 3¾ cents?—A. The company gets the 3¾ cents. The money that is obtained from the sale of buttermilk is divided in proportion among the patrons.

Q. All you get is 3¾ cents?—A. Yes.

By Mr. Reid:

Q. Do you mean to say that the farmer buys back his buttermilk?—A. Yes—that is, some don't want it. The buttermilk is sold.

Q. The farmer has the first chance to purchase his own buttermilk?—A. Yes, sir.

Q. Who owns the plant?—A. Two brothers, a man named Dion.

By Mr. Pringle:

Q. Are they the ones that do the manufacturing?—A. They recently bought the creamery.

Q. And all they get is 3¾ cents for every pound?—A. That is all they get.

Q. What interest does that pay on the capital invested?—A. That depends very largely on their expenses. They might not make anything this year.

By Mr. Stevens:

Q. Did you make anything last year?—A. I am not in a position to say. The man sold his creamery last fall to the two new men, and I asked the former proprietor of the creamery what he made as a profit, and he said he kept no books. He could not tell, but said he did not.

Q. He noticed his bank account had not grown any?—A. So he said.

By the Chairman:

Q. You are managing this business, are you?—A. Yes, I do not have anything to do with the buttermaking.

By Mr. Pringle:

Q. What you do is in the interest of the patrons?—A. I look after the financial interests of the patrons. I see that money is obtained for the sale of milk, and that it is quickly distributed.

By Mr. Reid:

Q. For how long have you been manager?—A. I have been connected with the creamery for about ten years.

Q. What dividend did you pay last year?—A. I am not one of the proprietors of the creamery.

Q. You said you were manager and looked after the financial end of it.

Mr. Pringle: He has explained to us that he looks after the farmers' interests. The farmer pays to the manufacturer three and three-quarter cents for the manufacture of the butter. He looks after the sale of the butter on the board. When the butter is sold he gets the money and it is distributed amongst the patrons to farmers who have supplied the material in proportion to the quantity they have supplied, and he has to look after that distribution, and you cannot tell what they make, because they get according to the market price.

By Mr. Pringle:

Q. What would they get a hundred for their milk on the average?—A. It varies.

Mr. REID: One of the creamery men told us he was charging four cents for manufacturing butter, and he had only made a profit of one thousand dollars, and the previous year he lost two thousand dollars. Another man said it could not be made for five cents.

By Mr. Pringle:

Q. Do you know the conditions that exist in eastern Ontario in the cheese? You sometimes get a cheese-maker who will make it for one cent or one cent and a half a pound, and will probably make nothing. Some other cheese-maker turns out a very much larger quantity of cheese and wind up the season with a great deal of profit. I suppose it is the same way with the butter?—A. Yes.

Q. It depends on the quantity of butter they are able to turn out?—A. Yes.

By the Chairman:

Q. In the creameries to which you refer do the farmers deliver the milk to the market?—A. Yes, but not the cream. The owner of the factory has teams gathering the cream, bringing it to the creamery from the farmers.

Q. Right from the farmers?—A. Yes.

Q. Can they in that way handle the cream and still do the whole thing on a charge of three and three quarter cents a pound?—A. That is what they are attempting to do.

Q. How long have they been going on at that rate?—A. Three years.

Q. And in the case of the other creameries it is delivered to the creameries?—A. Yes.

By Mr. Reid:

Q. What distance will collecting vans go out in the country collecting cream?—A. Ten and twelve miles.

Q. Do you think this can all be done for three and three quarter cents?—A. It is doubtful whether they make anything or not.

By the Chairman:

Q. Do they furnish bags and wrappers?—A. Yes.

Q. We have evidence before us that a butter-box costs two-thirds of a cent a pound, and with butter at forty-nine cents a pound it is getting very close to 50 cents a pound for the butter?—A. Yes. Butter was selling at our creameries round twenty-five cents a pound, and the butter-maker was making two cents for the making. Now it is selling for fifty cents he is getting two and three quarter cents, but I do not think he is getting too much in proportion. We have the largest creamery in the province of Quebec. We do not make butter, only cream, and the larger the creamery the more opportunity the owner has for making money.

By Mr. Pringle:

Q. How do you find it in your section as between butter and cheese? In some sections in eastern Ontario they have gone out of butter altogether and confine themselves to cheese?—A. It is quite the reverse in the Eastern Townships. There is no cheese made there. Ontario makes a better quality of cheese than Quebec, and Quebec makes a better quality of butter than Ontario.

[Mr. C. H. Hibbard.]

Q. Ontario men might not agree with that?—A. Eastern Townships butter is considered the best butter on the Montreal market.

Mr. STEVENS: That is what we are told; we will take your word for it.

By the Chairman:

Q. We have it from an Ontario butter man that it is accepted as the standard?—A. The Davis people advertise this butter in Montreal and several other companies who sell it.

Witness discharged.

Mr. H. L. MONTGOMERY, called, sworn and examined.

By Mr. Pringle:

Q. To whom do you belong?—A. Merchants' Consolidated, Limited, of Winnipeg.

Q. What is that company?—A. It is an organization of about 300 retail merchants, with the object of consolidating our purchasing power to go to the manufacturers for manufacturers' quantities to enable us to compete with the mail order houses; by us I mean the retailers throughout the country towns.

Q. The object being to go directly to the manufacturer and thus avoid the middleman, the wholesaler or agent?—A. Yes.

Q. Do you find that you are able to do that?—A. Well, we found a great deal of difficulty in getting the goods.

Q. Why did you find that difficulty? Was it because the wholesaler objects to any organization such as yours getting goods?—A. Absolutely.

Q. You are now strong?—A. 300.

Q. And you would purchase in fairly large quantities?—A. Yes. The first order we placed was for rubber foot-wear—$50,000.

Q. Did you find difficulty in getting that rubber footwear direct from the manufacturers?—A. Well, not the first time we got it. We got the footwear on fairly reasonable terms, but the screws were not put on then.

Q. The wholesalers probably did not get alive to it till after you got the order through?—A. Yes.

Q. But after you got the order through there seemed to have been some trouble?—A. Yes.

Q. And the wholesalers got their work in and tried to prevent your getting any further goods of that class?—A. That is right.

Q. Have you been able to overcome that?—A. I think this morning we overcame it with the rubber people. I called the manufacturers on the phone. They claimed we were not operating the same as other footwear people, and that that was the reason we could not get the goods, but he said he did not think there would be any more trouble about it.

Q. Have these people got a fixed price at which they compel you to sell the goods?—A. Absolutely.

Q. Can you give me the class of goods that you purchased from the Consolidated Rubber Company—is that the company?—A. Yes. It was rubber footwear, generally speaking.

Q. What company do you purchase from?—A. From the Consolidated Rubber Company.

Q. You purchase from them at a certain price?—A. Yes.

Q. But you are not at liberty to sell at the price that you may deem it wise to sell at?—A. No. The first season we did, and that is where the trouble came in. We saved the people a considerable amount of money on their purchases, and of course

[Mr. C. H. Hibbard.]

they got the jobbers into trouble—people who did not belong to our company—and they claimed that was unfair.

Q. Give us an idea of the line of goods that you purchase, the price you pay for them and the prices that you are compelled to sell them at?—A. Well, the great difficulty we have now is, as I said, in connection with the rubber companies, and it is practically over, but the great trouble we had was with the Grocers' Guild on the groceries question.

Q. Let us finish up on the rubber goods, and then we will get at the groceries. Give me for instance the ordinary men's rubbers. There are different qualities, but we will say the best quality of men's rubbers?—A. Well, you don't need to take any particular prices, but there is a set advance of 15 per cent which is hardly fair. It is a discount. We get a discount off the rubber list of 15 per cent, and you are supposed to keep that as profit.

Q. In other words, if you take advantage of your discount of 15 per cent——

Mr. Davis: No, as I understand the business, the price is, say, a dollar, and they can purchase for 85 cents, and they have the 15 per cent to work on.

Mr. Pringle: Yes, if they take advantage of the 15 cents. If the purchase price was a dollar they could not sell at 90. They would have to sell at 85 cents; otherwise they would not be supplied by the Consolidated Rubber Company.

Witness: No.

Q. Now there has been a very great advance in the prices of all rubber goods?—A. Well, there has not been a very great advance up to the present, but the rubber footwear business I think, speaking from handling a very large number of lines of groceries, hardware, drugs, boots and shoes, that the rubber footwear business is conducted on about a closer margin, from the standpoint of the jobber than any other line of trade. They have only 15 per cent to handle rubber footwear.

Q. I am speaking more particularly with regard to the manufacturer.—A. Well then, going on to speak further the advance over pre-war prices is less I believe on rubber footwear and on leather footwear than on any other line of goods that we handle.

By Mr. Stevens:

Q. Leather footwear?—A. Staple leather footwear. I may say there are illustrations however that have been given to the public that are extraordinary and only apply to five or ten per cent of the trade. You take American goods that are brought in by the high class boot and shoe stores. Such as you find on Portage Avenue, Winnipeg,—you were speaking at the committee here just a little while ago about the butter, the Eastern Township butter is to be found in the first-class grocery stores or groceries that supply wealthy people and they are willing to pay from 5 to 10 cents a pound more for the same butter than they will get it for in the corner grocery. And that applies very largely to the footwear business. You bring in fancy American boots and these people own expensive plants and pay high rents and they have to get a fair price for them, but I do not think it is a fair representation of the boot business. I think these statistics that are procured should be taken from the moderate boot store, and the country store, and that will cover nine-tenths of the footwear sold.

By Mr. Pringle:

Q. What do you find the profit is now?—A. You mean the advance over pre-war prices?

Q. Let us take the case first of the advance over pre-war prices on ordinary leather goods?—A. Up to three weeks ago from 55 to 65 per cent.

Q. What is the advance with the retailers?—A. Well, I will have my 25 to 30 per cent advance on the original cost on the advance as well.

[Mr. H. L. Montgomery.]

Q. In other words it is not an advance in profit, for instance if boots cost $5 before war, but you simply got 25 per cent profit and they now cost $6 and the retailer gets 25 per cent, it is just the same as to the profits but as to the percentage it is not?—A. No, proportionally that has been our experience. I think that is a very false representation of the retail trade that has been going through the papers.

Q. A good quality of boot at the present time can be purchased from the manufacturer from $5 to $6 and $6.50.—A. Not to-day, because there is an advance of 20 to 40 per cent about two weeks ago.

By Mr. Stevens:

Q. You say there has been an advance in the manufacturer's price in the last couple of weeks?—A. In the last 3 or 4 weeks.

By Mr. Pringle:

Q. Let us take prior to that advance first, and then take the advance subsequently. Prior to the last advance you say the manufacturers got from 25 to 40 per cent, what were the wholesalers paying them for that class of boot?—A. You mean pre-war prices?

Q. No, prior to this last advance.—A. The wholesalers were paying to the manufacturer for a good elk boot and that is probably the standard boot for the business we handle in the country and town stores.

Q. It is not a high-class boot?—A. No, it is a soft workable boot and light, that the farming trade handles very largely. We are paying at the factory $3.40 for that boot.

Q. What is that boot retailed to the farmer at?—A. We advanced it, at least our company advanced it to $4.05.

Q. To the farmer?—A. No, to the retailer; the price of our company is, we pay $3.40 at the factory and bring it to Winnipeg.

Q. And you in turn would sell that boot for $4.05.—A. $4.05, yes, and we pay the freight to Winnipeg.

Q. What does the retailer get for it?—A. The retailer will get about $5.25. Some of them sell for $5.

Q. I do not know that I have got that exactly. You said, I thought, your association was for the purpose entirely of supplying the retailers who were members of your association?—A. Yes.

Q. And in order to cover the expenses of your association, etc., you charge a profit?—A. Yes.

Q. And do you fix the profit that you charge upon the goods you handle and turn over to the retailer?—A. Yes.

Q. On what basis is that profit fixed?—A. Originally it was fixed on the basis of just paying expenses. The members said we are organized for the purpose of holding our rural centres together, they are being cleaned out by the mail order house, and some towns are dead, half their stores are out of business and some have one-third. Our people saw their doom very closely advancing, and they decided that it was advisable that they should get together so that we could put ourselves in the position of competing with the mail order people and the object was not a dividend or profit at all but simply to get the goods at the cheapest possible prices, so that we would be able to purchase, we would say, boots costing from $4.05 and could sell them at a certain price and so compete with the mail-order houses. But if we put on from 15 to 25 cents more to pay a dividend he would forget about the price of the mail order people and the retailer would say he should have his reasonable profit on it. So the shareholders themselves said we do not want any profit, we do not want a dividend, but we want to get our goods invoiced at the lowest possible price.

Q. Yours is an incorporated company according to the laws of Manitoba?—A. Yes, the three provinces, Manitoba, Saskatchewan and Alberta.

[Mr. H. L. Montgomery.]

Q. Your operation extends over three provinces?—A. Yes.

Q. And you say it is not really a money-making proposition, but largely to protect those who are members of your association in getting goods at the lowest possible prices, instead of having to get them through the wholesalers. In this instance do you show a profit in your operation?—A. No, we do not want to. We sometimes show a small profit, and the next year we do not.

Q. You tell this committee at any rate you are not making money out of the operation?—A. No.

By Mr. Stevens:

Q. What does it cost you to do this business?

By Mr. Davis:

Q. How long have you been operating this way?—A. About 3 or 4 years, the first eighteen months we were organizing, and there was not very much done in mercantile lines, in fact it has been a struggle ever since, a very large percentage of our energy has been devoted to that part of the work.

Q. Are you in the retail trade?—A. No, we are not.

Q. You are operating this co-operative wholesale practically in Winnipeg?—A. I am one of the directors. I was president for two years, and at one time managed the boots and dry goods end of it. Some gentleman asked the cost in 1917. It cost us selling expenses 7·81 to do business.

By Mr. Nesbitt:

Q. That is the wholesale cost?—A. Yes, on our sales. We had a little surplus that year. If we had added 77 to our sales, we would have paid 8 per cent interest. We did not do it.

By Mr. Pringle:

Q. What is your turnover?—A. About a million a year.

Q. You tell us that having a million dollars turnover you have difficulty in getting your supplies direct from the manufacturer?—A. Absolutely. It is not a question of quantity, it is a question of the fact that we are in business.

Q. It is a question that evidently the manufacturers will not sell to anybody outside of wholesalers?—A. Well, the manufacturers want to sell to us.

Q. What prevents them from selling?—A. The Grocers' Guild.

Q. Why should the Grocers' Guild interfere with a line of goods?—A. I mean certain goods. You go into boots, and we have no difficulty at all because there is not an association until about six months ago when there was an association formed. We do not know whether we are going to get into trouble with that. We do not anticipate any. They have their goods, and they are well acquainted with the boot manufacturers. It is a very difficult proposition to say to the agents, we cannot sell you Merchants' Consolidated. We can say that we have sold Merchants' Consolidated for the last four or five years, and they have paid their bills as well as you have. It is a different proposition to start anew.

By the Chairman:

Q. Take your own goods, you do a general business?—A. Yes.

Q. And you buy all the goods you require. Can you handle your business in such a way that you can get every line of goods you want for your general store from the factory?—A. You mean from this company?

Q. Yes?—A. If we could, we would do $70,000,000 business a year.

Q. You have warehouse facilities and can accumulate and distribute?—A. We carry $100,000 of goods.

[Mr. H. L. Montgomery.]

By Mr. Stevens:

Q. You are a limited liability?—A. Limited liability.

By the Chairman:

Q. What is your authorized stock?—A. $150,000.

Q. $100,000 worth of stock would not go very far in furnishing 350 retail merchants?—A. It certainly would not.

By Mr. Pringle:

Q. It is only those who belong to the association, and it is to enable them to get their goods practically at factory cost instead of paying the middle cost?—A. I see we have $130,000 paid up.

Q. How does the Grocers' Guild prevent you from getting your groceries at producers' prices?—A. Take the manufacturers, they have their brokers in all these centres, and the grocery broker will possibly have 15 or 20, or maybe more. There are five or ten different manufacturers, as the case may be, which he represents in Winnipeg, Vancouver and different centres.

By Mr. Nesbitt:

Q. Manufacturers' agents?—A. Yes, brokers. They get a very small margin, one per cent, sometimes two per cent. I believe their margin is about one per cent. There are some lines of goods that the brokers will sell us because there is no competition with them, and there is no difficulty about getting the lines that they set a price on. They are afraid of us cutting the price, I suppose, I do not know. I believe that is one of the reasons. The brokers on different occasions have told us "We would be delighted to sell to you but you are only one wholesaler and you only handle so fany hundred dolars' worth maybe $100,000 worth of our product, but you know as well as I do that if we sold to you we would be cut not only out of this line but of other lines we sell."

By Mr. Stevens:

Q. Would you mind telling the committee some particular lines?—A. The difficulty is that we do not know whether this committee is going to help us. We are in bad enough trouble now. We would not know where we would be at if I gave the names. Of course, if you want me to give the names, I would be prepared to do it.

By the Chairman:

Q. Suppose the committee arrived at the conclusion that it was feasible to abolish the wholesaler entirely, to absolutely wipe him out of business and let the retailer buy right straight from the man who manufactures?—A. You cannot do that because the retailer would have simply to establish a centering place. For instance, you cannot bring canned goods——

By Mr. Pringle:

Q. As a matter of fact you are a wholesaler?—A. We bring train loads of canned goods and assemble them. There are only a few people who want a carload of canned goods.

Q. The only difference between you and the ordinary wholesaler is that the parties interested in your company are retailers, and consequently all the benefits you derive by getting your goods at wholesale prices go to the people who belong to your company?—A. Yes. Some of the manufacturers will tell us—we have sent a man east for no other purpose but to interview manufacturers when the brokers refused to sell

[Mr. H. L. Montgomery.]

to us, and we invariably got the reply: "Yes, we do not see any reason why you should not get them; you are wholesalers and all that sort of thing, but we will refer the matter to our broker." The broker gets into trouble immediately with the Grocers' Guild if he was to attempt it.

Q. Is not the difficulty this that you, having only the interest of the retail dealers, who are members of your association, to look after, you sell to them at a very close margin, and the wholesaler objects to that because he wants a very much larger margin on the goods. He sells to the retailer?—A. That is our interpretation.

Mr. Davis: Would you follow that up, Mr. Pringle, and get some instances of what savings are made?

Mr. Pringle: He has given up the instance of boots, and I could follow up other articles. He has given us the case of this boot which he says is used very greatly in the West by the farmers. The manufacturing costs $3.40. They pay freight on that boot and they sell it to their retailers at $4.05, and the retailer, in turn, turns that boot over to the user or customer at $5 or $5.25.

By Mr. Davis:

Q. Their price is $4.05. What would the ordinary wholesale price be?—A. That would vary I suppose. I do not know. It would be hardly fair to make a supposition, but I would imagine it is about $4.65, I think; about $4.50 possibly.

Q. So that the retailer by belonging to your association gets that boot 45 cents cheaper than he would get it from the wholesaler?—A. Some of them a great deal less than that.

By Mr. Nesbitt:

Q. How much cheaper do you retailers sell it to the consumer?—A. That is a proposition we had before our directors, stabilizing the retail price. We have not attempted that. Some of our merchants have taken advantage of that, and have done what some of these people are doing, what the Dominion Textile and this tweed man you had before you the other day have done; they took the abnormal profit, but a very large number of our merchants are taking it upon the basis of holding their home trade. I will give you an illustration of what one of our merchants experienced. It was Mr. W. C. Painter of the Tantalon District. 1917 was a very bad year in that district, one of the worst years they ever had, and this was his experience as he stated it before the general meeting. He said, "My business last year should have gone down $9,000; instead of that it went up $9,000," and he says, "I bought through the company $14,000 this year, and I figure I saved 7 per cent on the purchasing. And some person says, "You are $1,400 ahead in that case; you put it in your pocket." He says, "No, I did not." They used to consider that our company was not doing the fair thing by the community because we were not selling as cheaply as the mail order people and the farmers in the community thought we were taking too large a profit. They were not getting any more profit than the mail order people, but they were not buying properly. He said, "What we did this year was that we gave that $1,400 back to our customers, which enabled me to compete with the mail order prices. Instead of my business going down $9,000 it increased that amount, and on any ordinary estimate of 20 per cent profit on the $9,000 increase I have made $1,800, and substract that $1,400 I gave away from the $1,800, and I was $400 ahead, and, better than that I have the goodwill of the community, which is more precious to me than the money. My people feel that they are getting a square deal. I am competing with the mail order houses on the lines that I can purchase."

Q. That is one individual in your association?—A. That is an illustration of what may be done.

[Mr. H. L. Montgomery.]

By Mr. Pringle:

Q. I suppose they have got to cut their prices down to compete with the mail order houses?—A. He could not do it at all before, and business was going away. The chances are that there was $18,000 less mail order business—that the mail order business was $18,000 less from his district than it would have been had he not been buying this way.

Q. I suppose the large businesses and mail order houses are situated in Winnipeg?—A. Winnipeg, Regina and Saskatoon.

Q. And the manufacturer who sells to the large mail order houses I suppose objects to sell to your company?—A. Yes. The most peculiar situation is that the jobbers have given over protesting against them selling to the mail order houses because—I don't know why—they have not any reason. I have argued it with the manufacturers, and said, "Well, you claim we are a bunch of retailers and are not really wholesalers." I have gone on to prove to them that it was not the class of men who were in the business, but the class of business which he did.

Q. How do you run your business? Do you run it just as an ordinary cash sale, or do you give terms of credit to your customers?—A. Ten days.

Q. And any customer that does not pay in ten days, I suppose you cut off?—A. Absolutely—what the others do when they don't pay in thirty days.

Q. You protect yourselves in that way, but even on ten day credit of making a loss at times?—A. We lost the first two years ·012.

Q. That is very good?—A. Practically negligible.

By the Chairman:

Q. You handle a general line of dry goods?—A. Just some lines; there are lines they want to sell us. We have not very much difficulty in getting ready to wear goods, such as ladies' waists and ladies' coats. There is no association, there is no organization controlling those lines; and sox and underwear. There is an association in underwear that we have got into.

Q. What suggestion have you to give to this committee, by which this committee could in any way relieve the position you find yourselves in?—A. Trade commission, similar to the Railway Commission.

Q. Would you give that commission power to regulate prices and to compel deliveries?—A. Certainly.

Q. Or would you be similar to the Federal Trade Commission in the United States, which is simply an investigatory body, and report after the investigation to the Attorney General or the District Attorney, or whoever it may be, and proceedings can be taken under the laws in force in the United States?—A. We are in practically the same position under the Order in Council—at least we were under the Order in Council in 1917 I think it was. It was such a roundabout way that I think it will just implicate us——

Q. Have you ever considered all the difficulties surrounding price-fixing?—A. Well, we have done considerable thinking about it, but it is not a matter so much of price-fixing; it is a matter of stating a case.

Q. Is it not more than that? We all know that we have good laws in regard to combines, but we do know the difficulty of getting convictions against ten or twenty million dollars, and history tells us that there is not conviction made once in years, but if you have a body clothed with power to investigate, then you can ascertain whether any wrong is being done, either to the public or to people like yourselves, or anybody. They can investigate and report. But would you clothe that body with power to indiscriminately fix vrices?—A. I do not know about that. I could give you an opinion.

Mr. Davis: It is not necessary to fix prices in a case like this, but to be forced to sell to anybody who bought in wholesale quantities.

[Mr. H. L. Montgomery.]

Mr. Pringle: My reason for that was that when I asked Montgomery what relief he would suggest he spoke of a tribunal similar to the Railway Commission. We know the Railway Board has absolute power to control rates and so on, but they are dealing with a public utility.

By Mr. Pringle:

Q. The object would be to ascertain if there was a real grievance, and if so what remedy could be adopted. Your suggestion is a tribunal similar to the Railway Board, and would you suggest that that tribunal would have power, after investigation, if they found excessive prices were being charged, or if they found a manufacturer was refusing to supply the retailer, or a firm like yours which is organized for the purpose of seeing that the retailer gets the goods at reasonable prices—that that body would have the power to compel the manufacturer to supply them?—A. I think they should have that power—at least that they should be able to compel them to supply on the same terms and prices as they supply other people in the same line of trade.

Q. In other words that they should not discriminate?—A. Absolutely—on the basis of discriminatory freight rates.

Mr. Mr. Davis:

Q. You are in doubt about price fixing? What would you think about profit-fixing?—A. That might be done, because we anticipate in our company doing that as soon as we get over our present difficulties. We do not want to get in any more, because we have lost now, and we anticipate standardizing prices.

By Mr. Nesbitt:

Q. To the consumer?—A. From the retailer to the consumer, that he must not charge more than a certain price.

By Mr. Pringle:

Q. To protect the consumer?—A. Yes. We have had two or three cases of our members charging just as much as they would had they paid the regular price, and that was not the object of the company being organized. It is injuring its locality, and there was not only a proposition to help ourselves, but to help others. I have lived in my own town for thirty years and I do not like to see my town running down at the heels, and all going to the mail orders, and we felt that was the reason of it in our neighbouring towns. The majority of them are going down. I have known towns all over the country where they are practically dried up.

Q. Are there other manufacturers than the rubber manufacturers that will only sell to you on the condition, that you in turn will sell at fixed prices?—A. I tell you, I won't say that even now, these are the conditions upon which all the jobbers sell. Of course they are not willing now, they haven't agreed to tell us except that to-day, as I say, they would, but the difficulty would be there, we will be under the same conditions as the jobbers; they would sell us.

Q. Have you been really unable to get goods wholesale?—A. Yes, we could not get them open and above board we had to go there underhand and pay some person a commission.

Q. Without mentioning the name of the manufacturers can you tell us the class of goods manufactured that you have been unable to get except through the wholesaler?—A. There are a number of lines of groceries, and sugar.

Q. That is controlled by the Grocers' Guild?—A. Yes.

Q. It is controlled by the Grocers' Guild; where are the headquarters, at Toronto or at Winnipeg?—A. Well, the Grocers' Guild of Ontario, or the Grocers' Association, is in Toronto, and there is one in the west, and they have one I think at the coast as well.

[Mr. H. L. Montgomery.]

Q. The one in the west takes in Manitoba, Saskatchewan and Alberta?—A. The Winnipeg takes in the three provinces and they have one at the coast, I believe.

Q. Do you mean to tell this committee that that guild can prevent you from getting groceries at wholesale price?—A. That is what we believe, that is what the brokers have told us that they are prevented from selling to us.

By the Chairman:

Q. We have evidence without any equivocation from the representatives of the Grocers' Association, they do not call themselves the Grocers' Guild, they make no bones about it at all, they simply made the statement emphatically that they tell the manufacturers "If you sell to the retail trade, then you don't sell to us," they take the position that if the wholesaler can be eliminated that is the proper thing to do and to that extent clear up the channel through which goods flow from the manufacturer to the ultimate consumer.

By Mr. Pringle:

Q. I can understand their objection to selling to the small retailer here and there and so on, but here is an incorporated company with a paid-up capital of $37,000 that is endeavouring to see that the retailer gets his goods at reasonable prices and the grocers' association steps in and says "No."

The CHAIRMAN: What I want to make clear is that the wholesale grocers' association have no hesitation in stating emphatically that is their position. They say to the manufacturer, "If you sell to the retailer or group of retailers you do not sell to us."

Mr. DAVIS: They gave the laws of the guild upon which the association is working and they specify wholesale co-operatives as a class whom they won't accept as members; and if the manufacturer sells to them they will not buy from that manufacturer. —A. I wish to explain some of the purposes. We have had a very great deal of discussion with the president and other members of the wholesale grocers' association. I know them, I know the president personally, I have gone to him personally and to other members who are directors of the association. I have asked the president why we are being discriminated against. A number of the manufacturers have said, "We will be pleased to sell to you; are you members of the wholesale grocers' association?" Others would say "Are you on the list?" And we would say we are not and the reply would be "Oh, you are not, well, there is no difficulty about it, go and join the grocers' association and we will be pleased to sell you; have you ever applied for membership?" We would tell them "No, we haven't" and they would say to us "You had better apply." I have told them there is no use applying that we will be turned down but they would say "You had better apply", so we did apply in this way, that we wrote to the president of the Grocers' Association asking what the conditions were; we thought that the conditions and by-laws might be such that we would not have anything at all to do with the Grocers' Association. The first thing we wanted to know was the terms and conditions upon which we could enter the Grocers' Association. We got no reply whatever to that request, although we called them up very often, but they were going to look into it, they had not had a meeting of the board. Finally in about 6 weeks we got a very peremptory reply from the secretary that they would not have anything to do with the Merchants' Consolidated. The matter did not even end there, I know the president of the Grocers' Guild and I asked him why? "You are a retailer" was the reply. "How do you make that out?", "Well, you are just a bunch of retailers." I said, "Mr. Gordon, what difference does that make whether we are retailers or not? What difference does it make; in case we were a bunch of 150 blacksmiths and carpenters

[Mr. H. L. Montgomery.]

formed into a stock company to buy from the manufacturers and to sell wholesale, what is there about that? Supposing some Americans came over here and decided after looking around it was a very good country in which to start a wholesale grocers business, and applies for membership in the Wholesale Grocers' Association, men who are aliens in this country, what would you do about it?" "There is nothing to do but to give them membership in the grocers' association" was the reply and then I said to him "Here we are a bunch of men that have been living in this country for 30 years and have made money for you people, we have bought from your concern and from dozens of other concerns and now when the time has come that we feel that we are going to be put out of business by reason of the competition of the mail order houses and try to save ourselves by forming a company of our own to buy our goods to the best advantage you completely refuse to trade with us as you would trade with a firm of aliens that would come in here from the United States, and he held his head down and did not make any reply.

By the Chairman:

Q. There is a point that the wholesale grocers contend, as you contend, that the mail order business is an evil in the country, that it is drying up the country towns, driving the merchant out, and destroying community life, and their contention is that it is not the wholesaler that should be put out of business at all, but the mail order house that is the danger to society, according to their idea.—A. Here is what we contend, it is not the putting of the mail order people out of business so much as it is to make them charge a price that would enable the retailer to pay the price to the wholesaler and still make a profit in order to compete with the mail order house. That is the trouble.

Q. If the small dealers in Canada were to join in groups, such as you have done, you eliminate the wholesale houses?—A. We are wholesale, the difficulty we claim is that we have been charged too much for our goods.

Q. That the present methods are too expensive?—A. Yes, and the commercial travellers and that kind of thing. It costs fully $20 a day to keep a traveller on the road. I am not complaining so much about the grocers' travellers, because they are on the road all the time, but with the dry goods and millinery people, their travellers are out practically only one-half of the year.

Q. Would you with your experience as a merchant consider it as practical, unless in special lines, such dry goods, jewellers, and all that sort of thing, to handle this business in the manner in which you do, without having even the wholesale houses and the commercial travellers?—A. But these are lines that we have no trouble with the mail order people. That is where they make their money. If the mail order people did not use staple and advertised goods, cut the price down to the quick, and then make their large profits on these specialty goods, we would not have any difficulty with them. But that is what they do. Take rubber footwear. They are absolutely the same pattern, quality and everything else. They cut that very closely, and they cut sugar and anything that is very well known to the country consumer. They cut them down very low, and then they take these specialized goods and make a large profit. The country retailer has not any difficulty in handling ladies' neckwear, for instance, and millinery and ribbons, excepting staple ribbons, and competing with the mail order people, but they have very serious difficulty when they come to other goods.

Q. Leave the wholesale dry goods and eliminate the wholesale grocer?—A. I am not speaking generally of the wholesale dry goods, because there is a very large proportion of the wholesale dry goods business that could be done from the factory. There is a large proportion done now.

By Mr. Pringle:

Q. Take canned goods?—A. They have to store them.

[Mr. H. L. Montgomery.]

Mr. STEVENS: It seems to me that the information we are getting from Mr. Montgomery is very much the same as we received from the Co-operative Farmers' Association, and also from the York Trading Company. Although the York Trading Company, I must admit, was not a strong institution at all. The point of the whole thing is this: We have before us several groups based upon a co-operative scheme, and the manufacturers have refused to sell to them because of the opposition of certain wholesale organizations. Personally, in examining this evidence to-night, and previously, my conclusion is that provision should be made that would remove any obstacles in the way of any group who desire co-operatively to carry on a business, or who desire by co-operative movement to lower the cost of living, or the cost to the consumer. I do not know that it is our duty to particularly concern ourselves with the preservation of any given channel of distribution. We do not want to do injustice to anybody. The main object is to get the goods to the consumer at the lowest possible price. We do find that obstacles have been placed in the way, and I think that in our report cognizance should be taken of this evidence, and evidence of a similar character and that we should recommend measures that will prevent discrimination against concerns of this kind. That, frankly, is the position that I think we should take in this matter.

WITNESS: I have not read the evidence very closely. I have always looked in the newspapers to see the report from this committee, but I did not see any record of co-operative societies coming before the committee. I do not think our company, and some of the others, should be understood under the ordinary co-operative idea. There is an idea of co-operation in the west that is a very dangerous thing to my mind for the rural centres, not only for the co-operative stores that are purely co-operative retail stores, but also for merchants who have invested their whole life's earnings in stores. They are known as co-operative locals. They can form hose co-operative locals by five members; they may be farmers or otherwise, or country town residents. They may form themselves into a local, and the object is to buy their goods from the manufacturer, or the wholesaler. They claim that there should be legislation to allow them to do that. Now to my mind, this is what would happen. The co-operative store in the town, even the farmers' co-operative store is giving service. The wholesaler won't sell to them unless they are giving service, and I believe that the wholesalers have recognized a co-operative store in Saskatchewan, and they do in Manitoba. If they have a regularly established store, they will sell to them but they refuse to recognize these locals because they do not serve beyond four or five people.

By Mr. Reid:

Q. Would you explain what you mean by these Locals?—A. It is four or five residents in the community.

By Mr. Stevens:

Q. You mean farmers' clubs, so-called?—A. No, they are not clubs; they are locals. They have asked legislation so that they can compel wholesalers to sell to them. It looks alright on the surface of it, but the great crying trouble in the west is the loneliness of the community. That is why so many people won't go on to farms. They have no towns amounting to anything. That is just as dangerous to the town, and perhaps more so, than the mail order house. They are cutting the ground from under the store that the rest of their neighbours have put their money into and that is giving service to the community. If there are any co-operative stores of that nature coming before you, I think you ought to consider very seriously before you recommend legislation to compel a wholesaler to sell to them.

[Mr. H. L. Montgomery.]

By Mr. Nesbitt:

Q. A group of citizens form themselves into a sort of club?—A. Yes.

Q. And they buy collectively?—A. Yes.

Q. And they distribute among their members, and for that reason you think that they destroy, to a certain extent at least, the retailer in their community?—A. Yes.

Q. Do you sell to that sort of group outside of your regular members?—A. We take in any man that keeps a stock and gives service to the community.

Q. They have to belong to your group?—A. They have not to take stock with us, but there is this position about it, we started to find out whether this could be done. We offered the Retail Merchants' Association, or any other organized association or anybody. If they don't like us, and don't want us, we have offered all our data.

Q. You do not sell to the independent store?—A. No.

Q. Supposing you had a store in a village that was a member of your association, and I was there independent, you would not sell to me?—A. No.

Q. I would have to become a member of your organization?—A. We are not the only people, but we have shown it can be done. There is another organization that has started up along the same lines, and we have the data. If they don't like to join us, they can form an association of their own.

By Mr. Davidson:

Q. Would you take in any other retailer, provided he would take stock?—A. No, there are several conditions. For instance, we first look up his financial standing and see if he can pay cash. Take the Grain Growers' Association in the West. That has been their cry. We take cash, and we have been charged with that, and we are trying to eliminate that by not giving to any who cannot pay cash for their goods.

By Mr. Stevens:

Q. Do you have two in one village?—A. In certain lines we do, and another thing we have ahead of is in conjunction with the people of the community, to establish as to whether two stores should be members or not. Another great claim of the farmers in the West is that there are too many stores. We believe that. There are too many stores in some towns, and in others there are not.

By Mr. Nesbitt:

Q. You are not alone in that. Ontario has too many stores?—A. What we propose as one of the features in the future is to go into co-operative discussion with the people in the neighbourhood, or the Grain Growers' Association in that community and decide these questions. Here is Jones, for instance, they have membership. Well, there is Smith over there; do you want him to have membership? Do you think it would be better for Smith to go where they have no store at all, and settle the thing amicably and by argument?

By Mr. Stevens:

Q. You are on somewhat dangerous ground there, are you not?—A. I do not know; there is nothing compulsory about it.

Q. Here is a small town, we will say two groceries or general stores; they are usually general stores; one of them belongs to your association and gets the advantage of the 7 per cent by agreement. He can undersell the other fellow. You will not take in that second man in competition with your man?—A. We won't now, because we don't know where we are at.

Q. You will not take him in?—A. Not now.

Q. We will assume that he goes out of business?—A. Yes.

[Mr. H. L. Montgomery.]

Q. And your remaining retailer then has an absolute monopoly of the trade?—A. We have foreseen that, and that is the very reason. It is not only that there are communities where one man might go out, but there are a number of them where there is only one store, and I will give you some instances. Take Mr. W. C. Painter of Tantallon. He does business there and he does it right.

Mr. NESBITT: He is a man with good business ability.

By Mr. Nesbitt:

Q. He has good business ability and knows how to cater to his people?—A. Now there is a community where a man wants to do the right thing, but there is another community that did not need to have anybody put out of business, because there was only one there to start with, and he takes advantage of his good buying and puts it in his pocket. What we propose to do is to work in conjunction with the Grain Growers' Association of those communities and have a report. If there is any dissatisfaction, they will report to our board of directors, and the man goes on the carpet before the community.

By the Chairman:

Q. It is your idea to make a survey of the country and sort of handpick the business men and the fellows you think should stay in business. You will let them join the Association?—A. We handpicked them when they were coming into our association.

By Mr. Nesbitt:

Q. They had to have a certain standing?—A. Yes.

By the Chairman:

Q. Where would you draw the line? As Mr. Stevens has pointed out, our business is not to consider anybody's business as being necessary for us to protect, but to find the easiest and cheapest means by which the consumer can get the goods he has to purchase. Now you have stated that legislation should be enacted to compel the manufacturers of all products, or certain products, to sell down to a certain point, but he must not go any further. Where is the dividing line?—A. Where service is given to the community with a stock that would suit that community.

By Mr. Nesbitt:

Q. Who is going to be the judge?—A. That is part of the Commission's business, I should imagine. That is a case that should go before the Commission.

By Mr. Pringle:

Q. Are not all these details matters which would have to be gone into by a commission if the committee recommended it, and the Government saw fit to appoint a commission. This committee would not have time to go into all these details. You have spoken of the locals. Does your association sell to those locals?—A. Unless they have a standard store and go into community service, we will not sell them.

By Mr. Reid:

Q. Did you explain to this committee what you meant by that service? I do not think you did?—A. Well, it is to have a store with goods there, and competent men handling it, and clerks.

Mr. DAVIS: I know that we have one of those locals in my district. Every fall they will get carloads of apples and carloads of tea and sometimes carloads of certain

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staples, and they just distribute that money among their neighbours, and they do not pretend to keep the store open. They have a warehouse and put goods into it, and their manager lives in town, and he will go there by appointment with anybody to deliver goods to them, but he does not run a store. He does not give service.

WITNESS: No, that is not exactly the idea. Our company has no objection to selling. We have a kind of idea like this: that anything a farmer can handle that way, like apples or coal or wood, we handle in a bulk way that does not require a store. We have not any objection to them handling in that way. Our store handles apples, and the Grain Growers also handle apples, and we have not any trouble about it. They have to have the same price that we have to handle it.

By Mr. Nesbitt:

Q. That is bulk goods?—A. Yes.

Q. When you come to sugar, what about it?—A. They can handle sugar. We feel that we are losing fifteen cents a sack on every sack we sell. If they can handle it, they are welcome to it. If they can handle it, well and good, but they have given it up. Our store handles it. We do not make a profit, but there is no loss on it. We handle it very closely. There is one thing that I have in mind with this service that will probably be of interest. I may say that these locals interfere and make it impossible for a well-assorted respectable stock to be carried. As a retail general store, you know you cannot carry a reasonably assorted general under twenty to twenty-five thousand dollars. Every business man knows that he must turn over his stock three times in order to make it pay. Now, in the ordinary community sixty to seventy-five thousand dollars of stock will be carried, and our towns are some distance apart. In a farming community where they have such large farms as they have in the West the population is limited, and you must have a twenty to twenty-five thousand dollar stock to have a reasonably assorted stock; otherwise the people will send to the mail order house because you have not got the goods for them to buy. You form these locals round there, and one local will buy a bunch of canned goods and some cornstarch and evaporated apples, and a few things like that, and another local will buy something else, and this local will get ten thousand dollars away from the man's business, and this one five thousand, and by the time the locals get five or ten thousand from that man's business, it comes to a point where he must reduce his stock. If a man's turnover is not in proportion to the amount of stock he carries, he cannot serve the community. But when he is told that he must reduce his stock he will say, "What am I going to do? If I reduce my stock I have to go out of business, as other men have had to do." It automatically puts that man out of business by reducing the stock in that way. He must turn over his stock to make it pay; otherwise he goes out of business automatically.

By Mr. Davis:

Q. The first question was this you have given us just one specific instance, can you make a general statement that you secure profit to your members on all lines of goods?—A. Well, you see there is not that saving on the groceries, but on practically everything that we handle.

Q. Have you considered the effect of the express or parcel post rates on this mail order business in its relation to the retail merchant?—A. The parcel post business, as I understand it is not paying. There is a certain amount that is taken from the retail merchants to subsidize the parcel post business which is really the business of the mail order houses. For instance you are asking Jones for a certain contribution of his money towards the cost of the parcel post and in that way to assist the mail order people to put him out of business.

[Mr. H. L. Montgomery.]

By Mr. Nesbitt:

Q. That is to say that as the mail order business does not pay the consequence is the whole public helps to pay the deficit?—A. The parcel post is being subsidized, is not that the case?

By Mr. Stevens:

Q. Will not the measure of the postal business in the first place be the number of letters going through the mails?—A. Certainly, it is the first measure.

Q. And in that connection will not that measure be very largely affected by the normal amount of letters sent out by the large city concerns?—A. The principle of the thing is that the parcel post business should be made to pay its own way, because the people who are writing letters are not always the people who are getting the parcels through the post.

Mr. NESBITT: I do not think we have had any statement from the Post Office Department separating the parcel post business from the balance of the business.

By Mr. Davis:

Q. I have laid the foundation for that because I understand it is one of the remedies that could be applied.—A. I had an idea that there was some detail about it, because the secretary of the Retail Merchants' Association went into it very exhaustively on the taxation question in the city of Winnipeg, and he has told me that this is the fact, for instance, they got this data, that the mail order business of the city of Winnipeg paid no taxes to the city at all, but only pay the same rate as other merchants and he said further there was nothing left to apply to the mail order end of it.

Q. What would be the effect of doubling the parcel post rates?—A. Well, it would make the mail order people pay their own share. It would warrant them in raising the price of the goods, but we do not want that. But we do want these people not to come around to the retail merchant for a contribution to kill his own business.

Q. Would it not be the consumer who paid it?—A. No, it would amount to this, it would be the people who do the business would pay it instead of the retailer.

Q. Supposing the price were increased then the consumer would pay it?—A. The mail order business would do one of two things—either decrease the price to cover the increased postal rates which would be a good thing for the consumer, and if they did that there would not be the competition for the retailer, that they have now, because in that case the mail order people could not cut the staples so fine as they do now.

Q. Then the consumers would pay more for what they are getting?—A. The mail order people might take it out of their profit and would not make so much out of their business, and if they did that the consumer would not pay more than he does now. The mail order people would not then make so much profit, and we would be in a position to do better, because we would be more nearly their point; they would want to make so much profit anyway.

By Mr. Reid:

Q. It would have the effect of reducing the profits of the mail order house?—A. It might, or they might put it on the goods.

By Mr. Davidson:

Q. There used to be a conception that the large departmental stores made special arrangements with the express companies that the smaller stores could not make, and the introduction of the parcel post with the charge made according to the zone in that way really helped out the consumers and the smaller concerns that wanted to mail their

[Mr. H. L. Montgomery.]

sales out for a short distance and enabled them to operate with advantage as compared with the mail order house.—A. If there were any arrangements made prior to the introduction of the parcel post for cut rates on express, there is a double reason for that part of it being cut out.

Q. How?—A. For this reason, they want to get that business and before that they did not have competition, and if they got a cut rate before surely they will get it now.

By Mr. Davis:

Q. Are not the express rates under the control of the Railway Commission?

Mr. Nesbitt: Certainly.

Mr. Davis: Any special rebate on anything of that sort would be stopped.

By Mr. Reid:

Q. It is done I know by a big concern in Winnipeg, I know it for a fact.—A. Here is what they do, I understand, but it is very difficult to get at it. It was reported that we were getting an express parcel of a lady's coat, for instance from Winnipeg, and the cost was at Deloraine seventy-five cents. But on the same express there were 20 ladies' coats came, I saw them in the express company's office, and the charge was 75 cents to Montgomery Brothers for the one coat, and that same express company brought in 20 coats for different points; they were weighed and they got the 100-pound rate on the average distance, but ours would cost us twice as much that way.

By Mr. Davidson:

Q. Under the parcel post it will cost for a reasonable distance from Winnipeg in Manitoba very much less than it would to come from a concern in Toronto because of the zone distance rate?—A. Yes, but it is impracticable in country towns to do a parcel post business, for the reason that the country towns storekeeper cannot get out a catalogue.

Q. As a matter of fact if there were no parcel post these mail order concerns could use the express and in that way could get all the advantage of the small dealer?—A. We are not complaining about the farmer getting goods cheaply, we want him to get them as cheaply as possible, but we want to be the channel through which he can get them and if we cannot do it, I personally would want to go out of business.

By Mr. Nesbitt:

Q. Will you tell us now the cost of doing business?

Mr. Pringle: Seven per cent?—A. Just over seven per cent, that was in 1917. Our organization is not a money-making concern, but is for the purpose of laying goods down at the cheapest possible price to compete with the mail order house. In 1917 it cost 7.81 to do business and, if we had been working for a dividend of 8 per cent it would have been necessary to add .77 to the prices, the retail prices.

Q. What did it cost you in 1918?—A. 9.72. One reason was this: There were certain lines of goods that we formerly could get, and they debarred us from getting them. We could have increased our turnover 50 per cent.

By the Chairman:

Q. I would like to ask three questions to clarify this matter. You have taken the position that in order that the wholesaler will sell to a local, as you term it, the local must be giving service to the community?—A. Yes.

[Mr. H. L. Montgomery.]

Q. You consider that a necessity?—A. The main reason for that is this—yes, I think it is a necessity. If these locals are allowed to demand goods from the wholesalers, they are going to sweep into the foundation of the local store where it has no other place to go to.

Q. I see that point clearly, but let us work backwards. You have also told us that you consider a distributing warehouse a necessity?—A. Yes.

Q. Supposing we should advise some means by which the distributing warehouse would have to be giving service to the larger community; you say that if the manufacturers sell to you, you would not sell to him if he was a retailer unless you had first discriminated as to the amount of business he was doing, or whether you would permit him to become a member of your association?—A. Yes.

Q. The wholesale grocers say exactly the same thing. They discriminate as to who shall become a member of their association. If the distributing warehouse is necessary, it should give service just the same as a distributing local store gives service. At least, that is the point I wish to get clear?—A. That is so.

Q. Where are we going to draw the line if we are going to say to the manufacturers of goods: you must sell to every man who comes along with the money to buy those goods down to a certain point?—A. That is not what the Grocers' Guild said.

Q. They made their position very clear before this Committee. Their position is this: We are perfectly content to be eliminated if this Committee of the Parliament of Canada, or any tribunal that can be set up, should find a way of distributing the varied classes of goods that the community must consume; if that can be done, why eliminate the wholesaler? But if the wholesaler is a necessity, just the same as your community store is a necessity, then if he is going to give service, they claim the right that you do?—A. Absolutely. That is what we ask. We say we are a joint-stock company, and we are giving a service to the community.

Q. Don't get this confounded. You are giving a service to the community as retailers in your own town, but are you prepared to establish a distributing warehouse, and give the service to the retailers of the larger community? Supposing I am a retailer in another town and want to buy a carload of miscellaneous groceries?—A. That very point came up with the Grocers' Guild. I was discussing that proposition with the president, Mr. Gordon. I said, "Mr. Gordon, I understand now your objection to us. We have only taken a part of the community. Now then probably we can overcome that difficulty by taking in all the grocers." Well, he said, "Good glory, that would fix it."

Q. Taking in all the grocers in a co-operative buying scheme, unless you are going to embrace the whole ramifications of the trade, and get a class of goods that will satisfy the community, and have a distributing warehouse—it is one thing or the other, the warehouse is either a necessity or it should be eliminated. If it is only acting as a dam on the rapids, so to speak, and is not letting the currents flow, let us get rid of it?—A. I do not know what you are trying to get at. We are taking the groceries. You say to establish a distributing warehouse that will take in all the ramifications of the retail business. That would take in the boot business, the dry goods business, the grocers.

Q. We will confine ourselves to a complete line of groceries?—A. There is no discussion about the matter there. We propose to carry a line of groceries when they will let us have them. We have certain lines of groceries——

Q. And you will undertake to establish a warehouse and sell to John Smith, or any other man who comes along with the money, whether he is a member of your association or not? If you are going to limit it to the members of your own association, and handpick the members, how can you object to other people doing the same?—A. They are doing the same.

[Mr. H. L. Montgomery.]

Q. Then you are both doing the same, you are both on an even keel?

Mr. DAVIS: Not quite. The difference is practically this: It is not the manufacturer who sells the goods who is making the objection; it is the competitor of these co-operative stores. It is the wholesaler who is in competition with them. If the manufacturers were raising this objection I think they would be on identical ground, but what Mr. Montgomery's consolidated company is doing is this: They have their members or customers, and it is not the manufacturers who are raising the objection in this case, but the competitors to get an equivalent situation, you would need to have in this case, the customers objecting to the existence of these people.

The CHAIRMAN: Mr. Montgomery states emphatically that there must be a limit, that there must be a community service, that he does not want the consumer, if gathered together to the number of 100 to go to the manufacturer and buy his goods.

WITNESS: Oh, no.

Mr. PRINGLE: Is this not the difficulty: Supposing there was a tribunal, and that tribunal after hearing the whole story said, "We will make an order compelling the manufacturers to sell to anybody who undertakes to distribute." Supposing they make that order, how are you going to compel grocers to buy from that manufacturer?

Mr. NESBITT: How are you going to pass a law to compel men to do business who do not want to do business? How are you going to compel a farmer to raise wheat, when he wants to raise beans?

WITNESS: I think the railway business might be a comparison. The manufacturers really want to sell.

Mr. NESBITT: The railways are public utilities; the people have put their money into them.

Mr. STEVENS: I think there is one point in regard to which Mr. Montgomery has a grievance. They are a wholesale concern, organized as a limited liability company and they carry on business the same as a wholesaler. They have a warehouse, and I do not think there should be any difficulty placed in the way of their buying goods the same as any wholesaler.

Mr. PRINGLE: I do not think this committee can deal with these details at all.

Mr. DAVIDSON: The retailers, who are not in this co-operative concern, cannot compete with these people. The locals want to get rid of the retailer, and these people wont sell to him. They say he is cutting out the retail business of the wholesalers, so that if these people co-operate, it means that we are hurting still the persons who buy from us, because they can undersell and put them out of business. Therefore, they say, in self-preservation, we must refuse to buy from the manufacturers.

WITNESS: That argument breaks down with the wholesale grocer in this way: Practically every one of these men are agents for certain lines. There are a number of grocers who put up their own baking powder. Taking one of the grocers, we have said to him "Do you sell those goods to everybody in the community?" and he said: "No." Then we say: "You sell it to Jones in this town." Smith comes along and asks for it. He is in business in that town. "Do you sell it to him?" and the man says, "No."

Mr. DAVIDSON: They would be on a parity.

Mr. NESBITT: They would be in the same position you said you would be in a minute ago, when you would sell to one man in a town and you would not sell to another. The wholesale grocers told us most explicitly that they did not try to stop any manufacturer of anything in the world from selling anything he liked, but they refused to buy from him.

WITNESS: The co-operative store is going to be put out of business just the same as the retail stores by the very same process, and the Saskatchewan Grain Growers' Association, with their co-operative organizations are going to be up against it.

By the Chairman:

Q. For what reason are they going to be put out of business?—A. By the locals, because they cannot give the service. If the locals prosper in a community, these other people cannot keep the stock.

By Mr. Davis:

Q. Is there anything you would like to add to what you have stated?—A. We have not any trouble about getting goods in any department until there is a trust formed. We have trouble every time where there is a trust.

By Mr. Pringle:

Q. Does it not all come down to this: That if a trade tribunal is appointed, or whatever you may term it, and is given broad investigatory power, if that tribunal on an investigation finds there is an illegal combination or a trust, or something that is blocking and preventing trade, they have power to deal with it?—A. I think that is exactly where it would come in.

Q. This committee could not possibly hear all these matters?—A. No; you want a permanent tribunal.

Q. You would come here and enter a complaint, and you would say, "So and so refuses to sell us goods," and we would have to cite these people here and ascertain the reason why they would not sell goods. We would have to have a trial and give a decision?—A. I was going to emphasize that wherever there is a combination, an organization covering certain lines of goods, that we have trouble getting goods for our purchasers from the manufacturers. We have not had any trouble with the boot and shoe people, and we have not had any trouble with the ready-to-wear people.

By the Chairman:

Q. Do you know the reason of that? Because in the boot and shoe trade there is no such a thing as wholesale; they go direct to the retail?—A. Beg pardon, there is. There is the Marshall firm and Kilgour——

Q. Not manufacturers?—A. No. There are George Lennox and Thomas Ryan and Company.

Q. It is the principle of the boot and shoe trade that on account of the peculiarity of the trade they go direct to the retailer all through the country. Is that not right?

Mr. TROWERN: Yes.

WITNESS: Most of the boot and shoe business in the West is done by jobbers. I might say that the retail merchants in their conventions all over Canada have recommended a trade commission.

The Committee adjourned.

SATURDAY, June 21, 1919.

The Special Committee appointed to consider into the price of foodstuffs and other necessaries of living met at 11 o'clock a.m., the Chairman, Mr. G. B. Nicholson, presiding.

Members present: Messieurs Davidson, Davis, Devlin, Nesbitt, Nicholson (Algoma) chairman, Reid (Makenzie), Sinclair (P.E.I.), and Stevens.

Mr. JOHN JOSEPH HENEY, called, sworn and examined.

By Mr. Pringle:

Q, You are president of John Heney & Sons, coal merchants, Ottawa?—A. Yes.

Q. What have been the prices of coal during the last two or three years?—A. My secretary, the secretary of the company, is here; he has that information. (After conferring with secretary.) In April, 1918, the price was $10.25.

Q. Now, for what coal is that?—A. That is for the domestic sizes: stove, egg, and chestnut. I think they all ran at the same price then, but there is a little difference to-day, but we sold them at one price then. It changed in July.

Q. What was the price in July?—A. $10.75, and it was changed again in August.

Q. What was the change in August?—A. It lowered 20 cents, and it came to $10.80 in September, and $10.90 in October, $11.85 in December, and $12.10 at the present time. $12.10 at the present time on stove and chestnut and $12 on egg. These are net cash prices.

Q. That is 1919?—A. Yes.

Q. What was it during April, 1919?—A. $11.85.

Q. What was it in March, 1919?—A. The same price, sir.

Q. Then what about January and February?—A. The same price, sir.

Q. So that there has been, during the year 1919 up to date, January, February, March and April, $11.85?—A. $11.85.

Q. And in May the price advanced to $12.10?—A. Yes.

Q. What was the reason for the advance in the month of May?—A. The increased cost of coal. The charges at the mine were higher, the mine price, and instead of being reduced in April it remained at a high price, the winter price, and it took an advance in May. We were also confronted with a very stiff exchange, and were confronted with higher wages.

Q. That is, higher wages in the operation of your business?—A. Higher wages for feed account and everything.

Q. Now the coal at these prices is delivered at the residence of the purchaser?—A. Delivered in the bin if it can be shovelled in; if it has to be carried in, there is an additional charge. Without any extra charge, shovelled in the bin.

Q. If it has to be bagged or carried in, you have an additional charge for that?—A. We do not charge if we provide a chute, but if it has to be carried in, there is an additional charge.

Q. I am not going back for a moment beyond 1918. What has been your margin of profit during the year 1918?—A. I brought Mr. Halpin down with me. Mr. Halpin is the secretary of John Heney & Son, Limited; he has all the statistics.

[Mr. J. J. Heney.]

Mr. PRINGLE: I will have Mr. Halpin sworn and he can sit beside you while you are giving your evidence, and if there is any information which you cannot give then he can give it.

WITNESS: I will prefer that; Mr. Halpin looks after the statistical end of it.

Q. Who looks after the statistical end of it?—A. Mr. Halpin.

Mr. WILLIAM JOSEPH HALPIN, called, sworn and examined.

By Mr. Pringle:

Q. You are the secretary and accountant of John Heney & Son, coal merchants of Ottawa?—A. Yes.

Q. And as secretary and accountant I understand you will be able to inform us as to the cost of coal to John Heney & Son, of the cost of operating your business and the net profits of the firm?—A. Yes.

Q. Could you tell us what the net profit to John Heney & Son for 1918 was per ton?—A. For the year ending March 31, 1919, the net profit was 44·4 cents.

Q. That is after taking into consideration all your cost of handling the coal and other selling expenses?—A. Yes.

Q. And you say that your profit was less than 45 cents?—A. Yes.

Q. What was the justification for an increase in the price from the winter months to the month of May during the year 1919?—A. The carters received an increase in pay and shorter hours and the price at the mine advanced on May 1.

Q. Does the increased price give you an increase of net profit?—A. No, to-day, in the month of June, we are working on a net profit of 29 cents and a fraction a ton.

Q. Could you give us your gross profit?—A. At the present time it is $2.65 a ton.

Q. And your net profit is?—A. 29·13 cents.

Q. Now there has been some statement made that, during some year or years the coal merchants were making a profit of some $4 a ton. Can you tell us what years they were if there were any such years?—A. There was no such year. 45 cents, has been the highest we have ever had.

Q. Has 45 cents been the highest you have had during the war period?—A. 44.4 cents was the highest we have had.

Q. Prior to the war did you not have a higher margin of profit?—A. In 1912-13, the margin was 42·8.

Q. You have got all those years there, you might just as well give them to us?

The WITNESS (Reading): 1913-14, 36·1; 1914-15, 33·4; 1915-16, 29·0; 1916-17, 38·7; 1917-18, 40·7; 1918-19, 44·4.

Q. That seems to be a very narrow margin of profit, Mr. Halpin, does it not?—A. Yes.

Q. The statement which you have produced to this committee, dated June 20, 1919, shows the net profit per ton from 1912 down to the present time?—A. Yes.

Q. Have you got a statement showing the gross profits?—A. No, I have not. I have not worked out a statement showing the gross profit. At the present time it is $2.65.

Q. You state that the gross profit absorbed so much for overhead, so much for cartage, etc.?—A. Our expenditure for the last year was $2.17, increasing since that time by 18 cents and a fraction.

Q. How is it made up?—A. It is made up as follows:—

Storage	64·76	cents.
Yard and delivery	86·30	"
Overhead	66·11	"
Total	217·17	"

Q. When you buy from the mines, you get the long ton of 2,240 pounds but when you sell, you sell at the ton of 2,000 pounds?—A. Yes.

Q. Do you take that into consideration?—A. Yes.

Q. That is put aside?—A. No, we convert the gross price to the net price.

Q. There is no question as to the correctness of the figures you have given us of your net profit?—A. No, sir.

Mr. PRINGLE: I am informed that the coal merchants of Ottawa have treated the public with great consideration. Do you want that brought out? That is the opinion I have received and the evidence of Mr. Halpin bears that out.

Mr. NESBITT: That is their business policy. We only want facts.

By Mr. Pringle:

Q. There is a risk, however, attendant on your business in selling to some people on credit. But the prices that you are giving us, as I understand it, are the net prices?—A. Yes.

Q. If you sell on credit then you charge a little better price?—A. It is practically all cash business.

Q. If you did any credit business, you would charge a little additional price as an assurance against any losses that you might have?—A. Yes.

Q. But this, as I understand it, is your net cash price and your business has been carried on almost entirely on a cash basis?—A. Yes.

By Mr. Nesbitt:

Q. What is the percentage of annual loss?—A. About a couple of cents a ton.

By Mr. Pringle:

Q. You would be protected against losses in the additional prices you get when you sell on credit?—A. Yes.

Examination of Mr. Heney resumed.

By Mr. Reid:

Q. What is your extra charge when you sell on credit?—A. It would depend. When a man wants a year we demand more than from a man who wants sixty days.

By Mr. Pringle:

Q. You treat it in accordance with the risk?—A. Yes. We cannot tell——

By Mr. Reid:

Q. Surely no one would want to buy coal on twelve months' credit?—A. We have sold coal at what we thought was four months and it turned out to be twelve. If a man got into you, you could not choke him.

Mr. PRINGLE: What we are more interested in is knowing what the consumer can get his coal for if he pays for it. He should be ready to pay for it.

By Mr. Reid:

Q. Do you buy direct from the mines?—A. We buy direct from the mines.

By Mr. Pringle:

Q. And you try to buy at the closest possible price?—A. Yes.

Q. And you have endeavoured to keep the price down to as reasonable a figure as possible in the city of Ottawa?—A. I would not take any special credit to myself. But I would say that the price of coal in Ottawa, considering delivery, has been lower than in any city in Canada during the last five years. During 1917 and 1918, the citizens of Ottawa were better taken care of in anthracite supplies than the cities of Toronto and Montreal.

By the Chairman:

Q. There is one point I would like to ask you about, Mr. Heney. What do you say as to the prospects of an ample supply of coal this coming year?—A. I would say, to begin with, that it largely depends on weather conditions next winter. At the present time some of the companies are pretty well sold up. Supplies in anthracite are not coming in as dealers would like. If we have a severe winter we may have a shortage in anthracite fuel again.

By Mr. Stevens:

Q. Is it true that a number of mines shut down owing to a lack of orders?—A. They had to work about half time in March. At this time, they have no lack of orders. They are chuck full. But they ran behind. We had such a mild winter. You know anthracite breaking is a small operation and coal has to be taken care of when it comes to the top of the mine. If the customer does not take it and the storage piles are filled up, then the congestion arises. They have to have some storing place—they have storage places at Schenactady—when they are filled up they have either to shut down or run half time. Owing to the mild winter, a great many dealers in the latter part of February—it looked as if there might be a cheaper coal in April—cancelled a lot of orders. As a consequence these people had to run half time. Then the miners—a good many of them are foreigners—a large number of them went back to their own countries in Greece and Italy and a month ago they were short of men. I don't know how they are to-day. But the condition in anthracite is that they were about seven million tons behind about a month ago. The Hudson Coal Company from which I buy and which supplies ninety per cent of the anthracite coal of Montreal and Eastern Canada—they are sold up. They have not got any coal to-day. They are oversold.

By Mr. Nesbitt:

Q. Might I ask if Mr. Heney has anything to say to the statement that there was more anthracite coal shipped into Canada in 1918 than 1917 or previous to the war?—A. Answering that question, in 1918, we were under Government supervision by Mr. C. A. McGrath. We were on an allotment basis. We were on the basis of the allotment of 1916-17. I don't know by how much the tonnage compared with the 1916-17 shipment. But last December, about December 1, the dealers in Ottawa found that by the arrangement reached under the Ontario Fuel Commissioner, Mr. Harris, the city of Ottawa was materially cut down in anthracite coal. We found that we were—if the winter had turned out, as it looked it might be a very cold winter—we might have been short on account of being cut down in our percentage. We applied to the Ontario Fuel Administration and we were allowed 25,000 tons more of anthracite for Ottawa. The winter, however, kept mild and the people managed to get through with wood and coke and the little coal they had in. Had we had a severe winter we might have been short on our allotment. Then, Government supervision in the United States practically ended in February. Up to February 1, we could only get a percentage. About that time we could get all the egg coal we wanted. There were no restrictions, practically, so far as they were concerned.

By the Chairman:

Q. Is it not true that the allotment was based simply on a percentage of the coal you used in 1916-17?—A. It was based on the total tonnage of 1916-17 and the percentage was seventy per cent. We were allowed seventy per cent of that year.

[Mr. J. J. Heney and Mr. W. J. Halpin.]

Q. If the allotment was seventy per cent of the 1916-17 tonnage how can it be said that there was actually more coal coming in?—A. It might have come in afterwards. At a certain time in 1918——

Q. We have a statement before us that there was actually a greater tonnage came in in the year 1918 than ever before.—A. That may be so.

By Mr. Stevens:

Q. Would it not be accounted for by the fact that soft coal had been largely cut off the St. Lawrence route owing to the ships being taken over for transport purposes?—A. We deal more with anthracite, domestic sizes. There is a lot of coal known as steam sizes, pea coal, bird's eye and rice. A lot of coal not used in the homes is used in manufacturing purposes. They came in pretty freely. I am not in a position to tell you just whether——

By Mr. Pringle:

Q. Owing to war industries there had to be more coal coming in?—A. Of course there was a greater demand for coal. There is no question about that.

By Mr. Nesbitt:

Q. The complaint is, that there was more coal available in 1918 than there was in 1916-17 and still the coal merchants kept the price as high and higher.—A. I read the article which was written in the Toronto *Globe* some time ago. There is a lot of moonshine about that. Of course a coal dealer cannot go into the Press. We are as a rule an unpopular set. But there is a lot of stuff written which does not rightly cover the situation. Certainly so far as anthracite coal in Canada is concerned, there is none to spare. We had to pay the prices and our records are there to show that we never charged any exorbitant prices for coal.

Q. You say you were only allowed seventy per cent of your amount in 1916-17. Then how could there be an increase in coal for 1918 shipments?—A. The United States Government had nothing to do with the seventy per cent as I remember. That was a condition of the Canadian Government regulations after the coal came into the country, If you ha dan order with me for 30 tons of coal all you would have been allowed was 21 tons, seventy per cent of the order and the balance was to be held there for emergency. The United States said: We will give Canada a tonnage based on 1916-17.

By Mr. Pringle:

Q. As a matter of fact you got one hundred per cent but you kept thirty per cent in reserve?—A. We did not get all we wanted.

Q. And you based your price on the price at the mine. You fixed your net profit on the price you had to pay at the mine?—A. Yes.

By the Chairman:

Q. Could you give us any figures with regard to the cost at the mine in 1918 and in previous years?—A. (By Mr. Halpin) The cost prices at the mines (gross) was as follows:

	Egg.	Stove.	Nut.
April, 1917..	$3 70	$3 95	$3 95
May, 1917..	4 10	4 35	4 35
June, 1917..	4 20	4 45	4 45
July, 1917..	4 30	4 55	4 55
August, 1917..	4 40	4 65	4 65
September, 1917..	4 50	4 70	4 80

Mr. Halpin (continuing): On October 20, seemingly there was a little state tax put on by the state of Pennsylvania. The prices were:

	Egg.	Stove.	Nut.
October 20, 1917..	4 58	4 83	4 93
December 1, 1917..	4 93	5 18	5 28
April, 1918..	4 63	4 88	4 98
September, 1918..	4 93	5 18	5 28
November, 1918..	5 98	6 23	6 33
January, 1919..	5 85	6 10	6 20
May, 1919..	5 95	6 20	6 30
June, 1919..	6 05	6 30	6 40

By Mr. Pringle:

Q. I suppose you buy coal f.o.b. at the mine?—A. (By Mr. Heney) We do now. We used to buy it freight paid.

Q. Then there has been an increase in freight rates?—A. Yes.

Q. Which is added to the cost in Ottawa?—A. Yes. We have been public benefactors.

By Mr. Davis:

Q. Will you prepare a statement showing the cost of the common sorts of coal from before the war up to the present time, what your cost was and the selling price. Take it from the year 1914 and then trace it down?—A. We can get that for you.

Mr. Pringle: Then showing the increases in freight rates. You have given us your net profit.

Mr. Davis: If you could show your gross profit and your net profit, I think that would be the whole statement.

Mr. Heney: I think we can show it all right.

Mr. Nesbitt: Here is a statement, Mr. Heney—(reading) this man makes a statement that in 1918 there were 1,409,000 more tons of anthracite coal brought into Canada than were brought in in 1917, and the price of coal at the mine was only 70 cents a ton greater and the average cost of coal to the importer during the fiscal year ending March 31, 1919 was $5.51 per ton, only 70 cents greater than before the war. Yet that the retail price advanced during the same time in Ottawa from $8 to $12.

Mr. Heney: On March 31, 1918, we were paying $3.38 gross ton as freight. Today we are paying $4.30. There is very nearly a dollar a ton in one year increase in freight rates. Of course this letter in the *Globe* could have been replied to but as I said in the begining——

The Chairman: All we want is to get the facts, and let the public know what the truth is.

Mr. Heney: We are ready at all times to give the truth. At the same time we have not got time to write letters to the Press.

By the Chairman:

Q. We want to know if there is any undue spread?—A. There is no undue spread in Ottawa.

Mr. Stevens: I think from the evidence of Mr. Heney Ottawa is certainly in a very creditable condition.

By Mr. Reid:

Q. How do you pay your men?—A. We pay them so much a day, for a nine-hour day.

Q. What were you paying in the Spring of 1914?—A. Somewhere about two and a half a day then.

Q. What do you pay them now?—A. Three and a half for a nine hour day, and Saturday afternoons off during July and August. We started about 1915 to give them Saturday afternoons off, but they worked ten hours then. We give them three and a half, with a nine hour day, and Saturday afternoons off, and pay them overtime.

Q. That is one hour a day less and a dollar a day more pay?—A. Yes.

WITNESS discharged.

Mr. JAMES MONTGOMERY HURCOMB called, sworn and examined.

By Mr. Pringle:

Q. Are you connected with the C. C. Ray Company?—A. Yes. I am the Secretary-Treasurer and Managing Director.

Q. You heard the evidence given by Mr. Heney?—A. Yes.

Q. Do you agree with that evidence?—A. Yes.

Q. Are your prices the same as thoses charged by Mr. Heney?—A. Substantially the same. During the past winter they may have varied a little, as far as the date was concerned; that is to say we were acting under instructions from the Fuel Controller, and we were supposed to sell our coal, with the additional spread that he allowed us as it arrived from time to time. What I mean is this: There may have been months when we carried over more or less coal from the preceding month at a different price, and we did not charge our price on the same day as John Heney & Son or some other coal dealer.

Q. Could you give us a statement showing your net profits during the last four or five years?—A. Yes.

Q. Have you got that statement?—A. I did not know exactly what you gentlemen wanted, but I have some statements here that I think will answer. I made this statement up this morning.

Q. The statement which you have just handed me is a recapitulation of tonnage sales and profits to the C. C. Ray Company, Limited, during the years 1913 to 1918, both inclusive?—A. Yes.

Q. This gives the total tons sold, the amount of the sales, the rest and profit?—A. Yes. By that I mean the profits distributed and amount kept in and added to rest account, these two combined and showing the total profit we consider we made.

Q. As I take it, the total profit per ton in 1913-14 was twenty-seven cents?—A. Yes.

Q. Less than four per cent?—A. Less than four per cent of the sales.

Q. In 1914-15 you give the total number of tons sold, you give the net profit at seventeen and one-third cents per ton, and you give the percentage or turn-over as three per cent?—A. Yes. These figures are not figured out at a decimal point.

Q. In 1915-16 you give the same figures, but your profit per ton is 12 cents?—A. Yes.

Q. Making less than two per cent on your sales?—A. Yes.

Q. 1916-17 profits were going up?—A. They went up that year for reasons which I think are explainable to some extent.

Q. Forty-five and three-quarter cents?—A. Yes. The previous year was a particularly bad year.

Q. 1915-16 was a particularly bad year?—A. Yes.

Q. That is the reason your profit was down to 12 cents per ton?—A. Yes.

Q. In 1916-17 your net profit was 45¾ cents?—A. Yes.

Q. Giving you 6 per cent on your turn-over?—A. Yes.

Q. 1917-18, it was 64⅔, tax to be deducted from that?—A. We have not had our income tax from the Dominion yet; we do not know what we will have to pay out of that.

[Mr. J. M. Hurcomb.]

Q. That gave you 7 per cent?—A. Yes.

Q. And in 1918-19 your profit per ton was 40⅝ cents?—A. Yes; that is the year just closed.

Q. In the present year, up to the present time, I take it, the statement shows 35 cents?—A. No, that is an average I struck this year.

Q. So your average profit during the period of six years is 35 cents per ton, or an average of 4 per cent on your turnover?—A. Yes.

(Statement filed.)

Q. That is a very comprehensive statement ? That shows the total quantity sold, and net profit, and percentage on turnover?—A. Yes.

By the Chairman:

Q. Could you give us a statement with regard to costs?—A. I gathered what you gentlemen were trying to arrive at with regard to the increased costs——

Q. The mine costs?—A. Now, here are some figures based on stove coal which is a fair average. On May 1st, 1916, stove coal cost at the mines—this is as far as Ottawa markets are concerned—$3.70. That is a gross ton, and, plus the freight to Ottawa of $3.38, making the cost f.o.b., Ottawa, $7.08. A year later, on May 1st 1917, the cost at the mines, $4.35, plus the same freight of $3.38, making the cost f.o.b., Ottawa, $7.73. On May 1st, 1918 the cost at the mines was $4.88, with an increased freight of 30 cents, making the freight $3.68, cost f.o.b., Ottawa, $8.56. On May 1st, 1919 the cost at the mines was $6.20, freight $4.30, making the price at Ottawa, $10.50. The difference between May 1st, 1916, and May 1st, 1919, therefore, is $3.42 cents increase, made up of cost of coal, $2.50 and freight 92 cents. These figures show the difference in cost.

By Mr. Nesbitt:

Q. What is your capitalization?—A. We are in a rather peculiar position. Our capitalization is small. We are a close corporation more or less. There was originally a partnership between C. C. Ray and the late Dennis Murphy, and we formed a joint stock company 14 or 15 years ago. I was admitted. The paid up capital has always been too small, more or less on my account, because I have never been in the position that these other gentlemen were in to put up capital. So we work a good deal on borrowed money. Our paid up capital ran from $80,000 to $90,000 a year. That is the amount invested in the company, and being a small paid up capital, we borrow what we need.

By Mr. Pringle:

Q. Are you paying out dividends?—A. You can see there the amount of dividends we paid.

Q. What are the percentages?—A. The total dividends we paid are these amounts.

By Mr. Nesbitt:

Q. You pay these in the form of a dividend?—A. Yes, sir. I based some years on the capitalization. It looks like an immense dividend, but it is really not what it looks.

By Mr. Pringle:

Q. Your capital is largely bank capital, accommodation from the bank?—A. Yes, or from individual members of the firm. We borrow quite largely, and Mr. Ray lends largely. Sometimes he has money available, and sometimes we borrow from the estate of Mr. Murphy. I have listened to what Mr. Heney said, and I can understand his difficulty in replying to the question as to whether there was more anthracite coal brought in last year than the year before.

By Mr. Nesbitt:

Q. I asked that question?—A. The coal year, as you gentlemen probably understand—the year 1916-1917 was mentioned—means from the 1st of April, 1916, to the 31st March, 1917. The wholesale people on the other side adopted that as their fiscal year, and so it has been carried on both by the fuel administration in the United States and by the fuel administration in Canada. Speaking about the year 1917-18, the year ending March 31st, 1918——

Q. This man said 1919?—A. That is the year just completed. Our basis for the year commencing April 1st, 1918, to March 31st, 1919, was supposed to be on the coal that was brought in in the year 1916-17; and for the early part of the year, the tonnage was allotted pretty much on that basis. It came to December of 1918—that is last December—and the coal dealers, or some of them, acting in conjunction with our local fuel controllers here—when I say our local fuel control, I mean our municipal board, not the big Board—acting in conjunction with them found that Ottawa was supposed at that time to have been overshipped; that is, there were some 30,000 odd tons shipped into Ottawa presumably during that coal year, more than they were entitled to. Therefore, there was an embargo put upon shipping further coal to Ottawa. If this gets to the public of Ottawa, it will be news to them, as at the time the dealers did not think it desirable to stir up any panic. We talked it over with the local fuel board and from them went to the Fuel Controller. He switched us to the fuel administrator in Toronto. After pointing out our case, and showing conclusively that the allotment was too small and had been too small from the first, and should not have been cut down, the administrator in Toronto recommended to the Fuel Controller that Ottawa be allowed a further amount for present shipment, that is for shipment in the latter part of December or January, and we got some relief. As Mr. Heney told you that January we were almost bombarded with offers to sell us coal of the larger sizes, egg coal, and the smaller size, pea coal, so that during February and March this year we could have bought in a quantity of those particular sizes of coal at the prevailing prices.

By Mr. Pringle:

Q. Has the price fixing of coal in the United States at the mines gone by the board?—A. That is a pretty hard question.

Q. If you do not know, I won't ask you. I do not know myself, but I am rather inclined to the view that it has, and I was wondering if it has made any difference in the price of coal at the mine?—A. The price of coal at the mine has increased. A large percentage of the coal mined and shipped is produced and shipped by half a dozen companies.

Q. That rather influences my mind to the view that the price fixing must have disappeared. There has been an advance in coal at the mine?—A. These companies, in April—we call them the line companies to distinguish them from the independent companies who get out the smaller proportion of coal—about the 1st of April these line companies announced their policy of not reducing the cost of coal at the mine from the 1st April as they used to do in pre-war times, and of retaining their high circular, adding ten cents a month for five months, that is commencing on the 1st May, ten cents, and June ten cents. So far, these additions have been made, and we have every reason to think they will continue to make these additions to September when it will be fifty cents a gross ton more at the mines than it was on the 1st of April. Apart from the line companies, there are these independent companies, and early in the year, under the late fuel administration in the United States, the independent companies were allowed to charge 75 cents a ton more than the line companies. When the fuel administration in the United States went out of business, this privilege to the independent companies disappeared. It was a case of supply

[Mr. J. M. Hurcomb.]

and demand. They immediately started selling coal in some cases for ten cents or fifteen cents less than the line companies, but that only prevailed for a short time, and now the independent companies are getting in some cases a slight premium over the line companies' circular. In some cases, for stove coal, for particular sizes, they are asking a premium, and for some sizes they are or were, selling at a little discount over the line companies' circular. But generally speaking, as to the bulk of the coal, as we have to buy it, we know what price it is going to cost us next month, or the month after, except that there may be a decrease owing to peace being declared. We will have to bear with that.

Q. There has been such a marked increase in the price at the mine during the last month that I was wondering if that was accounted for by the control being taken off. Do you know, Mr. Heney?

Mr. HENEY: The great increase was put on during the administration of the fuel administration last November. That was during Mr. Garfield's regime, and there has never been anything put on except the automatic advance. There is no fuel control in the United States, as I understand, to-day.

By Mr. Nesbitt:

Q. When you speak of $6.20 a ton at the mine, that is the long ton?—A. Yes, sir.

Q. And you sell by the short ton?—A. We sell by the short ton if you want us, or by the long ton if you want us.

Q. And the prices you mentioned as being sold, are for a short ton?—A. Yes, sir. To illustrate: $10.40 gross ton is $9.28 net ton; $10.50 gross ton is $9.37 net ton. As a matter of fact, although there is this feeling about it that we make a difference between the gross and net ton the coal man does not take any stock in that allegation. We actually buy by the pound and sell by the pound. If you want to come in and buy 2,240 pounds of coal from us to-day we will charge you the same proportional price.

Q. Yes, I appreciate that?—A. As a matter of fact we will sell you 5,000 pounds and you can call that a long or a short ton, which ever way you call it you will pay the same proportion.

By Mr. Pringle:

Q. That 240 pounds is not a little extra rake-off that you get?—A. No, sir.

Q. That is taken into consideration in estimating your profits per ton?—A. Our experience is that we very seldom get it. We do not get the coal we pay for.

Q. I was wondering if that is our experience too?—A. Not in the city of Ottawa because it is taken out of the coal dealers hands. You do not have to depend on us.

Mr. Nesbitt:

Q. As a matter of fact if you have a shortage in a car of coal you have no redress?—A. None whatever.

Q. You sometimes have a shortage?—A. Nearly always. Our shortage in a general way in anthracite coal is over a thousand tons of coal in a year.

Q. The reason I have asked that, Mr. Chairman, is that I have understood the difference between a long ton and a short ton is largely absorbed by shortage?—A. I would not say all of it.

Q. I said "largely"?—A. Yes, we deliver the coal in good shape. The people do not buy the coal in the shape we get it, because something has to be done with it, and there is a loss in weight and for labour. We screen every pound of coal we get excepting the steam coal.

[Mr. J. M. Hurcomb.]

Mr. PRINGLE: Have you any other questions, Mr. Chairman?

The CHAIRMAN: No, I don't think so.

Mr. NESBITT: I don't want these Ottawa fellows to get cocky. I don't pay any more for my coal out home than you do here.

Mr. PRINGLE: There is one question more I would like to put to the witness.

Q. What proportion of the price is added when coal is purchased in half ton lots?—A. We have at times added 25 cents a ton. Today the extra is 25 or 30 cents.

Witness discharged.

Mr. JOHN G. BISLEY BUTTERWORTH: Called, sworn and examined.

By Mr. Pringle:

Q. Have you any statements to produce, Mr. Butterworth?—A. Yes, here is a statement which shows the details for each year.

Q. This statement shows your profit for what period?—A. From 1914 right up to the present time.

Mr. PRINGLE: I don't think there is any necessity of going into details with Mr. Butterworth. He has a statement here which he says is accurately prepared showing the net profits per ton from the years 1913-14 down to the present time. It is very similar to the others.

The said statement was offered and admitted in evidence and marked Exhibit No. 4 by the Clerk of the committee.

Mr. STEVENS: Put that in evidence the same as the other.

By Mr. Pringle:

Q. What is this statement(indicating)?—A. This will give you something very fully. It will give you the sundries, depreciations and all those things.

Mr. PRINGLE: This statement shows an amount taken from the gross profits in order to arrive at the net.

Mr NESBITT: That is a mighty good thing to have.

The said statement was offered and admitted in evidence and marked Exhibit No. 5 by the Clerk of the Committee.

Mr. BUTTERWORTH: Mr. Chairman I know that we are looked upon as a band of robbers throughout Canada and throughout the world, and we are very glad to give you all the information that it is possible to give, to show us up in a better light. We have been shown in a better light in the United States through these committees and other things,——

Mr. PRINGLE: You do not look like a burglar.

Mr. BUTTERWORTH: We have not been here in Ottawa. Look at these statements. (Exhibits 4 and 5.) I knew absolutely nothing about these other men's business but when we come here, and get together, you will see how close we come to each other.

Witness discharged.

The Committee adjourned.

MONDAY, June 23, 1919.

The Special Committee appointed to inquire into the prices of foodstuffs and other necessaries of living met at 11 o'clock this morning, the Chairman, Mr. G. B. Nicholson, presiding.

Members presents: Messieurs Davidson; Davis; Devlin, Fielding (Hon.); Nesbitt; Nicholson (Chairman, Algoma); Reid (Mackenzie); Sinclair (Queens, P.E.I.); Stevens (Vice Chairman) and Sutherland.

Mr. HEDLEY SHAW, called, sworn and examined.

By Mr. Pringle:

Q. You are the managing director of the Maple Leaf Milling Company, Limited?—A. Yes.

Q. That is a company incorporated under the laws of the Province of Ontario?—A. Yes, I think so.

Q. With head office at the city of Toronto?—A. Yes.

Q. And you have mills at Port Colborne, Ontario; Kenora, Ontario; Brandon, Manitoba; Thorold, Ontario; Welland, Ontario; and Dresden, Ontario?—A. Yes.

Q. Do those comprise all of your mills?—A. Yes, at present.

Q. Your capital stock is $5,000,000?—A. Yes.

Q. Two million and a half common stock and two million and a half preferred stock?—A. Yes.

Q. Have you any bonded indebtedness?—A. No.

Q. Your total capital is $5,000,000, as you have explained, one half preferred and one half common?—A. Yes.

Q. How long has the company been in business?—A. I think it was organized in 1910 or early in 1911.

Q. Have you your annual statements for the last few years?—A. I have not them here.

Q. Can you produce them?—A. I can produce them, yes. They will be in that book you have before you.

Q. No, I think the only statement which is given in this book which I have before me is the statement for one year.

Mr. STEVENS: He was asked to bring these statements.

WITNESS: I brought the ones I was asked to bring.

By Mr. Pringle:

Q. Which ones?—A. I brought the last two years.

Q. If the Committee desires you can furnish those statements; you have printed copies of them?—A. Yes, this is the statement.

Q. This is a balance sheet for a period of one year expiring March 31, 1919?—A. Yes.

Q. Can you tell us from that statement the gross amount of your earnings for that year?—A. Yes.

Q. What was it?—A. The gross amount in 1919 was $929,105.85.

Q. Those are the gross profits for the year ending March 31?—A. Yes.

APPENDIX No. 7

By Mr. Stevens:

Q. What do you mean by gross profits?—A. When I say gross amount, that is the profit before bank interest was deducted, and operating expenses are taken off that profit. Our net profit for the year is $771,036.45, bank interest $158,069.40.

Q. The net profit was $771,036.45 for the year ending 31st March, 1919. What percentage was that of your capital stock?—A. Do you mean our capital stock or capital in use?

Q. No, I mean your capital stock, $5,000,000?—A. Well, I would have to figure that out; divide it by five and it will give it to you, but not on our capital.

Q. It would be about 15.42 per cent. Check that because we do not want to get erroneous figures down. I make it that on your capital stock of $5,000,000 that would give you 15.42 per cent?—A. Yes.

Q. That is correct?—A. Yes, that is our capital stock.

Q. In regard to this capital stock, how much stock was sold and paid for and how much of this stock for which no value was given?—A. Well, there was none of the stock on which no value was given.

Q. Just explain to us. I think it is important we should know just how much of this fifive million dollars represents actual case?—A. Cash and assets?

Q. Cash or assets, and if it is not cash you can explain to us what the stock was issued for?—A. The property, when the Maple Leaf Milling Company was organized, was appraised by the Canadian and American Appraisal Company, and the assets were appraised at $3,770,000, within a few dollars, and there were four millions of stock given for those assets, leaving $229,000 for goodwill, which was not appraised. The goodwill of the business at that time consisted of our trade marks and our business, which have been in operation for a good many years, with connections in the old country, and a good many foreign countries, and that was placed at $229,000 odd. Then there was a million dollars of preferred stock sold at par, and a million dollars put in the trade which made $5,000,000 capital.

Q. You gave 25 per cent bonus common stock?—A. That was done by the holders of the stock of the Maple Leaf Flour Mills Company, originally giving that up in order to dispose of the million dollars. But they gave them up voluntarily.

By Mr. Pringle:

Q. As I understand it, you acquire these properties, and in payment for these properties you gave $4,000,000 of common stock of the company?—A. Both common and preferred.

Q. What proportion of common and preferred?—A. Two and a half millions common and one and a half preferred.

Q. That accounts for two and a half millions of your common stock?—A. Yes.

Q. And accounts for one and a half million dollars of your preferred stock. What became of your other million of preferred stock?—A. It was subscribed for and paid for at par.

Q. And went into the treasury of the company?—A. Into the treasury of the company.

Q. The whole of your common stock seems to have disappeared, that it went for these assets?—A. The whole of the common stock went for the assets, yes.

Q. Who were the owners of these mills at the time they were acquired by the Maple Leaf Milling Company?—A. The Maple Leaf Flour Milling Company.

Q. That was a company that had been in existence for some years previously?—A. Yes, the Maple Leaf Flour Milling Company had acquired all the property of the Hedley Shaw Milling Company.

[Mr. Hedley Shaw.]

Q. The Maple Leaf Flour Milling Company had acquired all the assets?—A. Of the Hedley Shaw Milling Company.

Q. That sounds like your name?—A. Yes, a good deal like mine.

Q. You had been the owner of these mills previously?—A. Not all of them.

Q. What did the Maple Leaf Flour Company pay for these mills?—A. I cannot say now.

Q. That is a little ancient history?—A. Yes.

Q. All you can tell us—I have no desire to go back of that unless the Committee has, is that the new organization, the Maple Leaf Milling Company, Limited, which is the one we are now dealing with issued $2,500,000 of preferred stock, $2,500,000 of common stock that they acquired from the Maple Leaf Flour Milling Company the mills which we have already on the record, and have paid for these in stock?—A. Yes.

Q. Giving $2,500,000 of common stock of the new organization, and $1,500,000 of preferred stock?—A. Yes.

Q. That leaves to be accounted for $1,000 000 of preferred stock which you say was sold for cash and the money placed in the treasury of the company?—A. Yes.

Q. And you acquired these mills on a valuation by the American Appraisal Company, the price being $3,370,000, and you allowed them for good will?—A. $229,000 and a fraction. The good will had not been changed since the company was organized.

Q. Since organization, what has been your percentage of profit on capital?—A. What do you mean by capital?

Q. On your preferred and common stock, on your $5,000,000?—A. It varied.

Q. I have no doubt of that; that is what we want to get at, to see the variations?—A. I have the three years here; what year was that in the book?

Q. March 31, 1918?—A. I have that here.

Q. What was your percentage on March 31, 1918?—A. The net profit was $907,676.99.

Q. That will give you what, a little over 18 per cent?—A. Yes, that is right.

Q. I see you paid on your preferred stock seven per cent, and on the common you paid ten per cent. It was increased from eight per cent to ten per cent for the quarter ended March 31, 117, and you have been paying ten per cent ever since?—A. No, we have paid more.

Q. You have paid more, have you?—A. We paid a bonus in Victory Bonds. We distributed ten per cent on $250,000 of Victory Bonds to our shareholders.

Q. Over and above ten per cent?—A. Yes.

Q. So you gave them another five per cent in Victory Bonds?—A. Yes.

Q. Paying 15 per cent?—A. Yes.

By Mr. Nesbitt:

Q. Were the Victory Bonds given on the preferred?—A. On the common.

By Mr. Pringle:

Q. You paid ten per cent on your common stock. The preferred stock is fixed at seven per cent, and it does not participate in anything more?

By Mr. Nesbitt:

Q. Is it accumulated stock?—A. Yes.

By Mr. Pringle:

Q. You paid seven per cent on your preferred stock and ten per cent on your common stock and you gave a bonus of ten per cent in Victory Bonds, making 20 per cent?—A. We paid in 1918 on the common stock $562,500 divided, $250,000 of which was paid in Victory Bonds, and we paid $175,000 on our preferred stock.

Q. Now let us see what that is. Then you paid over 22 per cent on the common stock?—A. That is what we paid.

[Mr. Hedley Shaw.]

Q. Twenty-two and a fraction?—A. Whatever it figures out there.

Q. You figure it out. You paid $562,500 on 2,500,000 common stock, which I take it is over 22 per cent?—A. On the common.

Q. On the common?—A. I think that is right. I take my figures here for it. There is $2,500,000 preferred and $2,500,000 common, there is the amount certified to. It might not figure out the exact percentage for this reason, that in distributing those Victory Bonds they might not have cost just par at that time, I do not know.

Q. Assuming them to be at par it is over 22 per cent as I make it?—A. Yes.

Q. We will get it exact, 22½ per cent, and you were not only able to pay 22½ per cent, but you were able to carry over a balance, your profit for the period shown on your statement was $1,021,266.99, and from that was to be deducted interest paid to the bank on direct advances, $113,590, dividends on preferred stock at the rate of 7 per cent per annum, $175,000, dividends on common stock $562,500, making a total of $851,090, and you carried a balance forward. What is that surplus at the present time?—A. In the neighbourhood of two million.

Q. In the neighbourhood of two million?—A. Yes.

Q. That surplus is invested is it not in securities?—A. Yes.

Q. War Bonds, etc. Now I would like to have some of these previous statements for the reason I would like to know whether or not this surplus has been accumulated during the war period, or whether a portion of that surplus was on hand before the war. In other words I want to ascertain from you whether you have been able to pay substantial dividends, and, at the same time accumulate a surplus of $2,000,000.—A. It was very hard to make a comparison for one reason, our big plant is at Fort Colborne, we built the Fort Colborne plant and only completed it in 1914 practically.

Q. You must have built that out of earnings?—A. No, we did not.

Q. You had a million dollars in your treasury.—A. We put in one unit of our Port Colborne mill and completed that in 1912, I think it was, and the second unit I think was completed in 1914, bringing our total capacity up there pretty heavy.

Q. Can you give us a statement showing the amount earned on your turnover, that is the amount of money that you utilized in the business, money acquired I do not care how, whether borrowed from the banks or whatever way you got it, what the percentage on that money was that you earned?—A. In 1917, 1918, and 1919 our surplus would be nearly two millions; then we had credit from the banks of about seven millions, and we borrowed from the bank anything up to I think $7,000,000, and have for the last 2 or 3 years, so that at times we were using $12,000,000, $13,000,000 or $14,000,000 in our business.

By Mr. Nesbitt:

Q. Was that the year 1918?—A. Yes.

By Mr. Pringle:

Q. And do you know what you earned on the turnover?—A. Our turnover?

By Mr. Nesbitt:

Q. That is an investment?—A. That is what capital we have used.

By Mr. Pringle:

Q. Well, what was earned on the capital used?—A. Our turnover in 1918, was, I think, about $50,000,000. That does not include our western grain, that was about $50,000,000.

By Mr. Nesbitt:

Q. That was in 1918?—A. Yes.

By Mr. Reid:

Q. Will you repeat that again please?—A. Our turnover in 1918 was—

By the Chairman:

Q. For the year ending?—A. 31st March, 1918, was practically 50 millions.

By Mr. Stevens:

Q. That does not include grain?—A. No, practically flour and feed.

By Mr. Nesbitt:

Q. What was the percentage on your turnover?—A. Take the net profits it would be less than 2 per cent.

By the Chairman:

Q. The net profit was one million?—A. No, $909,000.

By Mr. Pringle:

Q. The net profits I take it were $851,090 for the year ending March 31, 1918? —A. For the year ending 1919, $907,676, it would be a little less.

Q. And you used about $50,000,000?—A. Yes.

Q. Would not that be a little less than 2 per cent?—A. Yes.

By Mr. Nesbitt:

Q. Your investment during the year ending March 31, 1919, was from 10 to 14 million dollars?—A. It would run from seven to fourteen million.

By Mr. Pringle:

Q. Was it invested, that was the amount of money used in your business, but investment is really capital stock, and a large amount of that was borrowed from the banks, except that you had two million dollars surplus?—A. Seven million dollars of our own money, and at times seven millions of dollars from the bank's money.

Q. That total amount includes your plant?—A. Yes.

Q. In your statement of assets for the year ending 31st March, 1919, after deducting cash in hand, bills receivable, etc., and allowing for your plant you really had invested out of your surplus $2,545,766?—A. Yes.

Q. You really had invested out of your surpluses $2,545,776.—A. Yes.

Mr. Nesbitt: In 1918?

Mr. Pringle: No, the year expiring March 31, 1919.

By Mr. Pringle:

Q. What is the amount of your contingent account, or is that the contingent account?—A. No, the contingent is separate from that, something over $500,000.

Q. It shows $457,937.11?—A. That is in 1918.

Q. The year expiring March 31, 1919?—A. It is a little more in 1918.

Q. In 1918 your contingent account was $611,539.64?—A. Yes.

Mr. Pringle: 1919 is already in, and we had better have 1917, the year expiring March 31, 1917, and the year expiring March 31, 1918, put in. The statement for the year ending the 31st March 1919, is already in.

By Mr. Pringle:

Q. To make a résumé of the three years, your net earnings for the year ending 31st March, 1917, was $738,644.46, as shown by the statement. Your net earnings for the year expiring 31st March, 1918, were $851,090, as shown by statement, and your net earnings for the year expiring 31st March, 1919, were $933,069.40, as shown by the statement?—A. Yes.

[Mr. Hedley Shaw.]

Q. All these will go in. What have been your prices for flour or export and flour for domestic use?—A. Well, they varied a little, not very much, and in the year just closed the price for export is $10.80 at the seaboard.

Q. At the present time?—A. Yes, and the price to the trade is $10.85.

Q. Canadian trade?—A. Yes.

Q. F.O.B. at the mills?—A. No, not at the mills; but delivered, practically the same freight at the seaboard.

Q. So that for export your price is a shade less than for the trade?—A. It is a shade less, but the profit is more.

Q. How do you account for the profit being more?—A. Because the cost of selling for domestic is very much more than the cost of selling for export. There is practically not cost for selling for export.

Q. That is at the present time?—A. Yes.

Q. What was the price in 1918?—A. In 1918 the domestic price varied some. In November it was $11.05. There was very little change I think all the year. In 1918, April 22, it was $10.85.

Q. What was the export price for November, 1918?—A. Well, I cannot say offhand. I have not those figures here.

Q. Give us another date where you have the figures?—A. I have not the export figures, but it would probably be about the same. It would practically run the same.

Q. You say that $11.05 was practically the price in 1918?—A. Yes.

Q. What was it in 1917 for the domestic?—A. I have not those figures here.

Q. What was the price for bran and shorts?—A. I do not appear to have the price of bran and shorts here.

Q. You do not seem to have all the information this Committee would like?—A. The price of bran and shorts varies so.

By Mr. Stevens:

Q. Surely you can give us the price of bran and shorts for some periods?

By Mr. Pringle:

Q. Can you give it to us for this year?—A. Here is one, September 12, 1918, the price of bran was $37 per ton and the price of shorts $42 carload Montreal.

By Mr. Stevens:

Q. What proportion of bran to shorts do you sell now, or shorts to bran?—A. Well, that varies. It sometimes runs more bran than shorts, and sometimes more shorts than bran.

Q. That is a very vague answer, but as a matter of fact they run about three to one of shorts?—A. No.

Q. Have you not any figures to show that?—A. No, because it varies all the time—about half and half is what we figure on.

Q. That is the normal?—A. Yes.

Q. But the contention is made by those who are buying shorts in large quantities, particularly by farmers for feeding, that the millers have in the last few years changed that to practically three to one of shorts, by either grinding up the bran or treating it in some way so as to produce more shorts?—A. Well, some of our mills are producing more of bran.

Q. You have not the figures of your lines of production?—A. No.

Mr. Stevens: I think we should have from this gentleman the production of bran and shorts.

Mr. Pringle: I think there is other information we ought to have as well. We ought to have these statements extending back from 1913, 1914, 1915, and 1916—balance sheets and annual statements. It is a simple matter; they have them all.

[Mr. Hedley Shaw.]

You had better give us the price of bran and shorts at the present time, and the price during the period of three years.

By the Chairman:

Q. Can you not tell us what you are selling bran and shorts for to-day?—A. No, I do not carry this in my mind.

By Mr. Stevens:

Q. Surely you can tell the price in Montreal now?—A. 42 and 44.

Q. That is at Montreal?—A. Yes.

By Mr. Pringle:

Q. That is the price at the present time?—A. Yes, Montreal and Toronto, the same.

Q. What is the weight of a barrel of flour? 196 pounds?—A. Yes.

Q. And what was the price of flour prior to the outbreak of the war per barrel? —A. Well, it varied. It was nominally $5 a barrel, and wheat was 85 cents a bushel.

Q. 85 to 89?—A. Yes.

Q. When did the first large advance in the price of a barrel of flour take place? —A. In 1915 was the first advance.

Q. What was that advance to?—A. $1.50 a bushel.

Q. I am speaking now of flour; that is wheat you mean?—A. Wheat.

Q. Then of course the advance took place in flour?—A. Yes.

Q. In 1915 we had an advance to $1.50?—A. Yes.

Q. In 1914 you say it was about 85 cents?—A. Just previous to the war it was selling about 85 or 86.

By Mr. Reid:

Q. At what point do you figure the price of your wheat?—A. Fort William.

By Mr. Pringle:

Q. In 1915 it advanced to $1.50, and in 1916——A. In 1916 it is marked at $1.65, but it varied a great deal, if my memory serves me right. It went down considerably during the year, and then advanced.

Q. Was that the highest price?—A. No, it went over $3 at one time.

Q. When was the price of wheat fixed?—A. It was fixed I think in 1918, no, December, 1917.

Q. I find that in England they are supplying flour at $5.11 a barrel, the object no doubt being to lessen the cost of living to the masses of the people. They must be supplying that flour at a loss?—A. Yes.

Q. The country no doubt bearing the burden of that loss?—A. Yes.

Q. Are you an authority on the grain situation?—A. No. I think I know a little about it, but not very much.

Q. You may not know so much as Julius H. Barnes, the President of the Grain Corporation?—A. No.

By Mr. Stevens:

Q. Cannot you give us the export price in November, 1918?—A. It was practically fixed by the Wheat Export Committee.

Q. I do not care where it was fixed; what was it?—A. It would be around 10½ to 10·80, if my memory serves me right.

By the Chairman:

Q. You gave us one month, 10·80?—A. That is now.

[Mr. Hedley Shaw.]

By Mr. Stevens:

Q. Surely you can give us the export price for last October or November and the domestic price?—A. I gave you the domestic, and the export is about the same as the domestic. They were practically fixed the same.

By Mr. Davis:

Q. With how much variation?—A. Sometimes five cents, sometimes it might have been twenty cents.

Q. Not more than that?—A. No.

By Mr. Stevens:

Q. That is very unsatisfactory. I do not see why we should not get at the figures. For a quotation man in the business it is not a difficult thing?—A. I could wire our office and get the price.

Q. I do not care whether it is October, November or December, some time last fall. Surely, you can quote from memory a price some time last fall? You know the domestic alright?—A. I do not quote from memory; I have that here.

By Mr. Pringle:

Q. You say you are not an expert on the wheat situation?—A. Well, I have been in wheat all my life time, but I do not think I know very much about it.

Q. Do you know that at the present time there is in the elevators, mills, etc., more wheat than there has been for years?—A. You mean in America?

Q. In America?—A. Not for years.

Q. Well, for five or six years?—A. No, I am not aware of that.

Q. Whether it is authentic or not my information is that there were over 97,000,000 bushel of wheat in the country elevators, mills and terminal elevators in the United States on May 9, 1919, as against on May 9, 1918, 34,000,000 bushels. Whether my information is right or not, I am advised that there is more wheat in the wheat reservoirs in the world to-day than there has been for a period of eight or ten years?—A. I do not think that can be correct. It is absolutely wrong.

Q. You think that is wrong?—A. Absolutely wrong.

Q. You grain men ought to know. I have to get my information where I can find it, and I find that the average price paid for wheat in the United States, which is really the market we can go by, for 1910, 1911, 1912, 1913 and 1914, was 89·8 cents a bushel? —A. Where

Q. In America?—A. At what point?

Q. At Chicago, that during these years, 1910, 1911, 1912, 1913 and 1914, it was 89·8 cents. I think it is only fair to say to you that this article, from which I get this information, contends that there is no reason why flour should be at the price that it is at to-day, or that wheat should be in excess of $1 a bushel. Of course, he may be entirely wrong?—A. They fixed the price of wheat and you cannot pay any less.

Q. I understand that they have fixed the price of wheat in the United States at—A. $2.26.

Q. $2.26 Chicago, and notwithstanding that price fixing they have been able to get an excess of $2.26 in many cases, which the article says was not justifiable, but merely a matter of manipulation. However, you do not profess to be an expert in regard to the wheat situation?

By Mr. Nesbitt:

Q. Was not the reason for paying more than the fixed price was that the mills had to get the wheat to keep the mills running?—A. No, the reason was that they were short of flour. They had not enough wheat to supply the mills, and they paid a good deal more than the fixed price. They paid close to $3 a bushel at Minneapolis for wheat.

Q. You have probably heard this rumour of one milling concern that profiteered to the extent of $1,000,000, and for the sake of silence this $1,000,000 was handed over to the Food Administration as a free gift, and they were accused of being in this combination to unduly enhance the price of wheat. Do you know anything about that?—A. No.

Mr. NESBITT: Who writes that article?

Mr. PRINGLE: Alfred W. McCann, New York, a good expert, and his contention is that at the present time the price of flour should be down to $5 a barrel insted of which it is at the high price it is. There is no control of flour in the United States?—A. But there is a control on wheat.

Q. I mean on flour?—A. They can control by fixing the price of wheat at $2.26, and on the basis of $2.26 for wheat flour must be about $11.

Q. But supposing they had raised it to $14 as they have lately in the United States, would not that be profiteering?—A. I know that they paid well up to $3 for wheat in Minneapolis to get it this spring.

Q. That is neither here nor there, his article may be sound or it may not be sound. We have only to deal with the situation as we find it in Canada. Now how do you grade your flour?—A. It is practically all Government grade, now, there is only one grade.

Q. And consequently one price?—A. One price.

Q. And you say the present price of flour is $10.80 per barrel?—A. Yes.

Q. Delivered?—A. At seaboard.

Q. At seaboard, and what about the domestic trade in Canada?—A. That is $10.85 delivered on track at buyer's place.

Q. $10.85 delivered on the track at the buyer's place; how do you arrange that?—I should think there would be a great difference in freight?—A. There is to the local mills, but freight from Fort William which we have to figure on as a basis is the same, practically, whether it goes to Montreal or Toronto, or to any of these places it is the same.

Q. The same as if it went to Toronto or Montreal?—A. Yes, all the same rates; if it goes east of Montreal the freight on the flour would be higher than it would be at Montreal.

By Mr. Nesbitt:

Q. When you say Toronto or Montreal it means any points west of Montreal?—A. Yes, any intermediate points.

By Mr. Stevens:

Q. You say you asked 10 cents additional per barrel, what is that for?—A. Yes, if they do not pay cash there is 10 cents more.

Q. Why do you do that?—A. Some men cannot pay the cash, and we accommodate them by charging 10 cents more.

Q. You know, that all through the years, the price is fixed at 30 days after delivery and now you are fixing it higher by this additional charge?—A. There has always been discount for cash.

Q. But you figure that in the spread, which is supposed to be fixed, that has been fixed and that is still fixed?—A. As far as we are concerned we only sell for cash domestic.

Q. There was an allowance of 85 cents per barrel was there not for the spread, fixed by the mills, and later it was made 95 cents?—A. I think that is correct.

Q. And in figuring out your cost of manufacture and instead of following your old practice which you carried on for years, after this spread was fixed you changed your terms for 30 days, which used to be considered the proper terms, and you made

[Mr. Hedley Shaw.]

this charge of 10 cents a barrel more?—A. I am not aware that the terms were ever 30 days, we never had those terms in our business.

Q. If I remember correctly, for a great many years those were the terms recognized in the flour trade?—A. Not so far as I am concerned.

Mr. REID: It is today and I am speaking whereof I know.

By Mr. Stevens:

Q. You fixed it at 15 cents delivery, and now you sell extrack instead of delivery?—A. No, we sell both ways.

Q. The point I am making is this, that in fixing the price of flour it was fixed on the basis of the custom to deliver flour and allow thirty days?—A. No, there was never thirty days limit established to my knowledge.

Q. I think your knowledge is decidedly limited?—A. I think probably it is, but I know as far as we are concerned we never sold that way.

Q. Do you mean to say that the flour trade does not usually allow thirty days?—A. I have been in the milling business for 25 years and have never sold on a thirty day's basis.

Q. How do you sell?—A. On a cash basis.

Q. Always?—A. There may be exceptions.

By Mr. Nesbitt:

Q. It depends upon the customer I suppose?—A. Not always, there are very few exceptions.

By Mr. Stevens:

Q. I have bought many cars of flour and never bought that way. What do you ask the 11 cents interest for, what you call carrying charge?—A. That 11 cents was fixed, I have not been able to attend this committee for fixing these prices, but it was done by the Food Board and a committee of millers, of which I was a member, but I was unable to be present.

Q. But you did fix that, or the committee did, did they not?—A. I cannot say off hand, I was on the Board and I should know, but I was not present at the meeting.

Q. And there was three cents a bushel added by the Board of Grain Supervisors for interest?—A. I can quite understand why there should be something added for interest, because from the time you buy your wheat at Fort William and pay cash for it, and take it to your mill and grind it and deliver that flour to your customer at least thirty days will go by.

Q. Yes, but this 3 cents the Grain Supervisors added covers that?—A. No, that has nothing to do with it. That had nothing to do with it before the first of May.

Q. In figuring your cost of manufacturing do you figure wheat at $2.24 or $2.31?—A. We figure it at $2.24 that is what we pay for it.

Q. And that includes this 3 cents?—A. Yes, we buy wheat at Fort William, put it on the boat or cars as the case may be, and take it down to the mill to grind it, and by the time it reaches the customer there is 30 days more gone.

Q. When you pay the farmer for his wheat up the line, you pay him $2.21?—We buy practically all the wheat at Fort William, and we take that as a basis. We pay 3 cents before we get the wheat at all to load on the boat.

Q. And you add 11 cents in addition to that?—A. It may be that there is that added, I cannot say definitely because I do not know, but there should be that much anyway added to pay the cost of carrying it.

Q. Would you say that this extra charge per barrel on delivery would account for this extra profit you have made in the last few years?—A. You must bear in mind that the cost of delivering this flour, 15 cents, that it costs in Toronto where we take the flour to Toronto and put it in our warehouse it costs 25 cents per barrel.

[Mr. Hedley Shaw]

Q. Let me just ask you one other question. In 1913, 1914 and 1915 you paid no dividend on common stock?—A. I do not know, I do not think we did, because our plant was not running up to that date.

Q. In 1916, 1917, 1918 and 1919 you paid 8 per cent, in 1916 is that correct or not?—A. I think that would be right.

Q. And you paid 10 per cent in 1917 is that correct or not?—A. That is 1917

Q. For the year ending March 31st, 1917?

Mr. PRINGLE: That is shown on your statement as the year ending March 31st, nineteen hundred and eighteen.

By Mr. Stevens:

Q. And in nineteen hundred and eighteen you paid ten per cent, or twenty-two per cent including the Victory bonds, and in nineteen hundred and seventeen you paid —what did you issue on common?—A. Same as nineteen hundred and eighteen.

Q. With a ten per cent bonus?—A. Yes. I want to make this plain to you. Our capacity up to nineteen hundred and fourteen was very small in comparison with that after the year nineteen hundred and fourteen, and from that on.

Q. Your capital invested would be small?—A. It was some smaller but not a great deal, because we were building a mill at Port Colborne, and it took three or four years to build that mill. Our turn over and output up to nineteen hundred and fourteen was so much lower than after that that you cannot make a comparison of the profits before nineteen hundred and fourteen, and now.

Q. I want to find out this. In the last four years we have had an increasing cry against the high cost of living, and millers have protested that they could only manufacture at a certain figure, and that below that they would be obliged to shut down. Your mill as been able to pay eight, ten and twenty per cent on common stock?—A. On a turn over of fifty million dollars.

Q. That is all right. You paid that anyway. This common stock, a goodly portion of it is not represented in the company at all.—A. You are wrong. It is the assets, which is the same as cash.

Q. No?—A. Yes, it is.

Q. You admitted you paid twenty-five per cent common stock.—A. No, I said that there were assets put in this company of four million seven hundred and seventy thousand dollars. There were just two hundred and twenty-nine thousand and some odd hundred dollars of what you call water, and that was represented by our good will, our trade marks, our brands, and I had been in the milling business for fifteen years before that and had connections in the Old Country, and I would not have sold it for two hundred and twenty-nine thousand dollars, or twice that.

Q. Did you or did you not pay a bonus on the common stock?—A. We only placed a small amount on the market.

Q. I have a statement showing that twenty-five per cent common stock was issued as a bonus on preferred?—A. On how much?

Q. On that million dollars preferred stock.—A. Well, I am telling you where that came from. The holders of that stock donated it so as to sell it at par so as not to reduce the price of preferred on the market. We holders of stock preferred to take it out of our pockets rather than sell to preferred at par.

Q. Your surplus account increased from two hundred and forty thousand dollars to two million dollars in nineteen hundred and eighteen, and your contingent account increased from ten thousand dollars in nineteen hundred and thirteen to three hundred and sixty-one thousand dollars in nineteen hundred and eighteen?—A. Yes.

Q. In other words, you have increased in those two accounts since nineteen hundred and thirteen during the war years to an amount of about two million one hundred thousand dollars?—A. Yes. Do you want me to explain where part of that comes from?

[Mr Hedley Shaw.]

Q. What I wish to get at is how you justify the abnormal earnings of these three or four years and this large surplus when the whole country is crying for a reduction of the cost of living?—A. The cost of wheat flour in nineteen hundred and fourteen was five dollars. Now it is eleven dollars, six dollars more. The price of wheat in nineteen hundred and fourteen was eighty-five cents. At Fort William to-day it is two dollars and twenty-five cents a bushel, a difference of one dollar and forty cents. It takes four and a half bushels to make a barrel of flour. It costs us six dollars and forty cents more for the wheat to make that barrel of flour than in nineteen hundred and fourteen. Add that to five dollars, and you get the price of flour now. The farmer got six dollars and thirty cents increase on the flour price taken from that four and a half bushels of wheat. We are trying to make twenty-five cents a barrel as our profits. If we milled for nothing and did not pay a cent in dividends, if we were to hand our plants over to the Government, it would make the difference in the cost of bread only one tenth of a cent a loaf. When you are getting at the high cost of living, as far as flour is concerned, you will find that six dollars and thirty cents is paid to the farmer right away.

By Mr. Reid:

Q. You figure all your wheat on the number two basis. Do you grind any lower grades?—A. Yes, but there is no money in grinding the lower grades. We find there is not. It takes more wheat at the lower grades than at the high grades. With wheat at four cents a pound it takes half a bushel more of the lower grades to make a barrel of flour. We prefer to have a run of high grade wheat.

Q. What quantity of last year's crop did it take to make a barrel of flour?—A. About four bushels and thirty pounds.

Q. I have figures that the number two wheat last year milled four bushels and twelve pounds owing to the extraordinarily fine quality.—A. If we run all number one and number two wheat we would probably make a barrel of flour from four bushels and twenty pounds, or four bushels and twenty-five pounds. It will vary in the different mills five pounds. There is a difference to be taken into account on account of the atmosphere and other conditions. With the atmosphere such as it has been for the last two weeks our yield would go up two, three or four pounds a barrel.

By Mr. Stevens:

Q. Do you know as a matter of fact, from the amount of flour you produce, can you give a sworn statement what it took per barrel?—A. I cannot, no.

Q. Could you get it for us?—A. We could by going through the records.

Q. Didn't you keep records?—A. They are not tabled. From day to day the atmospheric conditions will affect our yield from one to two pounds per barrel. Another thing affects our yield, we get wheat from Fort William having eleven per cent moisture, and we get some containing fourteen and fifteen per cent moisture. With the dry wheat our yields are better. When we get damp wheat, our yields go down. But we pay just the same for the wheat with the higher moisture as for that with the lower.

By Mr. Reid:

Q. Do you pay number two price for wheat containing that moisture?—A. We should not, but we do. We had wheat of that kind in less than a month, carrying the Inspector's certificate. It contained fifteen per cent moisture.

Q. And you paid the same price for that?—A. Yes. But mind, it should not have been inspected at that in Fort William. It should have graded tough. It passes the inspector, gets its grade, and when it comes down we have no redress.

Q. What do you consider the proper standard of moisture in number two wheat?—A. I think it is fixed on a grade of twelve per cent.

[Mr. Hedley Shaw.]

Mr. BLACK: It is not fixed. There is no standard inspection on moisture. The inspector is supposed to pass it by quality.

Mr. REID: And he has absolute say as to what the moisture content should be.

By Mr. Stevens:

Q. In regard to the fifteen-cent delivery charge. When you quoted domestic flour per barrel up to a couple of years ago, say to Montreal, you used to quote it delivered. Now you quote it extra, and charge them fifteen cents additional, that is, the big bakers and buyers at Montreal. That is an additional fifteen cents that the consumers are paying?—A. No, it is taken off the price. We charge it in our price before.

Q. As nearly as I can figure out you charge fifteen cents over what you used to charge prior to the fixing of prices?—A. No.

Q. You are positive?—A. Yes.

Q. You mentioned a moment ago that the reason you sold export flour at lower prices than domestic is that there is a lower selling cost?—A. Yes.

Q. Has not the Government during the last two or three years practically done the selling for you? If you were selling that flour what would it cost you?—A. It would cost a little more, but a very trifling amount in comparison with what it costs to sell domestic. You may send a cable for seventy-five cents which may sell fifty to one hundred thousand barrels of flour. We have our connections over there to handle the flour.

Q. Do you not pay a commission for selling it?—A. No, we sell direct to the different customers, and practically all the cost is the cost of the cable.

By Mr. Sutherland:

Q. Is that wheat you purchase at Fort William clean, ready for milling?—A. No.

Q. What disposal do you make of the chaff and wheat seeds?—A. The chaff and dirt are blown out and burned. The wheat seeds are ground. They are sometimes sold as ground screenings, and sometimes remilled and bolted up in offal or in bran and shorts. That is, the best part of it.

Q. What percentage of the screenings are the wheat seeds?—A. The percentage is very small.

Q. Enough in some instances to poison animals eating them?—A. No.

Q. It has frequently happened?—A. Large mills have machinery to take care of seeds so that they will not injure cattle.

Q. These seeds could not get through unless deliberately put in there?—A. The presence of any wheat in the offal would not be dangerous if put in systematically. If you would run one hundred thousand bushels of wheat and collect the seeds and by some manufacturing process mix them in, you might get seed disastrous to cattle, but a modern mill systematically disposes of their product as fast as made every hour, and that percentage is so small that it is negligible.

Q. If done judiciously there is no great danger?—A. There is no danger.

Q. Isn't it a fraud on the purchaser? It is neither bran nor shorts?—A. A great deal of it is better food than bran and shorts.

By Mr. Nesbitt:

Q. It may be a stronger food. Have you a process of grinding it fine enough?—A. Absolutely. That feed is all subject to analysis at the department here, and if your feed is not up to standard you are notified.

By Mr. Sutherland:

Q. Are you allowed a percentage for dockage and overages?—A. Not at Fort William, no. We pay for the actual weight received.

Q. So that if there is five per cent docked from the farmer, that must be taken care of by the elevator company?—A. The elevator buys that feed at Fort William. If

[Mr. Hedley Shaw.]

there is a dockage of five per cent he is supposed to take that out before he sells it. The inspector is supposed to see that he does take it out and that the wheat is properly cleaned, and the extra dockage taken out.

Q. You are not in the habit of purchasing that re-cleaned wheat?—A. It is not re-cleaned wheat. It is commercially cleaned wheat for grading purposes.

Q. What percentage of offal is in the wheat you purchase?—A. If graded according to the Inspector I would say about one per cent.

Q. And you put that back in the offal?—A. Part of it.

Q. The straw and chaff you burn?—A. It is burned.

Q. Nothing in the shape of seed. That goes back?—A. Anything that is fit for feed. We take certain classes of seeds and burn them.

Q. You do that deliberately and put it in the bran and shorts?—A. It is part of the offal of wheat. When there is a lot of bitter seed, we have burned hundreds of bushels in our furnaces.

Q. And hundreds and hundreds of animals have been poisoned from eating them? —A. Not from modern mills. As far as the general public is concerned I have not heard of animals being poisoned. I think all large mills are modern mills. The farmer is not losing anything. If anything, he is getting a benefit from what is put in.

Q. I suppose you put it in so evenly that you hope it won't do great injury?—A. You have to distribute everything evenly.

Q. That is what you mean by distributing judiciously?—A. You can call it that way if you wish.

Q. But it is neither bran nor shorts and is sold for them?—A. It is bran and shorts.

Q. It is neither one nor the other?—A. According to the analysis of bran and shorts, it is bran and shorts.

By Mr. Stevens:

Q. Do you grind up some of the bran finely and sell it as shorts?

Mr. BLACK: The Government has a standard and we have to comply with that standard.

Mr. STEVENS: It is a devilish low standard. The quality of shorts is not as good to-day as prior to the price fixing?—A. I do not know.

Q. I know. It is not, because I have bought some.—A. Bran and shorts are practically the same as before the fixing of prices.

By the Chairman:

Q. Does not the standard flour absorb some of it?—A. No.

By Mr. Nesbitt:

Q. Doesn't it absorb some of what you used to sell for hog feed?—A. Yes, it absorbs some lower grades of flour. There are many grades of flour from a bushel of wheat. I suppose there are twenty, thirty or forty.

By Mr. Stevens:

Q. You are aware that there is a widespread complaint with regard to the quality of bran and shorts?—A. We have had no complaints.

Q. Not last year?—A. I don't think so, no complaints that I know of.

Mr. STEVENS: You are lucky.

By Mr. Nesbitt:

Q. There is a general supposition that you buy oat hulls from the oat millers and grind them up with your shorts.—A. No, we never buy any oat meal or any foreign substances or anything else but wheat.

[Mr. Hedley Shaw.]

By Mr. Davis:

Q. You have an oatmeal mill. Do you mix them up there?—A. No.

Mr. STEVENS: We will all have to get out and look for the Maple Leaf bran and shorts.

By Mr. Sutherland:

Q. There is no chance of wheat seed getting in unless you deliberately put it in?—A. The fine seeds you think of contain more than fine seeds. It contains broken wheat, quarters of wheat. There is a percentage of that that goes back in the feed. The small pieces of wheat and screenings make it better feed than it would be if kept out. It would be an absolute waste to the country and criminal to burn these screenings.

Q. You can separate the poisonous seeds from the broken wheat if you see fit to do it?—A. Not altogether. There is very fine seed you cannot separate.

Q. The black seeds?—A. Not all the black seeds, no. Often the fine wheat is merely the germ of the wheat. The little round germ at the end is in these screenings.

By the Chairman:

Q. Did you ever sell them in the natural state without grinding them or putting them in bran and shorts?—A. I think we did a year ago. Some.

Q. For feed purposes?—A. Yes.

By Mr. Nesbitt:

Q. Do they sell higher than bran or lower?—A. I think they sell higher.

Q. In Fort William, in this cleaning house?—A. The seeds they take out in Fort William where they have that high dockage of five, six, seven, eight and ten per cent taken out of the wheat; in that a very large bulk would be seeds.

Q. Did you ever buy any of that?—A. We never bought any.

By Mr. Pringle:

Q. We had three statements before us, one expiring with the year ending March 31, 1917, one expiring with the year ending March 31, 1918, and one for the year ending March 31, 1919. You have charged in these three years a depreciation of one million and a half dollars. That is to say, in the 1917 statement you charged against earnings a depreciation of two hundred and fifty thousand dollars. In 1918 you charged up a depreciation of five hundred thousand dollars.—A. No.

Q. According to your statement?—A. No. that two hundred and fifty thousand dollars was carried forward from the other years.

Q. The total depreciation at that time was five hundred thousand dollars?—A. Yes.

Q. The total depreciation reserve at the present time is what?—A. Seven hundred and fifty thousand dollars.

Q. You do not charge any depreciation prior to the war period? You only charge this depreciation in 1917?—A. No, before that.

Q. The year expiring March 31, 1917, shows a depreciation reserve of two hundred and fifty thousand dollars. It may be a portion of that was charged before. That was the first depreciation reserve you charged. What I really want to get at is this. A company which was before us the other day gave us testimony to the effect that, notwithstanding the accountant brought forward statements submitted to the shareholders, these failed to discover one million dollars which was stowed away in a corner. I want to see if there is any million dollars stowed away in this company, or any other sums not shown in the statement.—A. In some years there was nothing charged for depreciation.

[Mr. Hedley Shaw.]

Q. For the last three years you have been charging a fairly heavy depreciation. Here are the facts. There was a depreciation of two hundred and fifty thousand dollars in your statement for the year expiring March 31st, 1917. In the year expiring March 31st, 1918, you had another two hundred and fifty thousand dollars, making a total of five hundred thousand dollars. And then you add another figure of two hundred and fifty thousand dollars, making a total of seven hundred and fifty thousand dollars. Do you consider two hundred and fifty thousand dollars a reasonable annual depreciation to charge up?—A. It is plenty small enough.

Q. You would say that. I won't discuss it with you. We have the facts that you have been able to charge up seven hundred and fifty thousand dollars in the last three years, you have been able to invest during the last three years two million five hundred and forty five thousand seven hundred and seventy six dollars and seventy-three cents, and you have a contingent account of four hundred and fifty-seven thousand nine hundred and thirty-seven dollars and eleven cents, making a total of three million seven hundred and fifty-three thousand seven hundred and forty-three dollars, and on top of that you have been able to pay very substantial dividends, runnin gas high as twenty-two per cent. I am going to ask you, in all candour would you consider that that was profiteering?—A. In what way?

Q. To be able to put away in reserve, investments, contingent account three million seven hundred and fifty-three thousand dollars, and pay dividends to the shareholders as high as twenty-two per cent?—A. We have not put away three million seven hundred and fifty three thousand dollars.

Q. Explain it? It is shown here in the statements as investments, and you said the investments were bonds?—A. It shows there in 1919 on the grain inventory of four million five hundred thousand dollars. That was put away in grain.

Q. The money was put away in grain? Was not that a reserve fund?—A. No, the statement explains it.

Q. You stated that these investments consisted of war bonds and other securities in which you had invested from the surplus moneys?—A. More than our surplus moneys. Our surplus is in profit and loss account. Exactly.

Q. You tell me that the contingent account shows an annual surplus?—A. Our profit and loss and our contingent account, if you like to call the contingent account a surplus.

Q. I only want an explanation. I do not want anything on the record that is not absolutely fair to you. If you have not been exploiting the public for the benefit of the shareholders, it is for you to say?—A. That surplus is in the profit and loss account at one million dollars and a half, and the contingent account, if you like to call the contingent account a profit, would bring it up to two million dollars.

Q. Two million dollars instead of three million dollars?—A. Yes.

By Mr. Stevens:

Q. What is this investment of two million seven hundred and forty five thousand dollars?—A. That is invested in bonds which we have to dispose of when we pay the bank. Looking at the year before, you will see that we had no investments. We took the bank's money, and gave security. We were urged by the Government to put all the money we could into bonds and subscribe for all we could.

Q. It was not the idea that you would lose anything?—A. No, it paid all right.

By Mr. Pringle:

Q. Do you own any elevators? Are profits from elevators shown in these statements?—A. Everything.

Q. You have no subsidiary company running the elevators?—A. No, and the dividends on our investments are shown in that profit.

[Mr. Hedley Shaw.]

By Mr. Reid:

Q. I understood Mr. Shaw to say that this merely showed the profits made from the mills.—A. No, you misunderstood me.

Q. You have only one elevator?—A. No, we have a large public elevator at Port Colborne. It is an earner, and forty-five to fifty elevators in the Northwest. We buy direct from the farmer. There is a warehouse in Toronto and we have an office in New York, and the whole of our profits from all our business is shown in these statements.

By the Chairman:

Q. Is your turnover of fifty million dollars exclusive of Winnipeg?—A. Winnipeg buys the wheat from the farmers, and pays on account of the grain. This is not shown in the turnover.

By Mr. Nesbitt:

Q. The profits are included?—A. Yes, all the profits.

By the Chairman:

Q. What is the gross turnover?—A. It would not be fair to include Winnipeg in the turnover. It buys the wheat and it goes to the mill, and it is included in the mills.

Q. You have given us the elevators and the mills and everything else?—A. Yes.

By Mr. Reid:

Q. Do you grind all the wheat into flour that the western elevators buy?—A. A great deal more.

Q. All the wheat that you buy in the three prairie provinces with your country elevators, do you grind absolutely all that wheat? Do you ship any of it? Sell any of it?—A. Practically all of it is ground. It depends. If we have to ship some of it on getting filled up, we send it on down to Fort William. If our elevator mill was filled up we could not keep it on the track and we would send it on to Fort William.

Q. Do you want us to believe that all the profits of the business are shown there? You sell and buy wheat, do you not?—A. All the profits we get are in that statement. Anything made anywhere else is not included in that statement.

By Mr. Stevens:

Q. You mentioned that a good deal of that surplus may be the inventory for grain flour feed. Your inventory shows four million dollars, and your banks advance four million dollars. Those two cancel. They loan money for that. Eliminate it and come to these other items. You have investments of two and a half million dollars. In your liabilities you show a contingent account of four hundred and fifty thousand dollars, profit and loss of one million five hundred and fifty thousand dollars, a depreciation reserve of seven hundred and fifty thousand dollars. In other words, a two million seven hundred and fifty thousand dollar surplus, most of which has been earned in the last five years. The point Mr. Pringle has been trying to get at, and which I have been trying to get at, is that, including your large dividends, as high as twenty-five per cent, don't you think this accumulation is very strong evidence of what is commonly known as profiteering?—A. No, I don't think so.

Q. It may not have been intentional. You may not have deliberately planned that surplus. Why should it not be employed in knocking off ten or twenty-five cents a barrel from the price of flour. Some of that surplus should go to the consumer.—A. Our profits are not abnormally large. Why go back five years? That is a long while.

[Mr. Hedley Shaw.]

Q. You mave made these profits during the war years, and it is during the war years we are trying to keep profits down. What I cannot reconcile is this enormous surplus?—A. There is no enormous surplus, only one million and-a-half dollars, except the contingent account.

Q. Let us take in that contingent account. What is that four hundred and fifty thousand dollars for?—A. The price of wheat, when the war broke, was eighty-five cents a bushel. A mill with our capacity is bound to carry and have on hand enough to grind from fifty to sixty thousand bushels. We like to have fifteen days run of wheat on hand, which would amount to seven hundred and fifty thousand bushels. When the war broke we had on hand at least seven hundred and fifty thousand bushels of wheat.

Q. You made a good profit?—A. Yes. But what will we do when it goes down to eighty-five cents again? The contingent fund is absolutely for that purpose.

Q. The depreciation and reserve amounts to seven hundred and fifty thousand dollars. Your real assets and plant are valued at five million dollars, and you have a reserve of seven hundred and fifty thousand dollars. That is generous.—A. Not very. You would see that if you were buying any mill machinery. The life of mill machinery is not very long. There is five million dollars invested in bricks and mortar and mill machinery. The mill machinery is fifty per cent of the total amount.

Q. Bricks and mortar last a long time.—A. Mill machinery doesn't last long, and it makes fifty per cent of the total invested capital.

Q. What depreciation do you allow on the new machinery?—A. We allow five per cent on the fifty per cent capital invested in the mill machinery.

Q. After providing a contingent fund of four hundred and fifty thousand dollars, after paying dividends of twenty-two, eighteen and twenty per cent, and after setting aside a depreciation fund of seven hundred and fifty thousand dollars, you still have a million and a half dollars. Don't you think it is an enormous surplus to accumulate in war years?—A. I don't.

Q. I do.—A. Take into consideration our turn over in number of barrels, and the number of bushels we grind, and that does not look large. More than that, we do not pay twenty-two per cent or twenty per cent on our capital.

Mr. Pringle: Twenty-two and a half per cent.

By Mr. Stevens:

Q. Seven per cent on preferred, ten per cent on common and two hundred and fifty thousand dollars in victory bonds as a bonus. That is twenty-two and a half per cent.—A. If we paid that we would have paid out more than one million dollars, in dividends.

By Mr. Nesbitt:

Q. Twenty-two and a half per cent on common and seven on preferred?—A. Not on five million dollars, on two million and a half.

By Mr. Stevens:

Q. Your preferred is almost the same as bonds?—A. Our preferred and common are practically the same except that the preferred is cumulative.

Q. Your accumulation was in my opinion unfair to the public at this time.

By Mr. Nesbitt:

Q. I would say that their dividend payments are exorbitant but not the reserve. If I was a stockholder that is what I would think. How many stockholders have you?—A. We have twelve hundred shareholders, I think. We paid that dividend.

[Mr. Hedley Shaw.]

By Mr. Stevens:

Q. It will not help in these times of unrest for Parliament or the Government to see one small section getting large profits of that kind.—A. We are getting large profits but you do not figure the large amounts of profit——

Q. I quite appreciate all you have to say.—A. As I stated before, if we milled and did not make a dollar profit, bread would not be any cheaper. It would only make a difference in the cost of a loaf of bread of one-tenth of a cent. When you are looking for profits, while flour is high, the farmer gets six dollars and twenty-five cents more on the price of wheat than just before the war, and then you are looking for millers who are getting twenty-five cents.

Q. You get more than twenty-five cents.—A. No, we don't.

Q. With this fictitious charge—A. Well, put it up ten cents then, and suppose we got thirty-five cents a barrel, and that you are buying at the fixed price of six dollars and thirty cents above the old prices, even then it would make very little difference in the price of bread. The great amount of extra money goes to the farmer.

Q. We will get to the farmer later. He will get his turn under a different heading. How many barrels did you manufacture?—A. About three million.

Q. There is an extra fifty cents a barrel in this one million and a half dollars reserve?—A. That is not made from the mills, but from all our offices, on our turnover everywhere, even from the New York office. They transferred eighty-five thousand dollars, and it went to this profit, and we paid taxes on it here.

By Mr. Sutherland:

Q. Is there any reason why these screenings should not be sold as screenings rather than mixing them up with bran and shorts?—A. Screenings come from a stream of wheat that contains a certain amount of broken wheat. Bran and shorts are better with it in, and if you take it out, it would reduce the quality of the bran and shorts.

Q. It would make the quality of screenings better. You might try to make that better than by putting it in the bran and shorts.—A. It goes in the shorts.

Q. Yes, and also in the bran.—A. Practically none, because we bolt that and take the hulls off and burn them.

Q. You burn the coarse stuff, the straw and chaff and stuff of that kind?—A. If there is wild buckwheat it is cleaned and the husks burned.

Q. You mill buckwheat?—A. There is wild buckwheat in the seed. It is very good feed if the hull is taken off. Therefore the hull is separated and thrown out.

Q. Why not sell that as screenings rather than put it back in this stuff?—A. Some mills do that.

Q. You don't?—A. No.

Q. This wheat you get from the elevators, is that accounted the same as that which comes from the elevators in Fort William?—A. No.

Q. Clearly, there would be greater screenings from it?—A. Yes, and we send a great deal of it and burn it and we have shipped out a few cars of it, that is, of the seed. A great part of it is burned in the furnaces.

Q. A great proportion of the seeds are sold, and not a great part of it burned in the furnace?—A. We burned only recently a ton of fine seed that we did not consider as good.

Q. Don't you sell some of the fine stuff to those companies that are preparing stock feed?—A. No, we might have sold a car or two in the last five years. That would be all.

By Mr. Pringle:

Q. You had some discussion with Mr. Stevens in regard to your profits. Evidently the public considered you were making very very substantial profits while they were

[Mr. Hedley Shaw.]

willing to pay for your stock in July, 1914, less the twenty-five dollars—it was quoted at twenty-four and five-eights—I see that in 1916 the stock went as high as $122, or an advance of ninety-seven dollars a share?—A. There were very many stocks in 1914, and mighty good stocks too, which were sold very low.

Q. Can you explain this great increase?—A. We paid no dividend previously. We built our mill at Port Colborne, and that was our great earner.

By Mr. Stevens:

Q. What does it sell for now?—A. $167.

Mr. STEVENS: Pretty favourably.

Mr. NESBITT: I wish I had bought some at forty-eight.

The WITNESS: So do I.

By Mr. Pringle:

Q. One member would like an explanation of how this million seven hundred and seventy thousand dollars was absorbed, this amount which was the appraisal of the plants. I understood it was absorbed this way, common stock a certain amount and preferred stock a certain amount.—A. The Maple Leaf Flour Mills Company sold their plants, their assets for two and a half million dollars common and one and a half million dollars preferred. The property they sold was appraised for three million seven hundred and seventy thousand dollars by the Canadian American Appraisal Company. Our books were opened up with our assets at three million seven hundred and seventy dollars. There was a good-will of two hundred and thirty thousand dollars, which made up our four million dollars.

By the Chairman:

Q. Is it the former owners of the plant who secured that three million seven hundred and seventy thousand dollars in common and preferred stock in payment of the plant?—A. Yes, the former owners of the company and the Maple Leaf Flour Mills Company.

By Mr. Pringle:

Q. As I understand it, the Maple Leaf Flour Milling Company in 1910 sold to a new company composed of the same people, the Maple Leaf Milling Company, Limited. They sold their plant for four million dollars which was paid over in two million five hundred thousand dollars common stock and one million five hundred thousand dollars preferred stock. The Maple Leaf Flour Milling Company, which received this had an appraisal on all their properties by the Canadian American Appraisal Company, and that company appraised the property at three million seven hundred and seventy dollars and they have added to that two hundred and thirty thousand dollars for good-will. They evidently, in selling from themselves to themselves, in the name of different companies charged themselves and credited themselves with an item of good-will amounting to two hundred and thirty thousand dollars, and that is what this stock represents.

Mr. REID: Back of that still?

Mr. PRINGLE: If we had time enough we could go a long way back. It is for the committee to say. We will go a long way back if you like.

Mr. REID: Isn't the information available?—(No answer.)

By Mr. Pringle:

Q. Is there any way in which you can give the cost of the property to the committee? Leave out the appraisal value?—A. No, not unless I had them appraised again.

Q. I do not mean the present but the actual cost.—A. No, there is no way.

[Mr. Hedley Shaw.]

By Mr. Davis:

Q. It is very funny you have not got that.—A. It goes back twenty years.

Q. All that we can do is to infer that it was greatly less.—A. Even if I had an idea, I do not think that it would be of any use because the Canadian American Appraisal Company's appraisal is accepted the world over, and insurance companies settle any losses on their appraisals.

Committee adjourned till three o'clock.

The Committee resumed at 3 p.m., Mr. Nicholson, Chairman, presiding.

Mr. HEDLEY SHAW'S examination continued:

By Mr. Pringle:

Q. There are just one or two questions. What mills did the Maple Leaf Flour Mills Company own?—A. The mill at Brandon—the Brandon Mills; the Kenora Mills; the mill at St. Catharines, which was recently destroyed by fire; and the Thorold mill, and the Welland mill. They also had a site and had done some building at Port Colborne, so they practically owned them all.

Q. So they owned practically all the mills which are now owned by the new company—the Maple Leaf Company, Limited, with the exception of the Hedley Shaw—A. (Interrupting): That included the Hedley Shaw.

Q. That included the Hedley Shaw?—A. Yes.

Q. The capital stock of the old company is apparently one million dollars?—A. I cannot say.

Q. I have a statement before me (whether it is correct or not) taken from the Monetary Times, showing that their capital stock was one million, and the Hedley Shaw was one hundred and fifty thousand dollars?—A. I cannot say from memory. It was only on nominal capital, whatever there was.

Q. Making a total of one million one hundred and fifty thousand dollars?—A. Now, you apparently paid for that so much in preferred stock and so much in common stock, four million dollars representing four million dollars in preferred and common. That is to say, you gave two million five hundred thousand, which was your total issue, of common stock, and the million and an half of your preferred stock to the Maple Leaf Flour Mills, Limited, for their assets, and in the total capital stock of the Maple Leaf Flour Mills will be included the Hedley Shaw Milling Company, Limited, which was one million, one hundred and fifty thousand dollars?—A. Yes, that is only on nominal stock.

Q. That may be, but let us get the facts first, and then we will get the explanation. —A. I don't know. I don't know the stock.

Q. The Maple Leaf Flour Mills had a capitalization of one million dollars, and the Hedley Shaw Company, Limited, had a capitalization of one hundred and fifty thousand dollars. They are absorbed by the new company, called the Maple Leaf Milling Company, Limited, and the Maple Leaf Milling Company, Limited, paid for the assets of these two companies, four millions of dollars in preferred and common stock, paying two million five hundred thousand of preferred and one million five hundred thousand of preferred and one million five hundred thousand of common stock?—A. (Interrupting): For the assets.

Q. For the assets?—A. Yes.

Q. So that the assets of those two companies which had a capitalization of one million one hundred and fifty thousand dollars are purchased for four million dollars?—A. But the assets of the company were appraised——

Q. (Interrupting): I can quite understand that. We have had all that. They were appraised at $3,370,524 and you added, as you say, something for good-will?—

[Mr. Hedley Shaw.]

A. (Interrupting): We added something for trade marks, brands, and good-will, yes, You can call it "good-will."

Q. Who were the shareholders of the Maple Leaf Flour Mills Company, Limited, and the Hedley Shaw Company, Limited? Who are the shareholders of the present company?—A. Well, there are over twelve hundred shareholders of the present company.

Q. Who are the directors of the present company, who are, I suppose, the heaviest shareholders?—A. Not necessarily.

Q. Not, now, since the market went up?—A. I think they had as much as they had when the market went down.

Q. This book which I have before me shows that Sir D. C. Cameron, K.C.M.G., is president, Winnipeg; yourself, Hedley Shaw, vice-president, Toronto; Charles M. Band, New York; John I. A. Hunt, Toronto; Robert Cooper, Welland, Ontario; J. S. Barker, St. Catharines; and W. Steed, Port Colborne?—A. Yes.

Q. Who are the directors of the Maple Leaf Flour Milling Company which was absorbed?—A. I cannot tell you. Some of them stayed as directors, and some of the others were replaced.

Q. Practically the same organization?—A. No. I think there are only three directors of this company which were on the Maple Leaf Mills, Limited.

Q. Only three directors on the new company's board?—A. Yes.

Q. Now, then, the Hedley Shaw Milling Company, Limited—who controlled that?—A. That was controlled and owned by the Maple Leaf Flour Milling Company.

Q. That was the Maple Leaf Flour Milling Company?—A. Yes, sir, practically.

Q. Originally, though, it was a separate company absorbed by the Maple Leaf Flour Mills Company?—A. Yes.

Q. You, no doubt, were the chief man in that company?—A. Well, I have been the heaviest shareholder.

By Mr. Nesbitt:

Q. Where were the Hedley Shaw mills located?—A. At St. Catharines and Thorold. They originally owned the mill at Oakville.

By Mr. Pringle:

Q. The great bulk of this issue of preferred stock and common stock by the Maple Leaf Milling Company, Limited, went over to the Maple Leaf Flour Milling Company, Limited?—A. Yes.

Q. And, as you say, the directors of the Maple Leaf Flour Mills Company were largely the same directors as belonged to the Maple Leaf Milling Company?—A. No, I said the opposite.

Q. You said the opposite?—A. Yes.

Q. You said there were three?—A. I don't know. I think it was three.

Q. Let us see if we can see if any of these men here—Hedley Shaw, for instance?—A. I was on the Maple Leaf Flour Milling Company.

Q. You were on that company?—A. Yes.

Q. Was Sir D. C. Cameron, K.C.M.G., on that?—A. He was, yes.

Q. Charles M. Band, of New York?—A. I don't know whether he was on that or not.

Q. Mr. Hunt?—A. I think he was on.

Q. Robert Cooper?—A. He was not on.

Q. J. S. Barker?—A. Barker may have been——

Q. (Interrupting): Mr. Steed?—A. Mr. Steed was not on.

Q. Then, so far as you remember, there were only three?—A. I think so.

Q. That makes two?—A. Yes.

[Mr. Hedley Shaw.]

By Mr. Stevens:

Q. Did you say that any of these three might have been, or that you did not remember?—A. I know that two of them were on, and there may have been three.

By Mr. Pringle:

Q. You knew that Sir D. C. Cameron was one of them?—A. Yes.

Q. And yourself was another one?—A. Yes.

Q. And there may have been three?—A. Yes.

Q. Perhaps Mr Barker, of St. Catharines?—A. Yes.

By the Chairman:

Q. Could you give us figures, Mr. Shaw, with regard to the profits per barrel of flour?

By Mr. Stevens:

Q. You paid four million dollars for this million——?—A. (Interrupting): We paid four million dollars—let me put it this way——

Q. I only want to ask you one question, Mr. Shaw, and that is: was the difference of your appraisal value, of $3,370,000 and the capital stock value of one million, one hundred and fifty thousand dollars, made up by accumulated profits of the Maple Leaf Flour Mills?—A. Not all of it. I cannot tell, because I have not the figures and my memory does not serve me, but I know this, that the appraised value of the Maple Leaf Flour Mills, at that time as appraised by the American Appraisal Co., was $3,370,000, and that it all belonged to the Maple Leaf Flour Milling Co.

Q. You have the difference between that and your capital stock?—A. The capital stock was only nominal, as far as the Hedley Shaw Milling Co. was concerned.

Q. There must be some explanation. What is it?—A. No explanation. The stock is only nominal. You may have a capital of $100,000, and have assets of one million.

Q. We are not quite so simple as to let you get away with an explanation of that kind. It is quite possible, and very properly so, that that could be made by a surplus over ten, twenty or thirty years?—A. Not at all. That was all fixed assets and plant. As far as the capital is concerned whether it was one hundred thousand dollars or two million don't have anything to do with it.

By Mr. Nesbitt:

Q. I am afraid you are treating this surplus as cash. Surplus assets would be as much of an asset as cash?—A. Yes.

Q. If it was in a form of assets, it might be brick, mortar, or machinery, it will be the same as cash, would it not?—A. There would be that much surplus over the stock issue.

Q. Their investments had grown from the recent stock issue. Did you buy it out on the stock basis or on the appraised basis?—A. It was bought out exactly as I said. It was bought out on a stock basis. We took stock instead of cash.

Q. I don't mean that. In considering the assets, the value of the assets, did you buy them on an appraisal basis or on a capital stock basis?—A. It was not bought out on the appraisal basis.

By Mr. Stevens:

Q. It was not?—A. No.

Q. Just now you said it was?—A. It was appraised at that time.

Q. How was it bought out?—A. I have told you it was bought for four million dollars of stock.

Q. For what?—A. The Maple Leaf Flour Milling Co. sold out their whole assets for four million of stock to the Maple Leaf Milling Co.

[Mr. Hedley Shaw.]

Q. Do you want to allow us to give you credit for selling it on the appraisal basis, viz., that you gave four million dollars for two million dollars worth?—A. I cannot help what you think. That is the value of our property as appraised.

Q. You do not assist us very much in arriving at anything.

Mr. Pringle, K.C.: Perhaps he will tell us what became of the old company. That must have gone out of existence, must have wound up, because it apparently purchased the assets of the old company and then the old company evidently ceased to exist.—A. The charter was surrendered.

Q. So that goes by the board. You bought out the assets?—A. Yes.

By Mr. Nesbitt:

Q. On the appraisal basis?—A. Practically, yes.

By Mr. Stevens:

Q. How much stock in the new company was charged for each share of stock in the old company?—A. I don't know.

Q. How much did you get?—A. I don't know.

Q. You don't know?—A. No.

Q. Have you any idea?—A. Not now.

Q. No guess at all?—A. No, I have not a guess. There is no use in making a guess and saying something I don't know.

Q. For the head of a concern like the Maple Leaf Milling Co., you have one of the most wonderful memories I have ever heard of.—A. Do you want me to guess?

Q. You know whether it was two or three dollars to one?—A. I cannot tell you

Mr. Stevens: Then we had better have, I think—I think we had better ask for a statement showing the transactions of the reorganization of the Maple Leaf Flour Milling Co. and the Maple Leaf Milling Co.

The Chairman: That is the difference in the name; one is the Maple Leaf Flour Milling Company and the other is the Maple Leaf Milling Company.

Now, as I understand it, Mr. Stevens would like to get a statement of the companies as of the month of April, 1910, and just see how those companies stood, and what they were getting for this four million dollars of stock upon which they are now paying dividend.

Mr. Stevens: And how this appraisal surplus was shown.

By Mr. Pringle:

Q. Have you got that appraisal with you?—A. No.

The Chairman: Let us make that perfectly clear. The two companies—the present Maple Leaf Milling Company sold what they claimed was worth three million three hundred and seventy dollars—as a matter of fact is that right. They themselves had one million, five hundred thousand dollars worth of stock.

Mr. Stevens: I want the information supplied, and I think that Mr. Shaw could give it to us close enough—if he wanted to. I want the transactions bringing about the re-organization of the Maple Leaf Flour Milling Company, and the Maple Leaf Milling Company, including the Hedley Shaw Company, on March seventeenth, nineteen hundred and ten. I should judge that that is the date by this statement here.

Mr. Pringle: It was in April——

Mr. Stevens: Which shows the appraisal of assets and over liabilities of $3,370,-000, as against the capital stock in the former company. The Maple Leaf Flour Milling Company and the Hedley Shaw Company of one million, one hundred and fifty thousand dollars.

I also want to know how many shares in the Maple Leaf Milling Company were given for each share of the old company's stock.

Mr. SHAW: It will be given in proportion to the stock that was issued in the Maple Leaf Flour Milling Company, whatever that proportion is.

Mr. STEVENS: We also want to know if this $3,370,000 assets were made up by the company's earnings, or how it was made up, over the capital stock.

The CHAIRMAN: We will have to go back——

Mr. SHAW: I cannot give you that, because it is not obtainable.

Mr. PRINGLE: Mr. Chairman, this is a simple process. In April of 1910 there existed the Maple Leaf Flour Milling Company, and also the Hedley Shaw Milling Company. They had a capital of one million, one hundred and fifty thousand dollars. Some of the same men who were connected with that company, evidently conceived the idea of starting a new company, and there was created in the month of April, 1910, a new company called the Maple Leaf Milling Company, Limited.

The new company took over the company which was then running with a total capitalization of one million, one hundred and fifty thousand dollars, and they gave to the men connected with the old company four millions of dollars in stock, partially common stock, and partially preferred stock.

Mr. PRINGLE: In the old company.

The CHAIRMAN: One million one hundred and fifty thousand dollars. Is that it?

Mr. PRINGLE: One million one hundred and fifty thousand dollars.

By the Chairman:

Q. How long had they been operating? How much money did they put into it? And how did these assets get to be three million three hundred and seventy thousand dollars? Whether it was accumulated earnings or cash put into the business?—A. I can give you that now. That three million three hundred and seventy thousand dollars worth of assets were the assets which were appraised, being valued at that much by the company. That number is right, so far as the old stock is concerned, one million one hundred and fifty thousand dollars, the stock record shows that. In that case the stockholders of the Maple Leaf Flour Milling Company would get two and a half for one, something like that.

Q. The point is, to go back into the affairs of the Hedley Shaw Milling Company.—A. If you go back there you will be going back about twenty years.

Q. That is what we will have to do, to find out how this three million three hundred and seventy thousand dollars was accumulated.—A. I cannot give you that.

Q. Can you get it?—A. No, I cannot get it.

Q. You cannot get that?—A. No.

Mr. Stevens:

Q. Did the Maple Leaf Flour Milling Company issue an annual statement?—A. I can get the annual statement.

By the Chairman:

Q. And the Hedley Shaw Annual Statement?—A. No, that was only a name for years.

Q. It was included in the other.—A. Yes, it was just a name. They didn't own anything.

Q. You can supply us with copies of the annual statement of the Maple Leaf Milling Company prior to this organization?—A. Yes.

Q. Let us have them.—A. All right.

Mr. PRINGLE: On the face of it, here are two companies in existence with a capitalization of one million one hundred and fifty thousand dollars. Now then, another company is formed and you are paying over three hundred dollars a share for shares valued at one hundred dollars. Now, then, would you get this increased capital in the new company upon which you have already told us the dividends are paid.

The CHAIRMAN: If you can give us the annual statement of the Maple Leaf Flour Milling Company, from the organization of that company, and say how this three million three hundred and seventy thousand dollars of assets was accumulated.

Mr. SHAW (Interrupting): I cannot give you from the organization, because I have not got it.

Q. How far back can you go?—A. I don't know whether I can go back of nineteen hundred and nine.

By Mr. Stevens:

Q. You can certainly do better than that.—A. If I have it I have got it, but I know I have not got it.

Q. Well, if you are going to talk about real estate——that is what I am driving at, and you know it. What I am getting at is what accumulated profit there is on the operations of that old company.

The CHAIRMAN: That is the point.

Mr. SHAW: I cannot show you that, because it don't appear.

Q. The part of the old company—the stock, as you say, is one million one hundred and fifty thousand dollars——

By Mr. Pringle:

Q. The new company paid three hundred and forty-eight dollars a share for it. —A. Yes, if you want to get at the value of their property capitalized at one million one hundred and fifty thousand dollars, the only way is to have the property appraised and see what it is worth at that time.

The CHAIRMAN: That is perfectly true, what it was worth at that time, but how did this institution that had one million one hundred and fifty thousand dollars worth of stock, assuming it was all paid for, or it represented that much cash—how did that get to be worth three million three hundred and seventy thousand dollars? Is it the profits that have gone back into the Company?—A. It would be the profits and increase in value.

Q. Have you any statement of the Maple Leaf Flour Milling Company that shows that? If you have, it will simplify matters.

By Mr. Nesbitt:

Q. Do you mean to say you have not got the annual statement filed away of the old Maple Leaf Flour Milling Company?—A. I do. I was not in there until years after it was organized.

Q. You can give us some of them?—A. Yes.

Q. I will tell you the deductions that I am forced to make from this. That this was accumulated profits really amounting to 3·5 of the capital when the re-organization was made, and here is the second deduction, that in your new organization you are going on with exactly the same process, you are selling your product at a very good price, you get a very good profit, accumulating a big surplus or reserve, which I suppose in another year or two will cause another re-organization, and that will become capital and you will say to the public: "We are only paying seven per cent."—A. You are at liberty to suppose anything you like, but the facts are as I have given them.

Q. You have not given us the facts.—A. I have given you the exact facts.

Q. Was it accumulated profits?—A. You can call it accumulated profits, or whatever you like.

Q. What do you call it?—A. Well, if you bought a property for one hundred dollars twenty-five years ago, and in twenty years it was worth a thousand dollars, would you call that accumulated profit.

Q. You said it was "Both." What do you mean?—A. What the property originally cost. That is the way it was on the books. The Maple Leaf Flour Milling Company built the Kenora Mill, and it was burnt down and built a second time, and the books were all burned up. There are complications, and I cannot get it.

Q. You are capitalized for one million one hundred and fifty thousand dollars, and you say that was low?—A. Yes.

Q. During the years you were in operation you left the money return, and then when you wanted to sell out, you had an appraisal made and that represented, you think, the accumulated assets of the company?—A. Yes.

Q. You call that "Accumulated Profits." That is the difference between you and us?—A. Yes.

Mr. Pringle: They evidently considered that had become worth some three hundred and forty eight dollars, and they sold it for that.

Mr. Davis: How much of this capitalization represents money put into it, and earned profits, and how much is unearned profits, and the value of the good-will.

Mr. Pringle: They may have been taking out the earnings and putting it in their plant.

The Chairman: I want to ask one question, which I think is pertinent to this whole thing. Can you give us the profit that your company has been making on a barrel of flour for the past five years?—A. Yes.

Q. Have you that statement with you?—A. No.

Q. Can you file with the Committee a statement showing the profits that you have been making per barrel of flour?—A. No, not per barrel. I can only give you the profits that the Maple Leaf Company have made per year, which I have given you. That includes the profit on flour and everything else that the Maple Leaf Milling Company has done.

Q. Do you mean to say that you are asking this Committee to believe that the Maple Leaf Milling Company does not know what profits it is making on milling and on their other business?—A. I do.

Q. You don't know?—A. No.

By Mr. Stevens:

Q. Do you keep books?—A. Yes, we keep books in each mill.

Q. Who keeps the books, the night watchman?—A. No, I think we have a very good set of books.

Q. I think you have to, tucked away somewhere, which would show this information if you wanted to give it.

By Mr. Nesbitt:

Q. What is the gross for manufacturing a barrel of flour?—A. Around seventy or eighty cents a barrel.

Q. And if you add twenty-five cents a barrel net profit, that gross profit would be—A. (Interrupting): Around ninety-five cents a barrel. When I say that they don't keep these profits separate, there is a profit on feed and a profit on oats and a profit on coarse grain, that is all handled in a different way in the different mills. They don't keep a separate account for coarse grain and corn or whatever it may be.

By Mr. Nesbitt:

Q. They send you their net earnings?—A. Yes.

[Mr. Hedley Shaw.]

By Mr. Devlin:

Q. Do you happen to have a list of your shareholders?

Mr. PRINGLE: He said no. He said there were ten or twelve hundred shareholders.

Mr. SHAW: There must be twelve hundred shareholders, if not more.

Q. I dare say a great deal of it is held by brokers. They are very active on the market now.—A. No, very little of it is held by brokers.

The CHAIRMAN: I think that before this Committee can satisfy the public opinion, we must find out, if it is possible, what profit the Maple Leaf Milling Company is making on a barrel of flour.

Mr. PRINGLE: Give us your output and we know your total profit.

By the Chairman:

Q. Can you do that?—A. Yes.

Mr. STEVENS: You gave three million barrels as your output.—A. Almost three million.

The CHAIRMAN: Three million barrels of flour would not be worth fifty million dollars.—A. There is the by-products and covers and all that.

The CHAIRMAN: Mr. Cloutier has a list of the papers to be asked for. That will do now Mr. Shaw.

WITNESS discharged.

Mr. WILLIAM ALLAN BLACK called, sworn and examined.

By Mr. Pringle, K.C.:

Q. Mr. Black, the Ogilvy Flour Milling Company was incorporated in nineteen hundred and two?—A. Yes.

Q. And you had an authorized capitalization of two million five hundred thousand dollars of common and two million dollars of preferred stock?—A. Yes.

Q. Then you had bonds, series "A", "B" and "C"—I see your financial year ended the thirty-first of August, nineteen hundred and eighteen?—A. Yes, sir.

Q. Now, does this statement which you have handed in—being a balance statement of the thirty-first August, nineteen hundred and eighteen—show your bonded indebtedness? Oh, yes, I see it does. First mortgage bonds. Your total is two million three hundred and fifty thousand dollars, and your capital stock preferred, two million, common, two million dollars. Then you have a rest account, of two million five hundred thousand dollars, and you have a contingency account—a special contingency account—of $1,596,407.45. Of what does that contingency account consist? Is that a cash account?—A. That account rests in this way, that we have been in the habit of carrying our inventories, which are very large, and our investments at a very conservative figure owing to the speculative character of the value of wheat and flour, and when we started to send in our business tax returns, we showed Mr. Beadner the value at which we had been in the habit of taking it, and we asked if it would be all right for us to continue on the same margin of safety. For the first three years he thought that was quite satisfactory, but last year, he changed his mind, and he said that the inventories should be taken in at the actual market value, because of the fact that the Government had guaranteed the price of wheat, that year, and consequently we we were forced to write up our inventories to correct market value, and pay that difference into the Government, as a business-profit tax. These are the figures representing the difference between what the stock carried on our book, and what we had to advance at the request——

[Mr. Hedley Shaw.]

Q. (Interrupting) That accounts for the reduction in your contingency account? You see your contingency account——A. (Interrupting) We did not have it before that year.

Q. I see the contingency account of the thirty-first of August, nineteen hundred and seventeen, two million five hundred thousand. Probably that was meant as a rest account?—A. I don't recall of any as far back as that.

Q. Here it is (indicating), "Two million five hundred thousand dollars", but I don't see " rest account "?—A. That is what we called the " contingency account." At that time we simply called it " rest account " as expressing more nearly what it means. This contingent account (indicating) has nothing to do with that one (indicating).

Q. Then in your balance sheet for the year ended the thirty-first of August, nineteen hundred and seventeen, the two million five hundred thousand dollars contingent account is really a rest account?—A. Yes, sir.

Q. So that when you come to the end of your financial year in nineteen hundred and eighteen, the thirty-first of August, you carry forward this contingent account——A. (Interrupting) As rest.

Q. Your " rest account " had two million five hundred thousand dollars, and also has a provision for the contingent account of $1,596,407.45, so that you have in these two accounts, $4,096,407.45, or almost the equivalent of your total capital?—A. Yes, very nearly, but the one is for the purpose of protecting the stock, as against a decline, with the wheat value about three times the normal value.

Q. The falling of the market price?—A. Yes.

By Mr. Nesbitt:

Q. How much stock do you usually carry?—A. It varies very much.

By Mr. Pringle:

Q. That is given in the statement, a little over two million dollars?—A. Yes, it is a little lighter at the close of August, and that is the reason we selected that period for the closing of our books. It will run up to ten, twelve or fifteen million dollars during the course of the year. So at the end of December, it might easily run to fifteen million dollars, because we are purchasing large quantities of wheat, and shipping across the lake for grinding in our eastern mills. Then it increases until May, and then decreases until August. It depends on how early the crop is likely to come in, and the amount we carry over from one year to another.

Q. Have you any other item of investment $1,148,083.92, or is that included in your reserve?—A. I do not quite understand.

Q. We will take the last statement. Investment four million eight hundred and ninety six thousand nine hundred dollars of Dominion of Canada War Loan, and Treasury Bills. With that you have an investment amounting to $6,575,149.82? What I want to get at is this. Does that six million odd dollars, the figures of which I have just given you, include your rest account and special contingent account?—A. No, sir. It is assets. If we had less than that we would have more stock, or would probably owe the bank less.

Q. It does not in any way increase your reserve?—A. No, certainly not.

Q. Nor your contingent account?—A. No.

Q. What were your profits last year. At the last year ending the 31st of August, nineteen hundred and eighteen, they have shown here is $1,955,414.84.—A. Yes, sir.

Q. What percentage is that?—A. Well, some years ago we did not make any difference in where the earnings came from, and I quite appreciate what Mr. Shaw says, which some of you gentlemen do not seem to understand. Up to that time we did not consider it necessary to make any particular analysis of where the profits came from——

Q. (Interrupting) Let us first get your earnings. You have a capital stock of five million dollars, part of which is preferred and part of which is common, and you have

[Mr. Hedley Shaw.]

been able to earn—I make it a little over thirty nine per cent, during the year ending the 31st of August, nineteen hundred and eighteen. Now, is that correct?—A. On what basis do you figure that?

Q. On the basis that your statement shows that your profits are $1,955,414.84, out of which you have paid dividends on preferred and common stock to the extent of eight hundred and fifteen thousand dollars, carrying forward a surplus of $1,140,-414.84?—A. Yes, sir.

Q. Now then, you have actually made on your capital investment of five million dollars, about thirty-nine per cent?—A. Yes. But that is not our capital.

Q. I would not argue with you. If you will take a slip of paper and check that up, and see if I am right in my conclusion, then we can get on the other basis of turnover and capital used. Give me now the exact percentage earned in the year nineteen hundred and eighteen, the year expiring the 31st of August, nineteen hundred and eighteen on your capital?—A. On the common and preferred stock it was forty-three and a half per cent.

Q. Forty-three and a half per cent?—A. Yes. On a capital represented by the preferred stock and common stock, the rest of the amount was credited to profit and loss, and was 23·47 per cent. You asked another question from Mr. Shaw this morning, and I will give the same information to you.

Q. How will it do to wait until I ask that question of you. I want to clear things up as we go. The difference on your preferred and common stock of five million dollars.—A. (Interrupting) Four million and a half dollars.

Q. Yes, you are right there. Four and a half million dollars. Your preferred stock has a fixed rate of interest?—A. Yes.

Q. How much?—A. Seven per cent.

Q. And that is on to two million dollars?—A. Yes, sir.

Q. Now then on seven per cent you have got a hundred and forty-seven dollars to pay on your preferred stock, leaving for your common stock the difference between that and one million nine hundred and fifty-five thousand four hundred and fourteen dollars and eighty-four cents. Let us see how that works out. That makes $1,815,-414, and you divide that by two and a half or 2·50, which makes approximately seventy-two per cent earned on your common stock in the year ending the 31st of August, nineteen hundred and eighteen. Is that the year you gave a bonus of fifteen per cent?—A. Yes, sir.

Q. That is the year you gave a bonus of fifteen per cent?—A. Yes.

Q. You paid a common dividend of—twelve per cent?—A. Yes.

Q. Twelve per cent and gave a bonus of fifteen per cent?—A. Yes.

Q. So the shareholders of the Ogilvy Flour Mills Company, Limited, received during that year twenty-seven per cent on their common stock and a larger amount was carried over to reserve?—A. Correct.

Q. As a matter of fact you could have paid them seventy-two per cent, but that would not have looked well, would it?—A. It would not be business prudence.

Q. It would not be business prudence?—A. No.

Q. Now then, I don't suppose, Mr. Black, you would say that was profiteering? —A. I do not consider that as a proper basis to go on. The shareholders owning this stock have also beside the two and a half million represented by the stock four millions and some odd thousand dollars which might just as well be issued in stock.

Q. That is all right. It is four and a half million taken out of the public in your business.—A. I am not talking about taking it out of the public.

Q. I will not say whether it is fairly or unfairly, but the public have——A. (Interrupting): Expressing it that way means that you think it was taken out of the public unfairly.

Q. The public have enabled you by the prices they have paid——A. (Interrupting): What public?

[Mr. William Allan Black.]

Q. I don't care what public. We will call it the human race. Put it that way. The human race, the men who have got to buy the bread—it is those men who have enabled you to pile up this surplus of millions of dollars and enabled you to pay to your shareholders twenty-seven per cent, and then carry this very large surplus over for future years.

Mr. Stevens: Give Mr. Black his four million and a half, and you still have twenty-six per cent dividends for that common stock?—A. No, the earnings on the capital and bonds on capital exclusive of the bonded and other assets amounts to 23.47.

Q. You pay your preferred dividends at seven per cent?—A. That has nothing to do with this capital invested. If you are talking about dividends on the common stock.

Q. The common stockholders virtually own this company?—A. Yes, but the preferred shareholders also have rights.

Q. But no right beyond the seven per cent except in the general interest?—A. They have on the assets. They must be paid before the common shareholders could get anything, if the company were liquidated or wound up.

Q. But on the common stock. Supposing that you take this four and a half million dollars of which you were speaking, you still earn twenty-six per cent?—A. I don't quite get that, Mr. Stevens.

Q. I only interjected because you said there was four and a half million dollars to be added. I will not argue that with you. Add it, and you still show an earning of twenty-six per cent on the common stock plus this added capital that you have under reserve and other funds.

By Mr. Nesbitt:

Q. Does that include the bonds?

Mr. Stevens: No, the bonds are a fixed price?—A. On the actual money in the company, including the bonds, it would make it very materially less. Mr. Pringle asked this morning from Mr. Shaw what his total average capital for the year was, what it would amount to, and I thought that information might be of the same value for our company. We figure that at 14.84 per cent.

By Mr. Pringle:

Q. You have a certain amount of bonds and a fixed rate of interest and you have an amount of preferred stock at a fixed rate of interest, and after deducting the interest for the bonds and deducting the interest for the preferred stock, the balance is really applicable to your common stock?—A. Yes, reasonably so.

Q. Now we have been getting the year ended 31st of August, nineteen hundred and eighteen. Let us take the year ended 31st of August, nineteen seventeen. Your profits during that year were $1,358,847.15, out of which you paid seven hundred and sixty-five thousand dollars in dividends and you transferred to contingent account one million two hundred and fifty thousand dollars. Now, take it on the same basis, you take your hundred and forty thousand dollars, being the interest that you have got to pay on your preferred stock, and you have a balance left of $1,218,847.15, practically sixty per cent made on your common stock during the year ending the 31st of August nineteen hundred and seventeen.—A. A balance of how much?

Q. You have a balance of $1,218,847.15.—A. Well, divide twenty-five hundred into that and you do not get sixty per cent, do you.

Q. You get fifty per cent.—A. You do not even get fifty per cent.

Q. Don't you? Well, we will just look that up casually.—A. Forty-eight and three-quarter per cent.

Q. As against seventy-two per cent during the last year. Now, would you give us the statement for nineteen hundred and fourteen, nineteen hundred and fifteen and nineteen hundred and sixteen?—A. No. I am sorry I have not got that. I was only asked in the telegram to produce the papers for the two years.

Q. But you can produce them for the purpose of the committee?—A. Yes.

Q. Now, at the inception of this company was there any cash paid for the two million five hundred thousand common stock?—A. I was not associated with the management of the company. I had a subordinate position. I did not come into the management until June, nineteen hundred and twelve. If any information is required beyond the date of my assuming control, I can get it, if you will let me know what you would like to have.

Q. Now, as I understand it, this company was incorporated in nineteen hundred and two, but the Ogilvy Flour Mills have been running on since the beginning of the nineteenth century.—A. Over one hundred years.

Q. Then, in nineteen hundred and two, all the assets of the Ogilvy Flour Mills (I don't know what they were called at that time)—I think "The Ogilvy Flour Mills" were what they were known by—were put into this company at a certain valuation?—A. Yes, we purchased for cash from the executors of the estate of Mr. Ogilvy.

Q. You do not know what the purchase price of that was?—A. No, but I can ascertain that.

Q. Then the original common stock was one million two hundred and fifty thousand dollars?—A. Yes, sir.

Q. In nineteen hundred and two?—A. Yes.

Q. In nineteen hundred and eight that common stock was increased, it was just doubled?—A. Yes.

Q. Up to two million five hundred thousand dollars?—A. Yes.

Q. And that allotted to the shareholders of that date?—A. Yes.

Q. So that the shareholders got—A. (Interrupting) And they paid for it, paid par for it.

Q. Then the shareholders got at par the new issue of stock of one million two hundred and fifty thousand dollars in nineteen hundred and eight?—A. Yes.

Q. That no doubt was for the purpose of increasing the capitalization and looking for the larger business?—A. Yes.

Q. Now, you have already given us the dividends you paid last year, or at least the year ending the 31st of August, nineteen hundred and eighteen, twelve per cent, plus a bonus of fifteen per cent, making a total of twenty-seven per cent. What bonus did you pay this year?—A. We have not paid any. Our year does not end until August 31. If it is of any interest I might say that the average dividend since the beginning of the company, has been fifteen per cent.

Q. You are surely useful to the Government in raising their revenue?—Yes, directly and indirectly.

Q. I am pleased to note that you have paid—that your contribution to the business tax, exceeds the dividends to the shareholders of the common stock of the company, so, while you have done well for your shareholders, you have also done well for the country and the Government. Could you tell us the amount that you have paid in war taxes to the Government?—A. I have not got these figures here. If you would like to have them I will send them to you.

Q. I would like to have them.—A. I will send them to you.

Mr. Black: Do you know very much in regard to the wheat situation?

Mr. Nesbitt: Before we leave the flour I want to ask one question.

[Mr. William Allan Black.]

By Mr. Devlin:

Q. I would like to ask one question also. Who are the directors of your company?—A. Charles R. Hosmer is President; I am Vice-President; Sir Herbert Holt, Sir Montagu Allan, Shirley Ogilvy, Mr. Chaput, the wholesale grocer of Montreal, and Sir Augustus Nantin.

Mr. PRINGLE: Let me read this list to you, and then we will be able to check them up: Charles R. Hosmer, President, Montreal; W. A. Black, Vice-President, Montreal—also Managing Director, Sir Montagu Allan, C.V.O., Montreal; Sir Herbert Holt, Montreal, Charles E. Drummond—A. (Interrupting) Charles E. Drummond is dead.

Q. (Continuing)——Shirley Ogilvy, Montreal, Sir Charles Gordon (he, I understand, is also the President of the Dominion Textile, Montreal); Sir Augustus Nantin, Winnipeg.—A. Yes.

Q. Who took Mr. Drummond's place.—A. No one has been elected yet.

Q. That is the board of directors which I have just read to you, with the exception of Mr. Drummond, who is now dead.—A. Yes.

By Mr. Nesbitt:

Q. What was your turnover last year?—A. Fifty six million six hundred and sixty-seven thousand dollars.

Q. What was your profit on the turnover? Your percentage.—A. 2·6.

Q. What was it in nineteen hundred and seventeen?—A. 1·84, I think it was. I think I put it down here. Yes, 1·99.

Q. 1·99.—A. Yes.

Q. What were your sales for that year?—A. I have not got the sales with me just now. From the flour mill end of the business we had sales of thirty-six million two hundred and nine thousand dollars of which forty-five per cent went to countries other than Canada, and fifty-five per cent was sold in Canada.

Q. And have you got the profits on your flour and other stuff separately?—A. Yes.

Q. What were they?—A. Flour profits, seven hundred and twenty-one thousand, from other sources six hundred and thirty-seven thousand dollars

Q. In nineteen hundred and thirteen?—A. Yes.

Q. Have you the same for nineteen hundred and eighteen?—A. Yes, in nineteen hundred and eighteen they were eight hundred and fifty-two thousand dollars, or 1·87 per cent of the turnover.

Q. That is for flour.—A. Yes, sir. From other sources it was $1,122,504.

By Mr. Pringle:

Q. That is all given in this statement? Have you made any copies of it?—A. Yes. I gave a number of copies to the Secretary.

Q. I see you contend in the statement that on the turnover you must gauge your profit on account of capital employed.—A. That is the only way we can properly consider it. If you made one hundred thousand barrels of flour at a profit of one dollar, why, it might be very unprofitable, at least a margin of a dollar, there would not really be any profit left.

Q. Prior to the War would you be able to make any such profit as you have been making during the last three or four years? It would not appear so from your rest account?—A. Our turnover was nothing like it has been, partially on account of the volume and partially because of the increase in flour.

By Mr. Nesbitt:

Q. In dollars and cents?—A. Yes.

[Mr. William Allan Black.]

By Mr. Pringle:

Q. Quote us the increase cost of the wheat.—A. Oh, the average business man in discussing this matter with his banker, always discusses it on the basis of a turnover, and not on the profits. If a hatter sells a hat that costs him twenty-five cents for fifty cents, you would not expect him to sell a hat which cost him five dollars, for five dollars and a quarter. We have to have some proportionate increase, owing to the increase in value.

Q. I am not finding any fault, but what we do say is that a number of gentlemen like Sir Charles Gordon and Sir Joseph Flavelle, and perhaps the other gentlemen who are chairmen of these different committees, and all this sort of thing—that the companies with which they are associated have been, during this critical period of the war, making a very large profit. In the case of the Dominion Textile it was shown as over three hundred and ten per cent. In your case it is seventy-two per cent, and there is no doubt about it that it causes unrest in the country. These goods are staple; woollens and textile and foodstuff, are the things our people want to know about and they want to know why there are these excessive prices at the present time, and they find these men who are at the head of these companies are the men who have been making these very large profits, consequently I want you to make every explanation you can, to see just where we stand?—A. I will be very glad to give you the benefit of my views. I don't think any one can say that the margin of 1·87 per cent on the turnover is a large margin. It is too nearly none at all.

Q. You may be right. I will not say that you are not right, because you may be, but I think the public looks upon it in this way; there are a number of men with a good investment and a certain amount of capital and they are getting seventy-two per cent and three hundred and ten per cent, and so on, out of what are the actual necessities of life.—A. (Interrupting) I am speaking of——

Q. (Continuing) ——And they say very candidly, "Here is all this coming out, is the Government going to remain silent and do nothing, or see that is rectified in the interests of the great consuming public." That is the trouble.—A. Of course, these are very abnormal times.

Q. And these are very abnormal profits.—A. When you take a very great risk you have to have a larger margin of profit than otherwise, but neither you nor any other man can say that 1·87 per cent is anything but a very, very reasonable profit, a very small profit on the value of the article you are turning over.

You discussed the effect of the milling profit on the consumer. I would like to point out to you——

"Q. (Interrupting.) I read your statement in regard to that.—A. I have some figures here that I want to show you, based on the Government's own returns. The Canada Food Board have been working at this and they have accumulated a set of figures here, giving the cost of bread, the cost of flour, and the cost of wheat, on the average from nineteen hundred and thirteen to nineteen hundred and eighteen.

In nineteen hundred and thirteen the average value of number two Northern wheat was ninety cents a bushel; the value of flour was five dollars a barrel, and bread was five cents a pound.

In nineteen hundred and eighteen wheat had advanced to two dollars and twenty cents for the same grade; flour had advanced to eleven dollars and thirty cents, and bread to seven and one-third cents a pound.

Now, if you will take their figures for the average value of wheat for nineteen hundred and fourteen, at ninety-five cents, and remember that it takes about four and one-half bushels to make a barrel of flour, the cost of that wheat is four dollars and twenty-seven and a half cents.

[Mr. William Allan Black.]

In nineteen hundred and eighteen the value of the same amount of wheat at two dollars and twenty cents a bushel is nine dollars and ninety cents. The difference between the two is five dollars sixty-two and a half cents.

By Mr. Nesbitt:

Q. What is the increase of——?—A. (interrupting) The average price for flour in nineteen hundred and eighteen is eleven dollars and thirty cents; for nineteen hundred and fourteen it was five dollars and seventy-five cents, a difference of five dollars and fifty-five cents, showing that the increased cost in flour was five dollars and fifty-five cents and the increased cost in the wheat was five dollars sixty-two and a half cents.

By Mr. Stevens:

Q. Is it your contention that you are making less than you were?—A. Not that, but because of the increased quantity the cost of the making of a barrel of flour has been reduced that much.

Q. Here is what we cannot get through our heads. We appreciate, of course, that you cannot sell flour as cheap as we would like. We know the price of wheat is virtually fixed, and we find this, that in nineteen hundred and eleven you made seven per cent on preferred and eight per cent on the common; in nineteen hundred and twelve, seven and eight per cent; in nineteen hundred and thirteen, seven and eight per cent?—A. That is what we paid.

Q. In nineteen hundred and fourteen, seven and eight; in nineteen hundred and fifteen, seven and eight. Then it jumps—and these are the war years—in nineteen hundred and sixteen, seven and twelve; in nineteen hundred and seventeen, seven per cent preferred and twenty-five per cent common; in nineteen hundred and eighteen, seven per cent preferred and twenty-seven per cent common. Now, where is it going to end? I should say the only thing for us to do is to do like a lot of private individuals, at the end of the year, just divide all the profits between themselves—A. We do think that we have accumulated our profits and added to our business. We have invested entirely in our own country; we have made extra work for the people of this country, instead of paying it all to the shareholders, and we have accumulated a profit until we think we are a valuable asset to the country.

Q. You have a very well run institution, we are not questioning that, but here is what I think ought to be done, if you will take this suggestion. (This is not the view of the Committee, but only my own personal opinion)—that such a company as yours, the Maple Leaf Milling Company, the Dominion Textile, and other companies, whom, through the exigencies of the war, have made abnormal profits, should this year, when everything is in the melting pot, and every one is struggling to get things out of this chaotic state and reduce things down to a minimum, that you should eliminate your profits for the coming year, and take some of your profits out of this abnormal surplus which your statement shows you have on hand.—A. You might not realize it, but it is a fact that for the greater part of this year we have been selling flour in Canada for less than cost.

Q. I question that. I question all this—— A. (Interrupting): We know exactly that it is so, because we have kept tab on it. Sometimes we call "cost" what is not cost——

Q. (Interrupting). I believe you are giving me the correct facts of the case, there is no question but that before the war, during the normal years, that I have quoted here, you used to sell flour at thirty days, which was practically a cash sale.—A. No. Our standard price is always cash.

Q. You didn't add to it for thirty days.—A. We charged a greater price.

[Mr. William Allan Black.]

Q. If you quoted your flour on the market at five dollars and a half, that was thirty days' term?—A. It varies. In the lower provinces, we sell for no other terms than cash terms. We have a cash price there. In the province of Quebec, there is a very much greater amount of credit asked for, and the business is divided there between cash payments and term payments. The same thing is true in Ontario, and the same thing is true in the West. We gauge the distance to some extent, by the distance from the mills. If a man is buying in the lower provinces, it sometimes takes six week to get it down there, but when it gets there, he buys it and he pays cash.

Q. I have bought your flour by the carload and we accepted your draft thirty days.

By Mr. Pringle:

Q. You were probably one of the favoured ones.

Mr. Stevens: No, it was common.

Q. Now, you add ten cents a barrel?—A. It amounts to the same thing, whether you get a term price with a discount for cash, or a cash price with an additional discount.

Q. You figure in this spread—— A. (Interrupting.) That is not the case, Mr. Stevens. There was talk of that sort of thing, but that was not the basis at all. The basis finally adopted by the Food Controller was that he took the actual cost and from experience such as he had, in the handling of this, he made a basis price for flour which had to stand there until he authorized a change for any more. He did not care how much was sold.

Q. He gave you a gross margin of ninety-five cents?—A. Yes. That is what they talk about.

Q. No agreement was ever made?—A. No.

Q. In any case you have recently added that ten cents a barrel, for a thirty-day term. That is not what you used to do, five or ten years ago?—A. Well, Mr. Stevens, before this Food Controller took hold of the situation there was really no such relation between any of the mills. They were all doing business a different way. Now, to arrive at and carry out what they decided on in the first place, a margin of twenty-five cents a barrel over cost, there had to be a strict accounting, and then a definite plan was made out all the way through. The price was based on a cash price. Naturally if you pay cash, it is worth some consideration, as against terms, because there is not only the question of interest involved, but also the question of more or less bad debts involved.

Q. But you did change your terms?—A. Yes, well we got out a schedule. We said, "Here is what it costs to deliver a barrel of flour on the average in the different cities of Canada, because that is the only place we deliver it. To the country stations, we only sell at the car. In Montreal we deliver it into the baker's warehouse or the grocery store.

Q. For which you now charge fifteen cents?—A. No, ten cents. For instance, the price in Montreal to-day is ten dollars and ninety cents cash on the cars. If delivered cash, it is eleven dollars; deliver it on terms, it is eleven dollars and ten cents.

Q. That is thirty days?—A. Eleven dollars and ten cents, less ten cents for cash.

Q. What I am asking you is this——A. (Interrupting) So we give everybody a fair advantage. Some people think they can do this cartage for a little less than ten cents, but we think from our experience that it cannot be done. In fact, we know it cannot be done, but in some exceptional cases, where a baker has his bakery very close to a railway siding, he carts it for much less than we do. If they can get it done for less, we are very willing they should. That is why we made these basic figures.

Q. What I am trying to get at, and I think it is an explanation for a considerable portion of these abnormal profits for the last three years—if you were selling a carload of flour say three years ago, would you have sold that carload of flour, at, say ten dollars a barrel in Toronto, Vancouver and Montreal—three years ago, it would have been delivered into the warehouse on these terms. Am I not right?—A. No, we don't deliver in Vancouver.

Q. Never mind Vancouver. Take Timbuctoo, if you want to?—A. Not into the warehouse.

Q. You deliver into the warehouse on the tracks?—A. We do at certain times. In Montreal, where we have our own warehouses, we do, if it is desired.

Q. You changed that after the fixing of that price? You added—I have it fifteen cents.—A. No, ten cents.

Q. That may be, but the point is that there is an additional twenty cents a barrel over the terms you used to quote upon.—A. At that time, we had no limit of what we could do. We could give it away if we liked, or we could charge any price we could get any one to pay.

Q. What I am getting at, is the fact that a change in the terms did occur about the time the price fixing originally came into force?—A. Well, you might put it that way. It did not really change the conditions.

Q. Then we come to the second fact, which is demonstrated beyond a question, and that is that during these years the earnings of the milling companies went up by leaps and bounds. You figure that down to your total turnover, but I do not think that is the proper way to figure it. It would take me considerable time to analyse your turnover, your bran and shorts, and your flour and your offal and various things of that kind, and here is the point. Here is a sum of some millions of dollars, for instance, in nineteen hundred and eighteen and something over a million in nineteen hundred and seventeen, a million and a quarter dollars transferred to the contingent account, or a surplus anyway showing in the last few years a very large sum. The point I think we are here to impress upon your mind, and also to recommend to the Government later for some course of action is that this is an abnormal profit, which should not occur, and that the public, even if it is only one cent or ten cents a barrel, should have the advantage of that abnormal profit.—A. If we give them our entire profit, what would it amount to.

Q. You might say if John D. Rockefeller got a cent a gallon on gasoline—you know he would clean up a few million dollars.—A. Here is one of the essentials of life. As an essential that profit of ours is only running about twenty cents, while the Government thought that twenty-five cents was fair. Say at twenty-six cents a barrel how much is added to the cost of living of any individual or any family.

Q. How many barrels of flour did you produce last year?—A. Three million three hundred and eighty-five thousand barrels.

By Mr. Nesbitt:

Q. You have not got your profits of the turnover for 1911?—A. No, I have not. Of course our profits have varied very much more in other years than recently because there was always a very speculative development because the price was never fixed. Now, in the first year of the war when things were disordered, we had bought what we considered our reasonable requirements for the balance of the season. In March the Government said you can do no business with any country outside of Great Britain, Russia, France and Japan. Japan was of no use to us, Russia was of no use, and Great Britain did not buy, and I found myself with about two million odd bushels of wheat more than I could possibly use. Now I just simply sold that. Unfortunately for us it was sold at the top of the market and we made over a million dollars on the two million bushels of wheat.

Q. That was in the spring of nineteen hundred and fourteen?—A. Yes.

Q. And that sum was set aside for a prospective drop at some future time?—A. We have something, you cannot blame us for that.

[Mr. William Allan Black.]

Q. That goes on year after year?—A. As long as we do not pay it out we are re-investing this in something that is of benefit to the country, and payments to the Government, of what they ask all the time. We have never complained of the business profits tax. We have given them a complete statement of everything we had to pay them and paid them what they asked.

Mr. STEVENS: I was going to say this. Twenty-five cents a barrel on eight hundred and twenty-three thousand barrels helped to give you $1,955,000 of profit last year.—A. Yes.

Q. So you could reduce the cost of flour twenty-five cents a barrel.—A. I cannot start out on the first of January and say what we are going to make, this year or any other. I will say this. That last January it cost us $3.33 to make every barrel of flour we made in Montreal. That sounds absurd, but we only made twenty-nine thousand barrels of flour that month. There was no demand for it. Last year, it would probably come down to about sixty cents.

Q. That is not the same thing. You don't know what you are going to make next year?—A. Suppose we will put it down to one per cent. We think it might figure one per cent. At the end of the year we may find that we have figured a two per cent loss.

Q. You have a mighty fine contingent account to take care of that?—A. You would not do that in your own business.

Q. I think you ought to reduce the price of flour right away twenty-five or fifty cents a barrel. It would be a mighty fine act upon your part.—A. Who would get the benefit.

Q. It does not matter, but I think the consumer would.—A. If the consumer would get the benefit of it, perhaps we would do it, but you cannot figure that down so that the consumer will get any benefit.

Q. But he will not sit idly by—A. (interrupting): You have got to reduce the price of flour two dollars and sixty cents to reduce the price of a loaf of bread one cent.

Q. Twenty-five or fifty cents would help out. It would be the finest advertising the Ogilvy or Maple Leaf mills could have; simply to say to the public "We will play the game, we made a big profit last year, we will take a chance this year and reduce the price of flour."—A. Our prices of flour on the first of May were eleven dollars a barrel, the same as it is to-day. We have absorbed the carrying charges which the Government has been allowing us in previous months of about two and a quarter cents or ten cents a barrel. We have absorbed that, we have not changed our price. Some of our milling concerns said we should add more, because it is costing us more but we said "No, we will let that stand." Every month we have carried that, in May it was ten cents, and we are allowing it to stand without change. That is another ten cents. We don't intend to change the prices before another crop, and the prices will drop to what it is worth.

By Mr. Pringle:

Q. I want to ask you a question or two with regard to the wheat situation. We are practically paying pretty nearly three times the price for wheat that we were paying prior to the war, and there is just about as large a supply of wheat in the world as there has ever been, from anything that I can ascertain. The great increase in the cost of a barrel of flour brings it up from five dollars to something like eleven dollars. I will not venture any opinion as to whether the price of wheat cannot be reduced and still do justice to the producer, but why should wheat, when there is apparently more wheat to-day in the wheat reservoirs of the world than there has ever been, when there seems to be a tremendous surplus of wheat, why should wheat be up to this abnormal price?—A. Well, of course, there is some basis for a portion

[Mr. William Allan Black.]

of that increase anyway. That is to say, the farmer's costs have increased and then there have been, these last two years, no crops anything like they have had before.

Q. But they seem to have a tremendous amount of wheat on hand at the present time?—A. We have, but certain parts of the country have only a very poor crop.

Q. What I say, for instance, in the United States,——A. (Interrupting.) Other parts have had a good crop.

Q. They have got over ninety-six million bushels of wheat in the elevators on May 26, 1919, as against thirty-four million bushels on May 9, 1918?—A. Well, I don't know whose figures those are.

Q. I don't either. This is an article written by a man claiming to be a food expert?—A. The actual wheat has been so scarce that they came to the Wheat Exporting Company and bought four million bushels of wheat to help them along.

By Mr. Nesbitt:

Q. As a matter of fact, in the United States there was a great agitation to eat all kinds of things rather than to eat wheat, for the purpose of supplying wheat to the British market, that was necessary to carry on the war. That agitation has not been going on this year, so there is very nearly a normal amount of wheat in the elevators.—A. None of this year's crop has been on the market yet. There will be in July.

Q. In July there may be a supply of wheat, but you cannot tell the day before the wheat is cut what will happen to it, so what is the use of this estimate.

Mr. Stevens: That is a fair estimate.

Mr. Nesbitt: Yes, but that don't grow wheat.

By Mr. Pringle:

Q. We are all agreed that it is the public who pays the bill, and the public are vitally interested in the price of wheat and vitally interested in the conversion of wheat into flour, and that wheat should be obtained at the lowest possible cost, and should be converted into flour at the lowest possible cost, and that is something that a great deal of consideration has to be given to, if we are to get at what is a proper profit for wheat?—A. This is on the average.

Q. We have that report from the Department in regard to the wheat cost—the cost to raise it at the experimental farms and so on, whether that is a fair price or not I do not know. We have looked at that and have certainly had some evidence as to that.

Mr. Nesbitt: Take the Experimental Farms, and it costs them about a hundred dollars a bushel to raise the wheat.

Mr. Pringle: No. In the West they say it does not cost them more than sixty-three cents a bushel. Anyway, all I will say is, as I have already said, that the public are tremendously interested, and it is vital if we are going to have cheaper food stuffs.

By Mr. Sutherland:

Q. With regard to the food stuffs. That is very important, but then there are the feed stuffs, which has a bearing on the cost of living almost as great as the other. You say in this statement which you furnished the committee that one-half of your flour was exported from Canada last year, and that the feed stuffs were used at home, and then you say, "This latter fact enabled us to more nearly fill the requirements of our farmers and dairymen, which otherwise could not have been done."

Now, the bran and shorts are the most important for dairy stock, and regulations have been passed by the Houses of Parliament regulating the quantity of adulteration that will be permitted, particularly as regards to weed seeds, of twenty-five hundred in a hundred pounds of bran. Have you observed that law closely?—A. Yes.

[Mr. William Allan Black.]

Q. Have you been prosecuted for a violation of it?—A. No.

Q. You have not been prosecuted for the violation of that Act?—A. No.

Q. Have you paid any fines in connection with that?—A. No.

Q. I have a report of the Inland Revenue Department, and I noticed that you have not observed the Act very closely?—A. We may consider that the facts exist where we have been warned, but the number of times that has happened as compared with the millions and millions of pounds we have sent out, and the innumerable number of samples that they took, and you will appreciate that it is infinitesimal.

Q. Yes, and you will also appreciate the thousand of pounds of that feed that has gone out without being examined by the Inland Revenue at all?—A. We never can tell when the stuff will be examined. It is examined from Vancouver to Halifax.

Q. Yes, and the inspectors may not touch the same places once in a year. Here is a report of the chief analyst for the month of July, nineteen hundred and eighteen, and I see that your firm figures very prominently in that. This is from the inspection district of Nova Scotia. The Ogilvie Mills, for bran, eighty lambs' quarters, eight black windweed, sixteen field pennycress, and eight hares-ear mustard. All this in a pound of bran. How do you account for all these weed seeds getting in. They did not prosecute you, they only warned you?—A. You see, Mr. Sutherland, all our feed that goes to Nova Scotia comes from our Montreal mills. That is what we call the territory tributary to our Montreal mills. That grain cleaned to a commercial grade at Fort William. For instance, if a car leaves Fort William sometimes it has five or ten per cent removed to put it on a commercial standard. That is removed in the elevators at Fort William. If it is not cleaned to the proper standpoint, they stop it from going on the boat. That is over and above what has been taken from it at the mill site. They say that is reasonable in paying for the wheat, nevertheless, it is costing us just as much as the wheat, because we cannot sell that at a profit. It means, if we have to take all that out, that the price of that is going to be added on the price of the flour, because we pay, say roughly, at the present time forty cents a bushel. Now, these are not so much the small seeds, because they have generally been cleaned out at the elevator in Fort William.

Q. And re-cleaned before you mill it?—A. Oh, yes, certainly. We put it through seven processes.

Q. Seven processes?—A. Yes. It is a continual processes, and these are ground right in with the rest.

Q. Now, from the Province of Quebec, I see there is another offence, two hundred and twenty-four lambs' quarters, amongst a pound. You are allotted two thousand five hundred seeds per one hundred pounds according to the Act, yet you have overrun that. Here is two hundred and twenty-four in addition to that.—A. That is something that I have not heard of. Is that a recent report?

Q. July. For the month of July. I just happened to lay my hands on it during the adjournment.—A. July, nineteen hundred and eighteen?

Q. Yes. In fact some places are worse than that?—A. This information generally comes to me before——

Q. (Interrupting): Here is a District of Montreal, "four hundred and sixteen black bindweed, eight hundred and eighty lambs quarters, ninety-six hares'-ear mustard, ninety-six field pennycress, sixteen wild mustard, and sixteen stickseed"—I think that latter should be "stinkweed." Then follows the notation by the Chief Analysist, "Noxious weed seeds in excess. Adulterated." This in a pound. All these seeds in a pound of your bran, that you are sending out as bran?—A. It seems hardly possible——

Q. (Interrupting): Surely, Mr. Black, these men who are connected with your company, some of whom have had titles conferred upon them, have nothing to do with that?—A. I don't think that remark is applicable, because they have nothing to do with this, and you know it.

[Mr. William Allan Black.]

Q. I think the whole company is applicable. They are expected to observe the laws like anybody else.—A. We are trying to.

Q. Here is the District of Alberta; another offence. There is another charge against your firm. There they found, "five hundred and ninety two lambs' quarters," in a pound of bran. And here is a second offence, six hundred and eight lambs' quarters and sixteen pennycress. And so on all through all the districts. The District of Alberta again, one hundred and sixty lambs' quarters and so on. The District of the Rocky Mountains, thirteen hundred and ninety-two lambs' quarters, seven hundred and sixty-eight tumbling mustard seed.—A. All for my company?

Q. All for the Ogilvy Mills. Here again for the District of Vancouver, eight hundred and sixty-four lambs' quarters and ninety-six tumbling mustard, in a pound of bran.—A. That must have happened but it seems simply out of the question for such a large porportion of these seeds——

Q. That is the statement of the Department of Inland Revenue, only for one month?—A. What I mean by that, something must have happened.

Q. Certainly something happened. Then, let me call your attention to something that happened as a result of that. Here is an article from the Agricultural Gazette, published here in Ottawa, which says:—

> "For several years the Seed Laboratory has been receiving from farmers and from other branches of the Department of Agriculture, samples of ground feeding stuffs, with request for botanical analysis. They have usually been accompanied by complaints that stock refused the feed, or that they became ill, in some cases dying as a result of eating it."

Now then here is another:

> "A sample of shorts was received at the laboratory, from a farmer. He and his neighbour had bought some from the same lot, and each had given one feed to their pigs. The meals was eaten and in a few hours all the pigs—eight belonging to one man—and ten to the other—were dead. Analysis of the sample showed 1·7 per cent by weight of the whole Wormseed Mustard seeds in addition to those which had been ground."

Now, that being so all over Canada, and that not only hogs but dairy stock has suffered seriously as a result of it, and that being a principal feed for dairy stock, you can form some idea as to the amount of injury and damage that has been done through the adulteration of these things?—A. It is very singular that this has not been called to our attention. These things all bear our name, and it is singular that the farmers who are having these troubles, at least with our feed, should not communicate it to us.

We have only one solitary instance in Alberta where a man claimed that by the use of a certain shorts which he had given his live stock that some of them died. He sent a sample of them back to us for analysis, and we sent it to the Department up here. There was nothing found to indicate anything of the kind that would cause such a result. In addition to that we fed it to a number of guinea pigs, which is a good method of testing that out, and they really thrived on it.

That is the only case I know, in my experience of nearly thirty-four years.

Q. Here is a statement from the Deputy Minister of Trade and Commerce, bearing date of June twentieth, nineteen hundred and nineteen. This says:—

> "It is however to be noted that all of the varieties of mustards, as well as certain other seeds, are disliked by hogs, and other domestic animals, and certain of them are poisonous. The matter of utilizing these seeds as ingredients of mixed feeds is, therefore, open to question."

A. They are buying these screenings up at Fort William, and grinding them into feed.

[Mr. William Allan Black.]

Q. But that eliminates even black seed. They are to put it through and take out the very stuff that the mills are putting into it?—A. I would not like you to say that—while it is true in Fort William that these seeds are going into the feed you have to make the change between one side of the lake and the other, because we get in Canada wheat, especially in the East that has not been cleaned.

By Mr. Stevens:

Q. Just now you said that you had to use these seeds because you paid for it as wheat. Now, is it not true that all the elevators, including your own, have year by year had enormous overages in wheat through stockage for screenings and so on?—A. No. I don't speak for anybody else, but we have not had that.

Q. I will give you some of the figures. I have not got them for nineteen seventeen and eighteen, or nineteen eighteen and nineteen, but I have for nineteen sixteen and seventeen. For instance, in nineteen hundred and sixteen and seventeen—no, it was in nineteen hundred and fifteen and sixteen—you had seventy-five thousand dollars of screenings and scalpings, and thirty-seven thousand dollars of overages in Fort William. And this year the year of nineteen sixteen and nineteen seventeen, you had screenings of twenty-four thousand dollars and overages of sixteen thousand, and so it goes all through the various years. For five years, for instance, you had net screenings, fifty-six thousand, thirty-seven thousand, thirty-one thousand, seventy-five thousand, and twenty-four thousand, and your elevator was the lightest of any of them. Some of them go as high as three hundred thousand in the year. What I am getting at is this. When you buy wheat and, it is examined, there is a certain deduction made; the farmer does not get full price for his wheat, although the wheat may be number one, because of these screenings.

At the end of the year, every elevator at the head of the Lakes, including yours, have for the last five or six years, had a large number of overages and screenings. Now, my question is why should you or any other person, for that matter, find it necessary in view of that to put these poisonous weed seeds into the feed?—A. Well, the elevator may not have a mill at all. The habit has been by the elevator commission to allow a consideration for screening of wheat. That is screenings which are removed in the wheat. There was no charge made for the screenings.

Q. That is contrary to law?—A. Whether it was contrary to law or not, the elevator people have got to do what the Grain Commission says; they have to do the things they are told. I think it is only one half of the one per cent that they allow for screening.

By Mr. Sutherland:

Q. I think some of them have had to give it back?—A. You give them warehouse receipts for what you have when it runs over one per cent and the farmer can dispose of that to anyone, whatever it is worth and they prefer to do that. It was regarded as payment to the elevator company for screenings of wheat.

By Mr. Stevens:

Q. And I repeat it contrary to law?—A. That is not the construction of the Grain Commission.

Q. They did it in this way. If an overage occurred, you make a dockage of five per cent?—A. We never did; the government did.

Q. No, it was done in the elevators?—A. Which elevator?

Q. All of them. I have the whole business here?—A. Perhaps some of you are speaking of the interior. You mean when a dealer buys his wheat from a farmer, he and the farmer agree on the dockage. They have a sieve and a scale and they find the dockage, then they agree upon that and the farmer is paid for the net wheat.

[Mr. William Allan Black.]

Q. At the head of the Lake the Government Inspector inspects the grain, and states the dockage?—A. Yes.

Q. You are supposed to account for that dockage to the farmer?—A. I have been in business a good many years and I know that has been done under the direction of the warehouse commissioners and by the Board of Grain Commissioner, who succeeded them.

Q. But, as a matter of practice, you have followed the course as you state, that is, you have simply accounted for the dockage, and as it states there, if a farmer calls for his warehouse receipt he will receive it, but you never send it to him. Is that not a matter of practice. The Grain Act says definitely that you must account for that?—A. Would it not?

Mr. Reid: That is the last amendment.

Mr. Stevens: That is the original Grain Act of nineteen hundred and twelve.

Mr. Black: The original Grain Act goes away back of that.

By Mr. Stevens:

Q. I am speaking of the one passed in nineteen hundred and twelve. Now, these overages have occurred, and as I say, your own case is rather moderate?—A. (Interrupting) I will tell you where a considerable amount of that overage comes in. In cleaning this grain there is always more or less of the grain dribbles over. It is almost impossible to clean grain without wasting some of the grain itself. We put it in screens and separators and classify all these seeds. Sometimes we even find a little bit of flax; sometimes a fair sized kernel of wheat, a small sized kernel, or a little barley, or a little oats. We re-classify all these screenings of wheat and the wheat is put back into our elevator, and there is a great deal of this surplus from that source. The recleaning of the screenings, because you are not allowed to ship anything out of your elevators unless it is weighed up and an accounting made by the Government weighmaster. There has to be an accounting. Everything that goes in has to be accounted for.

By Mr. Sutherland:

Q. You can account for these screenings if you wished to instead of putting it back into the bran and shorts?—A. I am taking the grain from this end, because what we get at Fort William is put on the boat for us and we pay for the absolute weight whether it is wheat or dirt.

By Mr. Nesbitt:

Q. Now, right there, do I understand that the fifty-six thousand dollars mentioned there is screenings and overages? What has that to do with the elevator companies?—A. It is in regard to the terminals.

Q. Nothing to do with the mills?—A. Nothing whatever. However, we could eliminate that if it was so desired, but we then would turn it over and sell it for what we could get. That might mean that you would have to increase the cost of the flour to some extent, because we might not be able to get as much for it in some other form as in bran or shorts.

By Mr. Sutherland:

Q. You don't want to poison the stock by putting that in?—A. I do not think that is done where it is milled in the east. In the west, where it is taken direct from the farmer, before it goes through the terminal elevator at Fort William, some of this occurs. In some of the western mills we have as high as ten per cent.

[Mr. William Allan Black.]

By Mr. Stevens:

Q. And that dockage is made by the inspectors?—A. Yes, we don't get it in the east.

By Mr. Sutherland:

Q. You don't get your mill feeds in the east?—A. From the west.

Q. But there are mills here?—A. Yes, but there is not the same opportunity here as in the west, because if you take our mill at Brandon, the wheat might be shipped from Moosejaw. It goes through a private mill and the Government will say "That is Number Two Northern with ten per cent dockage." Now the millers in the m[illegible] elevators remove the screenings from the wheat; they remove it and remove it until he considers he has got a clean wheat, until it is sufficiently cleaned to grind into flour. On this side of the lake they do not allow any straight grade wheat to go out of the elevators that has not been cleaned.

Q. But it is only very carelessly cleaned?—A. The difference is very marked between our run of wheat and the cleaned wheat.

Mr. SUTHERLAND: I will admit that.

By Mr. Reid:

Q. You would not justify yourself that you are allowed to put weed seeds into your bran and shorts at all? I think that could be prevented if you really tried?—A. As long as there is not more than a certain proportion.

By Mr. Sutherland:

Q. And the law is too generous. It says "Vital weed seeds," you are allowed twenty hundred seeds per pound. As long as they are ground so their vitality is destroyed. You might put more in bran and shorts?—A. It is absolutely impossible because the colour would be so different.

Q. And yet the previous witness said that the bran is taken out of buckwheat, because it was discolouring it so much——A. (Interrupting) You take the grain screenings an average and compare it with the shorts, and you cannot mistake it. If ten per cent of the grain screenings if there was ten per cent, and nine per cent shorts you would immediately detect it because the difference in the colour would be so marked.

By Mr. Nesbitt:

Q. And what is the average percentage of screenings put in?—A. I would say that we possibly would get three to four pounds of this grain which we did not make flour of, but which we pay for. I would imagine it would run about that percentage. We never made any actual test of it.

Q. How much shortage for the barrel?—A. We made, roughly, about sixty-six pounds of bran and shorts to the barrel, so that four pounds might be made up——

Q. (Interrupting): Sixty-six pounds of bran and shorts?—A. Yes, made up of broken wheat, which is either broken in the threshing machine or broken in our scouring machine. In scouring the wheat, if you are not careful, it will break it up into four pieces, and we cannot reclaim that loss. We cannot get it out of the flour. We find buckwheat seeds sometimes, a kernel of oats sometimes; sometimes a kernel of barley, and sometimes a few grains of flax. That would make up all of this four per cent.

By Mr. Sutherland:

Q. And that is acceptable as a food product?—A. Yes.

[Mr. William Allan Black.]

Q. Why not dispose of it in that way, rather than to take it and grind it up and smuggle it into the bran and shorts?—A. I think it is rather a puttering thing to do, to take it out and separate it and work it off. It would be a good deal of a bother and a great deal of nuisance to start out with. Of course, it is entirely up to the Government to say what we can do and what we cannot do. If the Government says nothing can go in except pure bran and shorts, of course we will have to abide by that.

Q. It would look better than to have your name figuring from month to month as violating the laws of the country?—A. I don't think that you or any other normal man would want it. Certainly we don't for a minute try to start out to fool our customers. We have been in business for over one hundred years and our name is very good all over Canada.

Q. I am taking it from the records.—A. We would be willing to acknowledge we were doing that if we were in the habit of passing off such poor stuff to the people as a whole. I am quite tempted to say that sometimes there are mistakes made.

Q. It is not a matter of a mistake; it is a matter of bad judgment in putting in an excess beyond what the law permits you.—A. If we do that, we are subject to a penalty.

By Mr. Nesbitt:

Q. Do they report back to you when they make a test?—A. Yes, and I am very much surprised to hear this. Unless there was some mistake in the mill service—then I would have heard of it, but I have not seen that.

By Mr. Stevens:

Q. You questioned my word a moment ago, or at least my information regarding the pay of shippers for any deduction. Now, here is the Act that states—— A. (interrupting): What is the date?

Q. This is the Grain Act of nineteen hundred and twelve, subsection twelve, of section 126, which reads this way:—

> "Every terminal warehouse man in the Western Inspection Division shall pay or make allowance to the owner of all domestic grain of a commercial value in screenings on all cars graded by the Inspectors."

A. Yes, but read on, there is an exception there is there not.

Q. It says "as graded by the Inspectors," as set forth in section 100 of this Act, and section 100 means—— A. (Interrupting). "Cleaned" means very very dirty grain.

Q. But that is the screenings you have not paid for—— A. (Interrupting). Oh, my dear sir, that Grain Act started before nineteen hundred and twelve.

Q. I am speaking of since nineteen hundred and twelve.—A. And I am speaking of before nineteen hundred and twelve.

Q. Never mind what happened before.—A. You are quite correct, since nineteen hundred and twelve.

Q. Now then, I come to this point. That these so called screenings which have been the subject of so much discussion, has been deducted from the value the farmer has received. What we call "velvet"?

By Mr. Nesbitt:

Q. That is the mill men, but—— A. (Interrupting). This screening was left at Fort William.

[Mr. William Allan Black.]

By Mr. Stevens:

Q. Mr. Black, you are in the elevator business now—— A. (Interrupting). Yes, but we have not shipped any screenings to our mills in the East.

Q. You have, in connection with your plant, one of the biggest elevators in Fort William, a two and a half million bushel elevator—and several private elevators, but what I am getting at, is the farmer amply protected?—A. Did I not say for the mills east of Fort William.

Q. It does not matter whether it is in Fort William or where. The point is, when the grain comes from the farmers it is docked?—A. Yes.

Q. And the farmer never received the protection which he is given under the Act?—A. Since nineteen hundred and twelve he has, but prior to that, perhaps he did not.

Q. But he has since nineteen hundred and twelve?—A. Yes.

Q. Here is a list of the elevators with an enormous sum of screenings and overages, etc.—A. The farmer don't ship the great bulk of his wheat to Fort William. They sell that wheat in the interior, and the elevator company in the interior ships it to the terminal elevators, at Fort William, and frequently the elevator company handling it in the interior is practically the same as those handling it in Fort William.

Q. The farmer gets paid on the grain in Winnipeg.—A. Yes, but there is not any any great difference. Thousands of cars shipped from the interior to Fort William, owned by the farmer, has already been sold in the interior.

Q. It has been sold to the Commission men.—A. No. The elevator people. They buy it and pay him the cash.

Q. When the interior elevator gets the benefit.—A. The interior elevator ships it to Fort William. He will no doubt call for his screening receipt.

Q. But he does not, because here we have a huge sum, as I told you.—A. (Interrupting) : I know there are a great many that do, because we buy a great many of these receipts very frequently at the guaranteed market value, and take a chance of selling. We do the same with oats and barley.

Mr. Pringle, K.C.: Mr. Stevens is quite right.

Q. Supposing it is only a little elevator purchasing grain from the farmers in the interior. Does the buyer agree on the dockage.—A. Yes.

Q. Then Mr. Stevens' contention is all right.—A. Yes, west of Fort William, but what I have been trying to understand is this, that the dockage allowed on this wheat—if we did not clean it and reclean it in our cleaning department in the mills, you would not eat the flour that was made from the wheat.

By Mr. Stevens:

Q. We know that, but that does not alter the basic fact that at the very original purchase allowance was made for this.—A. That is quite true, but has nothing to do with the miller.

By Mr. Sutherland:

Q. Does not the dockage in the West, exceeding the East—Is that not sufficient to cover the screening before it comes to the terminal elevator.—A. Not in the mills.

Q. Not in the mills.—A. No.

Q. There is quite a large proportion.?—A. Yes, when the wheat comes to the mills, there is, as I said to you,—I have not figured it out definitely,—but I would say four pounds to the barrel of these, broken wheat or whatever it may happen to be, which you cannot make flour out of. If you were to examine what is called straight number one Northern, as against what the miller puts over the rollers you can readily see the difference. We cannot make flour out of oats, and we cannot make flour out of barley, or you will spoil the quality.

[Mr. William Allan Black.]

Q. The Director of the Experimental Farm states, after many experiments on that line, that without putting it back deliberately, there is no possibility of it being mixed up with it. He says: "If he grinds his screenings fine enough to destroy the vitality of all the noxious weed seeds, the miller is within his legal rights." You have not been grinding it fine enough to destroy the vitality of the weeds. You are not only destroying the live stock over the country, but spreading these seeds over the farms where this is sent?—A. I am very sorry if we are at fault in that way. I will take particular pains when I go home to make a thorough examination.

Q. You are not the only offender. I believe all the mills are doing it, and you take it into a district such as that in which I live, where they are in the dairying very exclusively, and bran and shorts are their principal foods for producing milk, and the complaints come in by the hundreds that sometimes they have to throw the bran away, they will not eat it?—A. It is very singular that we should never hear of it. In my experience of over thirty years we have had one kick.

The Director of the Experimental Farm further states: "The Dominion and Provincial Departments of Agriculture receive each year many complaints of the death or serious injury to the health of animals which the owners of the stock attribute to the feeding of bran, shorts, and chopped feeds."

By the Chairman:

Q. You never had these feeds analysed?—A. Yes, frequently, because we are required to keep up a certain standard established by the Inland Revenue.

By Mr. Sutherland:

Q. There is no limit to the amount of ground seed?—A. No.

Q. What is the necessity for an analysis?—A. There are other conditions besides that. Bran and shorts are supposed to have other chemical qualities, I suppose probably as a basis to determine whether it is adulterated or not. We keep on analyzing but unfortunately there are many millers who cannot afford to keep an analyst.

By Mr. Stevens:

Q. How much short and bran did you produce last year?—A. About, 112,000 tons.

Q. That is altogether?—A. Yes.

Q. How much of each?—A. I could not tell you.

Q. Do you keep a record?—A. No.

Q. You are turning out as much bran as you used to?—A. Well, frankly, it varies with the demand, that is we have to keep up to a certain standard set by the Government. Sometimes if there is a heavy demand for shorts we will run those shorts closer than we do at other times.

Q. There is a heavy demand for shorts within the last few years?—A. It is seasonal you know. Sometimes during a part of the season there is a much heavier demand for bran than shorts, and vice versa. Just at the present time the big demand is for shorts, and a very light demand for bran.

Q. You cannot tell us how much of each you produced last year?—A. No, it would average half and half, or forty-five and fifty-five. We aim to keep at the standard, to come within the standard that the Department of Inland Revenue say its economical products shall consist of, and as long as we do that then we vary, consistent with the demand, so to speak, so as to try to supply the men with two grades as near as possible, and it is more important for some people to have shorts and more important for some others to have bran. It just depends upon what they feed.

Mr. NESBITT: Mr. Black is a very large handler of grain, and I would like to get his views as to the future of grain—whether it would be advisable for the Government to put a fixed price on grain this year.

By the Chairman:

Q. What effect in your judgment would it have if the Canadian grain market were thrown open on the cost of foodstuffs and the value of the grain?—A. I am very much afraid there would be very few buyers. There is an enormous crop across the line, and the crop has been guaranteed absolutely to the farmer. When doing this they have also provided a fund of a billion dollars to take care of any loss which might be involved in paying this price which has been fixed at $2.26 Chicago. The law over there provides this amount of money to take care of it. It also provides that the consumer in the United States shall not be charged any more than the price which would result from any reduced price from $2.26 to the foreign countries; that is in other words, they do not discriminate against their own consumer in their own country. As it is now, all the wheat is going to be bought from the farmer at $2.26. The miller will pay that price, whether he buys from the farmer or the dealer, and the dealer will have to pay on that same basis to the farmer, and the Government are going to be the only exporters, the only sellers of this wheat, out of their country. If they reduce the price and make a loss on what has been paid to the farmer, it will be charged up against this billion dollars. If they reduce that price, then the miller is supposed to reduce the price of his products accordingly. The miller then is required to give the Government a sworn statement of the stock that he has on hand, both wheat and flour. The jobber is required to do the same thing, and the retailer the same, because when they reduce the price to any foreign Government they are bound to reduce the price in their own country. Any loss of that kind is charged up against this fund. We might start off perhaps on the same basis as the Americans are doing, and we might get along fairly well for a little while, but supposing one of these foreign Governments bucks up and says, "Oh, well, we can buy this wheat from Argentina or some other country for less money. We won't buy from you," our wheat gradually accumulates in the elevator and it works right back to the farmer on the prairie. The banker says, "I won't advance on this, because this wheat may drop 25 or 30 cents a bushel. I won't take that risk, more than our normal requirements from day to day, because I do not want to lose 25 or 30 cents a bushel, and wheat may drop very considerably of its own weight." On the other hand if the price is guaranteed, then supposing it was at something less than the price fixed on the other side, everyone would have confidence to go in and buy, because we know it cannot go less than a certain price. The Government will make up the difference, or will buy the wheat, the same as in the previous year. There might be another method of handling in any case. A corporation would have to be used for the purpose, with Government operation, and somebody at the head of it, namely that the farmer might be paid say $1.25 a bushel as an initial payment. That would seem to be a very safe figure as compared with $2.26. The wheat would be handled by the farmer and the farmer would receive a receipt for all that he sells. Then at the end of the season, whatever profit had accrued over and above the $1.25 would be distributed between the holder of these receipts pro rata, whatever their holdings were. One or other of these two latter forms I think will have to be gone into, and I am very much afraid that prices may have a very serious decline, because people are afraid of buying $2.26 wheat.

By Mr. Nesbitt:

Q. The consequence will be that there will be no market.—A. I do not say no market absolutely, but a very much reduced market.

[Mr. William Allan Black.]

By Mr. Pringle:

Q. That would bring down the cost to the public?—A. Yes.

By Mr. Stevens:

Q. You do not think the European market will pay anything like the price fixed in the United States?—A. Well, there are very clever buyers over there, about the cleverest people we have to deal with, and we deal with a good many different countries, and there is not any special reason for them being in a hurry. If they see that there is no wheat ahead, or no commodity ahead, they rush very quickly to get a supply, and will pay a very big price for it, but if they see there is going to be a billion and five hundred million in the United States and a big crop here, they will say, "What is the use of our hurrying, we can get it whenever we want it; it is always there." And in the meantime it may be increasing and accumulating in their own country, and when you see very large receipts the law of supply and demand is a pretty regular thing.

By Mr. Pringle:

Q. I do not know whether it is going to last or not, but England is buying wheat for the purpose of re-selling to the British consumers in the form of flour at $5.11 a barrel, the object of that being to give to the working classes of England the nine-penny loaf, and keep down the cost of living. Now then, England will be in the position she has always been in, of losing a great deal of money for the benefit of the working classes.—A. Forty-seven million pounds last year.

Q. The object being to prevent dissatisfaction among the labouring element in England? And England's desire will be to prevent the loss of that forty-seven million pounds and get her wheat at the lowest possible price?—A. Naturally.

Q. And if, for instance, Australia has got some seventeen million bushels of wheat now awaiting a market, and the Argentine Republic has a large quantity of wheat, England is going to buy in the cheapest market, and the United States in all probability are going to lose more than the fund they have set apart for the purpose of protection in the difference in what they are setting apart for wheat and the actual value of wheat?—A. I do not know. I would not like to think they are going to lose as much as that. I think not. It would be almost a calamity.

Q. If the intrinsic value of wheat is a dollar a bushel, they are going to make a tremendously heavy loss?—A. I think it is worth more than that to-day. No person has any other foodstuffs. It is certainly worth more than a dollar a bushel.

By Mr. Reid:

Q. What do you think yourself would be a fair price for wheat in the old country, on the basis of giving to the working class the nine-penny loaf.—A. To carry out the price that the British Government has set for the price of bread, wheat would have to be sold in Liverpool at $1.80 a bushel.

Q. What would be the carriage from Fort William to Liverpool?—A. At the present time the lowest rate we have heard of has varied from $1.25 to $1 a hundred. If we say $1 a hundred, that would be 60 cents a bushel. The insurance would probably absorb another three cents. Now the freight from Fort William to Montreal with insurance, would mean fifteen cents a bushel so that we would have practically a dollar a bushel at Fort William. Wheat would have to sell at practically a dollar a bushel to land at Liverpool at $1.80, which in turn would be necessary to enable the four-pound loaf to be sold at nine pence without loss to the mill.

By Mr. Pringle:

Q. In other words, that would mean $5.11 for a barrel of flour? That seems to be the price at which the British Government are providing flour to the consumer?—

[Mr. William Allan Black.]

A. You can see that they are paying $10.80 for their flour to-day and their freights. I do not know what the Government pay, but perhaps they might pay $1.20, which would mean $12 landed at Liverpool. You say they are selling it at $5.11 so that the Government is absorbing a loss of $6.89 a barrel.

Q. They are possibly absorbing more where they have bought flour from the United States and paid more than $11 a barrel.

By the Chairman:

Q. You cannot produce flour at $5.11 a barrel?—A. Over there, do you mean?

Q. Any place?—A. The bare cost of the wheat alone would be $8.10.

Witness discharged.

Mr. W. W. Hutchinson, manager of the Lake-of-the-Woods Milling Company, called, sworn and examined.

By Mr. Pringle:

Q. The head office of your company is in Montreal?—A. Yes, sir.

Q. And your directors are Mr. Meighen, president; Mr. Wm. W. Hutchison. vice-president; Tancrede Bienvenu, Montreal; R. M. Ballantyne, Montreal; Abner Kingman, Geo. V. Hastings, Sir John W. Carson, Montreal; W. A. Matheson, Winnipeg; and J. K. L. Ross. Is that the present board?—A. Yes, they are all on the statement there.

Q. How far back have you these statements?—A. Fortunately, I can give you back to 1914. I think I was only asked for two years.

Q. Let us start with 1914. You produce a statement of affairs as at August 31, 1914, that being the end of your fiscal year. According to this statement your profits were $507,939.30, less interest on bonds for year $54,000; interest Keewatin Flour Mills Co., bonds for year, $45,000; dividend preferred shares for year, $105,000; dividend common stock for year, $168,000; your authorized common capital is $2,500,000; subscribed and paid, $2,100,000; and your preferred is $1,500,000. What would be the dividend rate for that year?—A. That would be 8 per cent.

Q. In 1914 you paid 8 per cent. Written off property and good will accounts, $100,000; that made a total of $472,000, and you carried over a surplus of $35,939.30. Now, give us the statement for the year ending 31st August, 1915. According to the balance sheet of August 31st, 1915, your profit for the year ending 31st August was $518,920.01. You paid the same bond interest, the same dividend on your prefered, 8 per cent on your common stock, and you wrote off $100,000 for property and good will, the same as the previous year, and you carried forward a balance of $46,920.01?—A. Yes.

Q. Let us have your statement for the year ending 31st August, 1916. For the year ending 31st August, 1916, your profits were $525,141.51. You paid the same interest on bonds for the year, the same dividend on preferred stock and on common stock, and you wrote off a similar amount, $100,000, making your surplus carried forward $53,141.51. Let us see your statement for the year ending August 31st, 1917. Your profits for the year ending 31st August, 1917, after providing for war taxes were $569,747.75. You paid the same bond interest, the same interest on your preferred shares, the same interest on your common stock, you wrote off $100,000 for property and good will, and you carried forward $142,747.75. Now, take the statement for this year. The balance sheet as at 31st August, 1918, shows that your profits for that year were $857,914.38, less $54,000 for interest on bonds for the year; dividend preferred

[Mr. William Allan Black.]

shares for the year $105,000; dividend eight per cent on common stock for the year, $168,000; additional dividend of four per cent on common stock from the Sunset Manufacturing Company, Limited, $84,000—is that a subsidiary?—A. That is a subsidiary.

Q. Written off property and good will accounts $100,000, and you carried forward $346,914.38. That I should say was your banner year?—A. No, sir.

Q. That is doing pretty well.

By the Chairman:

Q. Which was your banner year?—A. Two years, 1909 and 1913.

By Mr. Pringle:

Q. That was before the war?—A. Yes, sir. That is our comparison.

By Mr. Nesbitt:

Q. What was your war tax in 1917?—A. It was not assessed.

Q. In 1918 it was not assessed?—A. These statements were made up, and then the Business Profit Tax went back a year, so that when the 1916 statement was made up we had to provide for two years, to cover the 1915 one as well.

Q. What was the amount?—A. We provided $100,000 for the two years.

By Mr. Pringle:

Q. You have a dividend reserve, including provision for war tax for two years, 1917-18, of $742,436.27?—A. Yes, sir. Part of that is a hangover from these provisions.

Q. And you have a bond redemption account of $400,000?—A. Yes, that has been accumulating from year to year, and has been taken off the surplus.

Q. Your original bonds were $1,000,000, and you have redeemed in 1912 $100,000. Leaving that at $900,000, you have a bond redemption account of $400,000. Roughly speaking, what were your earnings on common stock for the year ending 31st August, 1918?—A. I have not figured it out on the common alone.

Q. Your dividend on preferred shares for the year amounted to $105,000?—A. I figured the return on capital 19·55, but that is including the preferred.

Q. But your interest, deducting the $105,000 dividend for the preferred shares for a year, would leave you a balance. Out of that has to come bonds and depreciation $154,000. Has anything else to come out of that? What about that $84,000?—A. That is a direct dividend. That is not a milling profit.

Q. Should not that be deducted from that total?—A. It depends at what you want to get at.

Q. The net profit on the $2,100,000?—A. You asked me a minute ago on our earnings. Do you want the milling earning or the gross earning?

Q. The gross earning?—A. The gross earning, if you can consider earning a dividend from any company, is in your $857,000.

Q. Your gross earnings would be somewhere over 30 per cent?—A. I make it a little over 28 per cent.

Q. For the year ending 31st August, 1918?—A. On the capital, not on the reserve.

Q. You say that is not your banner year. You had two years prior to the war in which you made larger earnings?—A. Yes, sir.

Q. You do not seem to have done as well as Ogilvie's?—A. That is our misfortune.

Q. Now is there anything you would like to tell the committee, any further information you would like to give?—A. Well, the one thing that might interest you sir, is that we own the Keewatin Flour Mills Company.

[Mr. W. W. Hutchinson.]

Q. Yes, the Keewatin Flour Mills Company?—A. The Keewatin Flour Mills Company which was in process of construction and they had an outstanding bond issue of $750,000, and we paid them $200,000 and assumed the liability of the outstanding bonds. Now that drifted along under the old management, and did not provide anything for the redemption of those bonds which matured last year, and of late years we have created a redemption account for those bonds by operating the Keewatin Plant on a rental basis, we created a sinking fund which would automatically increase our earnings if you treated that as revenue.

Q. About the original inception of this company was this common stock all supplied and paid for or was it—A. (Interrupting) I am not very familiar with the details, I was not an official of the company at that time, and I was not in their confidence. If you care I will tell you what I know from hearsay.

Q. I think the committee would probably like to know that?—A. The assets of the company were bought by an individual, I think it was in 1903, who in turn sold them to a syndicate and the syndicate produced what is here shown as capital at that time, taking in the goodwill at, I think it was, $993,354.55. If it is of interest I could send you a full complete statement when they completed their first year, that shows it.

By Mr. Stevens:

Q. It was goodwill, trade marks, etc., $900,000?—A. That was in 1903; I was not in the confidence of the people but it would be informally about that.

By Mr. Pringle:

Q. As a matter of fact the cash was largely raised by the sale of preferred stock, and there was so much common stock?—A. No, it cost a good deal more than the preferred stock, I have heard by gossip, and I take it that item here reading "Goodwill" in the account——

Q. (Interrupting) "Goodwill," trade marks, etc.?—A. I do not know, I have only heard.

Q. Who was the original owner?—A. The original owner?

Q. Was there another company preceding this company?—A. Oh yes, the Lake of the Woods Milling Company came into existence in 1887 and then this new one in 1903.

Q. This company was incorporated when?—A. In 1903, I think, does it not say there?

Q. It should say, it usually does.

By the Chairman:

Q. What was your turnover last year?—A. The total in dollars and cents or barrels.

Q. Barrels?—A. 2,643,866 barrels, $34,443,733.54.

By Mr. Nesbitt:

Q. What were your earnings on the turnover?—A. 2·43.

By the Chairman:

Q. Have you figured your profits on the barrels?—A. Yes, 16·9 cents.

Q. That is per barrel?—A. Yes, 16·9 cents.

By Mr. Pringle:

Q. I see this gives the daily capacity of your mills: Keewatin, 4,000 barrels, Portage la Prairie 1,500 barrels, Keewatin 5,000?—A. That is the Keewatin Flour Mills.

[Mr. W. W. Hutchinson.]

Q. There are two mills there?—A. Yes.

Q. And Medicine Hat 1,000 barrels?—A. Yes.

Q. Do you consider your profit a proper and reasonable profit?—A. In comparison with former years, yes.

Q. And in comparison with pre-war years?—A. Yes, that is the basis I mean.

By Mr. Sutherland:

Q. I would just like to say here that we had the impression that the Ogilvie Milling Company had a monoply in adulterating brans and shorts; you are defending this report which is actually of the same extent as theirs?—A. I am sorry to hear you say that.

Q. Do you not think that these weeds could be taken care of in some way?—A. What would you like—a frank expression of opinion?

Q. Yes, undoubtedly I would?—A. Why does not the farmer clean his farm?

Q. Because he buys the adulterated bran from the milling company and gets the weeds distributed that way?—A. Who started it?

Q. I could not say, that is going a long way back. This leads to the spread of noxious weeds, there is no getting away from that?—A. Might I make a suggestion, if it is as serious as you have brought out to-day.

Q. Yes, certainly?—A. Why does not the Government make it illegal altogether.

Mr. SUTHERLAND: I think it would be a good thing.

By the Chairman:

Q. What would be the loss from that source?—A. I cannot say.

By Mr. Sutherland:

Q. There is no justification for it?—A. It must have started on the farm.

Q. But even with all that the Act provides that there shall not be more than a certain percentage of vital weed seed?—A. We may be guilty as you say, but I was not aware of it. I think in fairness to us any person who got that adulterated feed might have written us and drawn our attention to it.

Q. I wrote to the Minister of Trade and Commerce, the Livestock Branch of the Department of Agriculture, and also to the Minister of Agriculture?—A. Why did you not go to headquarters? Do you not think you could get fair and reasonable treatment by coming direct to us?

Q. It was too late, I had already written to the others.—A. But if the fault was there, you might have corrected it for the future.

Q. But you say you have never been fined for violation of the Act?—A. Nothing like it. The only case I ever investigated was a sample taken at Verdun, and when you got right down to the bottom of it it was not our sample at all that was taken.

Q. What was your dividend last year?—A. 1·5 per cent.

Q. Fifteen on common and seven on preferred?—A. Oh, no.

By Mr. Pringle:

Q. Was that the one year you gave a bonus?—A. In certain prewar years we paid a bonus.

Q. And that is all in your financial report? Briefly this is the position is it not: you earned in 1918 on your common stock practically 28 per cent?—A. Yes.

Q. And out of that 28 per cent you paid your bond interest, you paid your interest on your preferred stock, you paid 8 per cent deferred, and 4 per cent which was the amount earned on Sunset Manufacturing Company?—A. Yes.

Q. Making 12 per cent for that year.

[Mr. W. W. Hutchinson.]

By Mr. Stevens:

Q. And in that 12 per cent was 7 per cent deferred?—A. Yes.

By Mr. Nesbitt:

Q. Do you know the percentage in your turnover in 1914?—A. Not from memory, but I think it was in the neighbourhood of from 4 to 5 per cent.

By Mr. Pringle:

Q. I think I have that bonus wrong, I have it 4 per cent and I find it is 4½?—A. It was a broken period, it was a 12 months' period like a nine months and a three months' period.

Q. You have no objection to this statement going in showing your dividends of 1903 to date?—A. No, sir.

Q. This is a statement of the annual dividends of the Lake of the Woods Milling Company from the organization in 1903 to date:

1904	September 5,	8	per cent,	paid 1 payment	
1905		6	"	half yearly	
1906		6	"	"	
1907		6	"	"	
1908		6	"	"	
1909		7½	"	quarterly	
1909	Bonus	10	"	"	November 8.

Q. I suppose that bonus 10 per cent is included in the dividend?—A. No, sir.

Q. Oh yes, yes, I see, that is right, so that in 1909 you paid 7 per cent quarterly with a bonus of 10 per cent?—A. Yes.

Q. 1910 bonus, 5 per cent paid March 21, seven per cent dividend with a bonus of 5 per cent making a total of 12?—A. Yes.

1911		8	per cent	paid quarterly	
1912		8	"	"	
1913		8	"	"	
1913	Bonus 2 per cent		"	"	October 2.
1914		8	"	"	
1915		8	"	"	
1916		8	"	"	
1917		8	"	"	
1918		10½	"	"	
1918	Bonus	4½	"	paid March 1 and October 14.	

NOTE: The Bonus of 2½ per cent paid March 1, 1918, was paid from the earnings of the Sunset Manufacturing Company at the rate of 2 per cent per annum for the year ended August 31, 1917, and one-half of 1 per cent for the quarter ending November 30, 1917, from which date onwards the regular dividends have included dividend from the Sunset Company at the rate of half of one per cent quarterly.

Witness retired, Committee adjourned.

TUESDAY, June 24, 1919.

The Special Committee appointed to inquire into the price of food stuffs, etc., met at 11 a.m., Mr. Nicholson, the Chairman, presiding.

Members present: Messieurs Davidson, Davis, Devlin, Euler, Fielding (Hon.). McCoig, Nesbitt, Nicholson (Chairman), Reid (Mackenzie), Sinclair (Queens, P.E. I.), Stevens (Vice Chairman), Sutherland, and Vien.

The CHAIRMAN: Before calling any witnesses this morning, I would like to draw the attention of the Committee to certain headlines in the Ottawa Morning Journal: "Profits of milling companies reached huge figure at a time when flour prices taxed the poor. Cost of Living Committee learns interesting facts concerning big millers. The Ogilvie Milling Company made 72 per cent last year." These may be facts if applied in the way that they have been applied, but my judgment is that statements of that kind are doing a very great deal of harm in this country; and unless this committee can accomplish something more than to bring out statements of that kind, it would have been very much better for the country if the Committee had not been brought into existence. The evidence before the Committee shows that in the year 1913-14 the Ogilvie Milling Company made a profit of 15 cents a barrel; in 1915, of 19 cents a barrel; in 1916, of 18 cents a barrel; in 1917, of 20 cents a barrel, and in 1918, 20$\frac{7}{10}$ cents. The percentage of profit earned in 1914 on the flour manufactured was 2·65; in 1915, 2·70; in 1916, 2·44; in 1917, 1·84, and in 1918, 1·87. The point I wish to emphasize is that the public are getting an erroneous idea of what these profits mean by the Committee, in the first instance, laying what seems to be an undue emphasis on profits earned on capital stock. To emphasize that, I would just point out that we had before us the representative of the Co-operative Wool Growers' Association, and on the evidence presented by the representative of the Co-operative Wool Growers' Association, an organization which presumably is not brought into existence for profit at all, the profit on the capital stock was 550 per cent. But the evidence showed clearly that the business is being carried on on an exceedingly narrow margin, so narrow in fact that had it been reduced in the smallest degree it would have disappeared altogether. Having in mind what really is the object of this investigation, and particularly in view of the agitated state of the public mind, I feel that it is unwise for this Committee to have bald statements of that kind going forth without some explanation. I am not going to say for a moment that possibly the milling companies might not have reduced the profit on their flour by half a cent or three-quarters of a cent on a pound of flour or that they might not even have reduced it a cent or two cents a pound. But the impression the public gets is that the milling companies are making 72 per cent profit on a barrel of flour.

Mr. STEVENS: What is your suggestion, Mr. Chairman?

The CHAIRMAN: My suggestion is that the Committee should prepare a statement and give it to the public in regard to these things, if it is possible to get it to the public. My suggestion is that we should endeavour to bring out more clearly the profit that is made on the commodity. If a man is producing an enormous number of articles on a small capitalization, the profit on his capital does not give to the public a correct impression with regard to the profit that is being charged on the goods.

Mr. STEVENS: That was brought out quite clearly yesterday in regard to this flour. In fact my own opinion is that we did not bring it out clearly enough, I am quite confident from the figures that we did finally bring out that they are making a great deal more than their statement shows.

Mr. REID: I read in an Ottawa paper that the profit on a barrel of flour was 16 odd cents a pound.

Mr. STEVENS: There is no reason why these facts should not be brought out. I do not think we should muzzle the press.

The CHAIRMAN: I have no desire to muzzle the press.

Mr. STEVENS: It is their business to give any interpretation they like; we cannot stop them.

The CHAIRMAN: I am not finding fault with the Press; I am simply stating the facts.

Mr. NESBITT: There is no doubt that the headlines are sensational, and there is no doubt that the Press intends them to be sensational. But what can we do about it? We heard the facts; we have the report which gives the facts. It has not been published, and I do not suppose that it would be published if it were presented to the House. I do not think it would be. They did not publish anything about the wool man making 500 per cent on his capital, that I saw. We have no way of getting them to publish it.

The CHAIRMAN: I felt that it was my duty to make this statement, because I feel that all these things are tending in a very marked degree to add to the unrest that prevails throughout the country.

Mr. NESBITT: They will not publish that.

Mr. SUTHERLAND: I think the public are in a frame of mind to appreciate something sensational, and it does not matter whether there is any substance to it or not. That might have something to do with the catering of the Press to that desire. It is rather unfortunate.

Mr. J. S. MCLEAN, called, sworn and examined.

By Mr. Pringle:

Q. What company do you represent?—A. The Harris Abattoir Company, Toronto.

Q. Is that an incorporated company?—A. Yes.

Q. What is it incorporated under—the laws of the province of Ontario or the Dominion of Canada?—A. The province of Ontario.

Q. Is your company a company which is listed on the stock exchange?—A. No, sir.

Q. Have you your last annual statement?—A. No.

Q. Why haven't you got it?—A. I was not instructed to bring it.

Q. I think it is one of the most important things that you could have.

By the Chairman:

Q. Have you a copy of the summons you received?—A. Yes (producing summons). I had no idea that it was desired.

Mr. PRINGLE: I would much prefer not to examine this witness until he is able to produce the documents that are required.

Q. What is your capital stock?—A. $2,000,000.

Q. $2,000,000?—A. Yes.

Q. How much of that is common and how much preferred?—A. It is all common stock.

Q. How much of that has been subscribed and paid for?—A. All of it.

Q. Paid for in cash?—A. Yes.

Q. Who are the Board of Directors?—A. The Managing Director—or the President to begin with is W. T. Harris; Managing Director and Vice-President James Harris; Secretary-Treasurer J. S. McLean.

Q. That is yourself?—A. That is myself.

Q. Who are your Board of Directors?—A. Our other directors, these three directors are members of the company, A. G. Hall, S. G. Brock, Joseph Harris.

Q. How long have you been doing business?—A. Something over 18 years.

Q. What is your business?—A. It is a packing house, general packing house business.

Q. A general packing house business?—A. Yes.

Q. What were your profits last year?—A. I cannot give you the exact figures, it was $220,000, there may have been an odd figure, I do not remember exactly.

Q. Approximately $220,000?—A. Yes, that is our net profits.

Q. Is that after providing for the war tax?—A. No.

Q. That is not after providing for the war tax?—A. No.

Q. What were your profits for the previous year?—A. I think $420,000.

Q. $420,000?—A. Yes.

Q. That is for 1917; when does your fiscal year end?—A. Our fiscal year ends on March 31.

Q. That would be for fiscal year ending March 31?—A. Yes.

Q. That year your profits were four hundred?—A. $420,000.

Q. What were your net profits for the year previous to that?—A. Well, I could get this information from Mr. Breadner, it is filed with the Department of Finance.

By Mr. Pringle:

Q. I would prefer not to finish this examination until I have all this material before me. I think it is important if we are going into these matters to have definite information and I would like to get the annual statements of this company from 1914 down to date. Can you get these to-day?

WITNESS: I would like to finish the examination to-day if possible in order to get back to Toronto to-night.

Q. Then we will take you this afternoon.—A. I cannot give you the last statement, because Mr. Breadner has not yet got it, but I can give the others, and I am sure of the figures of the last because they are recent and I have them in my mind.

Mr. STEVENS: There are one or two things I would like to ask this witness before he is dismissed.

Mr. PRINGLE: I am not going to dismiss the witness now, but am going to let him get the material and come back this afternoon.

By Mr. Stevens:

Q. Are one-half the directors of your company nominated by the William Davies Company?—A. No, none of them.

Q. Then this report is not accurate?—A. No, that is a report of the first couple of years.

Q. For 1917?—A. Yes.

Q. One-half of the directors used to be nominated by the Davies Company?—A. Our company at its inauguration was half owned by the William Davies Company and they retained their interest in it until April, 1918.

Q. You changed it subsequent to this report?—A. Yes.

By Mr. Pringle:

Q. Have you the material on hand to give us the information in regard to the amount of goods stored? And you understand also that I want to go into the question of the manufacture of oleomargarine?—A. Yes.

[Mr. J. S. McLean.]

Q. Have you all that information?—A. I haven't the detailed figures, but I think I can get you any information you wish.

Q. As to the cost of manufacturing oleomargarine and the selling price?—A. Yes, Dr. McFall, Cost of Living Branch, was in Toronto yesterday and I went into that with him, then.

Q. It would be much more satisfactory to this committee if you had all these figures so that we could get at it with some degree of accuracy.

By Mr. Stevens:

Q. Did you not bring any papers with you at all?—A. No.

Q. This summons indicated very clearly what was required?—A. I thought it asked for these statements in regard to butter.

Q. This summons reads "That you bring with you and then produce the last balance sheet. And furthermore that you bring with you and then produce last balance showing butter purchased in carload lots in 1918. Showing cost of same, from whom purchased, showing price received for same, date received, date sold."

Q. What material can you dig up between now and three o'clock in the afternoon, or will it be necessary to adjourn your examination and get everything?—A. I think I can get all you have asked for so far.

Q. Are you in a position to tell us in regard to oleomargarine, butter, and storage of other articles?—A. Yes.

Q. You are in a position to tell us that?—A. I think so.

Mr. Pringle: If it is the desire of the committee I will proceed, but it seems to me it is far better to get details of the organization of the company and the amount of profits and so on, and compare them by years, and then go into all your business and see just exactly what you are doing, and where these profits have come from.

Witness: The balance sheets would have nothing to do with the question with regard to storage.

The Chairman: Would we not save time if we made one job of Mr. McLean's examination this afternoon. If we proceed now, it seems to me we will have a duplication of the same evidence.

Mr. Pringle: I would like to see what money this company is making, and then get at the method they adopt, and how this money is being made and what products it has been made on.

Witness: I will endeavour to get everything. I think I know approximately what you wish. I cannot give you any detailed inventories in regard to storages, but if you will give me an idea of what you wish in regard to that, I could easily telephone to Toronto and get the particulars.

Mr. Pringle: Better telephone Toronto and get particulars in regard to storage.

The Chairman: We want the quantity of supplies you had on hand during the several months in 1918 and up until the latest figure you have in 1919.

Witness: These are all on file with the Cost of Living Branch.

Mr. Pringle: Get them from Dr. McFall, so that we can put them on record.

The Chairman: The prices at which they went to the cold storage, and the prices when they came out, and how long you held them?

Witness: One cannot follow individual transactions through storage, but we can get the quantities.

By Mr. Pringle:

Q. Your prices seem to have fallen down from $420,000 to $220,000. Was that not owing the Government control that was exercised?—A. No, it was not that, sir.

[Mr. J. S. McLean.]

Q. Was there not a Government control exercised during the last year and a half?—A. Yes. It was only in respect——

Q. The fact remains that your earnings dropped just about $200,000?—A. It was only in respect to a very small portion of our business.

Q. When you get all the statements, possibly you will be able to explain how you made $420,000, and how you dropped $200,000 after some Government control was exercised?—A. Yes, I will be able to get that.

Q. Go to Dr. McFall's office and get those statements?—A. Yes.

Witness retired.

Mr. E. R. FISHER, called, sworn and examined.

By Mr. Pringle:

Q. What is the name of your firm?—A. E. R. Fisher.

Q. You are the firm?—A. Yes.

Q. And you carry on a business in Ottawa; clothing, gents' furnishing, that is about the line?—A. And boys' clothing.

Q. You carry on a clothing business?—A. Yes.

Q. Mens', boys' and also furnishings?—A. Yes.

Q. Possibly the largest in the city of Ottawa?—A. Possibly.

Q. One of the largest anyway?—A. Yes.

Q. Do you purchase your clothing from the clothing manufacturers, or have you a plant yourself at which you have it manufactured?—A. We buy it all from the wholesale clothing dealers.

Q. And I suppose you deal with several of the leading wholesale clothing dealers in Canada?—A. Yes, I do.

Q. Cloth has advanced during the last two or three years in price?—A. Very markedly.

Q. What has been the advance, starting we will say from 1915, the year after the commencement of the war? What was the advance between 1915 and 1916?—A. Well, that is pretty hard to say. On many lines of merchandise in the retail stores there was no advance, because the merchant went out previous to that and laid in very heavy stocks of staple merchandise and laid those in to protect his customers, and to protect himself, to hold the confidence of the buying public.

Q. So that in 1915 you found yourself pretty well stocked up?—A. In 1915 and 1916.

Q. At reasonable prices?—A. Yes.

Q. I suppose then a very appreciable advance came in 1917?—A. 1917 and 1918.

Q. What has been the advance in 1917-18?—A. Oh, I should say fifty per cent roughly speaking.

Q. A suit of clothes that you could sell for twenty dollars in 1916 is now thirty dollars?—A. Yes, easily.

Q. Have you added to your percentage of profits, or is your percentage of profits the same as in 1916?—A. Well, for the benefit of the Committee I had my auditor make out a statement for four years previous to the war—that is 1911-12-13-14—and also 1915-16-17-18.

Q. Let me see that statement. (Statement handed to counsel.) The statement which you have handed me shows February 1, 1911, to January 31, 1912, shows the furnishing department the gross sales, shows the gross profits, the clothing department shows the gross sales and shows the gross profits. Then you have the total sales for the years. The gross sales were $102,028.83, and your gross profit $25,292.21, your net profit $9,456.30, showing a net profit on your gross sales of 9·26?—A. That is right.

APPENDIX No. 7

Q. In 1912, that is the year ending January 31, 1913, and commencing February 1st, 1912, your gross sales were $122,026.36; your gross profits $28,623.64; your net profits $9,549.98, or a net profit on gross sales of 7·81 per cent. Your next year, being from the 1st February, 1913, to January 31, 1914, shows gross sales, $131,867.74; your gross profits, $32,890.79; your net profit, $11,925.21, and a net percentage of net profit on gross sales of 9·4 per cent.

By Mr. Nesbitt:

Q. What is the average?—A. I have had that done for the Committee.

By Mr. Pringle:

Q. We can put in this statement. This statement comes down to the year ending January 31, 1919. The average turnover for the eight years was $140,000?—A. That is the average for each year for eight years.

Q. Or an average of 23 per cent overhead. What was your average percentage?—A. 7·61 is the net profit during the whole period.

By Mr. Euler:

Q. That is on turnover?—A. On the turnover.

By Mr. Nesbitt:

Q. What is your percentage of gross expenses?—A. The gross expense was 27 point something.

Q. The average?—A. 27·23.

By Mr. Pringle:

Q. Have you a statement showing your net profit on capital?—A. I have not. I have not looked at it in that light, Mr. Pringle. My business was started on a shoe-string, and I expect the net profit on capital made was bigger the first year than it ever was afterwards.

By Mr. Euler:

Q. What stock do you carry?—A. Up till now my stocks have lightened day by day, because of the staple stuff that we put away in 1915 and 1916 in reserve rooms, and that is being brought down. It is all forward. I should say my stock to-day is $75,000, and that is considerably lighter than it was a year or two years ago.

By Mr. Nesbitt:

Q. What is the average investment for that turnover?—A. I should say $65,000 or $70,000 for this term. In the earlier periods the business was very small.

By Mr. Pringle:

Q. Take a suit of clothes, we will say, that cost you $20 prior to the war. That would possibly be a high-grade suit. What does that suit cost you to-day from the wholesaler?—A. It would cost at least from $30 to $32.

By Mr. Nesbitt:

Q. Cost you that?—A. Yes.

By Mr. Pringle:

Q. We had a gentleman here the other day who left some samples of tweed?—A. Touching that very point, I happened to be fortunate enough to hear Mr. Forbes's evidence and I have brought along a suit of clothes made from Forbes's worsted. (Shows suit of clothes.) I should say it is about fourteen ounces, and that suit is retailing to-day in my store at $25. That is because of the laying away of a couple of

[Mr. E. R. Fisher.]

hundred of it when it could be bought for a reasonable price. I will take 500 suits of that same cloth to-day, if you will present them, and I will pay $25 a suit for them, and I cannot procure them.

By Mr. Nesbitt:

Q. You say you are selling it at $24?—A. $25. The stocks of the retail merchant are being badly depleted, and he cannot take the money. I do not believe that 50 per cent of the staple merchandise that is going out of my store could be replaced by going into the market to-day.

By Mr. Euler:

Q. How much is the price of clothing higher?—A. Easily 50 per cent. I am speaking of the merchandise that we have had to buy from time to time in the last two months or six months, or eight months, because prices have advanced enormously and a suit of $45 to-day is not anything to crow over if it is made by a first-class hand tailor.

By Mr. Pringle:

Q. (Showing witness samples.) Pick out the Forbes sample out of which this suit is made?—A. I have not got it here. It is a lighter weight than this.

By Mr. Stevens:

Q. It was finer, I think?—A. I think I have a finer yarn than you have in all these samples. These things are all sold by the ounce per yard, 12 ounces or 14 ounces.

By Mr. Pringle:

Q. I forget at the moment what Forbes said his price was?—A. If I remember, he said he was selling at $2.25 a yard.

Mr. Stevens: No, no, it was something about $4.

Witness: I will give you the history of cloth similar to this (pointing to sample) that I used to buy from W. R. Johnston in Toronto. The number was 352 and 357, and they were better cloths than these. I am speaking now of 1911 and 1912. We used to place from 400 to 500 suits a season of a cloth like this made by Forbes. We bought it from W. R. Johnston at $13 per suit, and we sold it retail at $18.

By Mr. Pringle:

Q. What would you have to pay for it to-day?—A. I don't believe that Johnston could quote to me less than $25 or $27.

By Mr. Stevens:

Q. That is made up?—A. Made up. We must all realize that the cost of labour to-day is a big proportion of the cost of producing a suit of clothes.

By Mr. Euler:

Q. What would you pay for that suit to-day?—A. I would be glad to have 500 to sell at $40.

By Mr. Nesbitt:

Q. How many yards are in a suit?—A. They figure on 3⅛ or 3¼ on the outside, in laying out hundreds of suits on the cutting tables where you can cut in large quantities. You would not be safe in buying less than 3½ yards; you might have a little wastage for a little figure.

By Mr. Pringle:

Q. That seems to be a light weight material?—A. It is a 12 ounce worsted.

Q. It is a little heavier than yours?—A. Yes, it is a little heavier than mine, but I do not think that it has quite as fine texture.

[Mr. E. R. Fisher.]

Q. With regard to the statement that you have put in you would say that insofar as your business is concerned you are not making unreasonable profits in the clothing business?—A. My stock sheets for 8 years will show that, I think I am just about the same.

Q. Would you be in a position, or have you sufficient knowledge, to tell us the cost of this material at the factory? To tell us whether the man who was selling to you, the wholesaler, is making excessive profit?—A. I think there are profiteers there, but I do not believe the average honourable house is to-day making as good profits as they did in 1914.

Q. That is the view you have, having the business experience of dealing with these houses, that you think they are acting fairly in charging a reasonable profit on the goods they are selling?—A. In the main, yes.

Q. In the main you think they are?—A. Yes.

Q. Now, not only have tweeds advanced, but, I suppose, it is almost impossible to get imported tweeds at anything like reasonable prices to-day?—A. You cannot, sir.

Q. But our Canadian tweeds have advanced, as was shown here the other day, to the extent of from 30 to 50 per cent?—A. That is approximately.

Q. Now, has labour advanced in the manufacture of these clothes?—A. I cannot speak authoritatively on that question more than in this way. The Fashion Craft who make our made-to-order clothes say that it has. Mr. McFall made some statements, I have not the statement here, but I have the evidence here which will refute the statement of Mr. McFall.

Q. These statements have gone out to the public, and if Mr. McFall is right, it is right that they should; but if he is wrong, if you have any explanation to make, make it?—A. I started out when Mr. McFall made his statement, the press came to me about it, and I told them I did not know anything about it, that I had no suggestions to make at all, I know the facts just the same. I went to Toronto that night and the next morning I called on one of the large wholesale houses there and asked him about this statement that there was a surplus of worsteds in Canada and that the prices had gone down and he replied that they had been refused goods. He said that he had read the article, and he went to his office and brought out an original list from the Auburn Woollen Company, Limited, of Peterborough, dated June 3rd, 1919. This is the price list of June 3 which says:

> "We are herewith enclosing a list of our ranges with old prices, and revised prices on it; in future when placing orders please be guided by these new prices."

And then they give the list:

Range.	Old Price.	New Price.
8002	$2.25	$2.40.

and they give 10 or 11 different ranges in that way.

Then

8006	$2.35	$2.50

And four other lines are quoted in that range, then:

8009	$2.45	$2.60
8013	2.55	2.70
8030	3.15	3.30

and there are a number of ranges under thoses prices. There is one of our representative Canadian mills that Dr. McFall tells the public that the woollen manu-

[Mr. E. R. Fisher.]

facturers are reducing their prices and here is the price list of the Auburn Woollen Company, Limited, on the 3rd of June showing an advance of prices, and I can tell you that other mills are pretty much the same.

By Mr. Nesbitt:

Q. I think that Mr. McFall might have been guided somewhat in his statement by the fact that woollen yarns had decreased and that cotton yarns would probably follow them?—A. I do not remember that, very well, but I do not think that warranted any cost of living commission to put out an erroneous statement broadcast when there was no foundation for it.

By Mr. Euler:

Q. What do you say to his statement that there was a surplus of woollen goods?—A. That is the question I put to Randall and Johnston " Can you get all the Canadian merchandise you want" and he just laughed and said "I will take 100 pieces of Canadian goods if they are put on my floor to-day and I will not haggle about the price. I want it so badly." The mills will not take orders for all that the manufacturers wishes to buy, prices are up and they will not guarantee delivery.

By Mr. Stevens:

Q. As a matter of fact both the business men and the manufacturers told us here the other day that they were blocked up completely, and could not take any more orders?—A. That is the case, I know that and if they are blocked up full they cannot supply the full need of those giving them orders, they have to reduce the order. But there is the offer of W. R. Johnston of Randall and Johnston that if they would put 100 pieces on the floor of his warehouse he would not haggle about the price, but the fact is that if he ordered 100 pieces the order will be cut down probably to 50.

By Mr. Pringle:

Q. I think, if I remember aright, the representatives of various business concerns, and especially the representative of the Forbes Company stated that while they could make more money if they wished to take American orders, they knew if they took those orders they would be unable to supply their Canadian customers and that therefore they had not looked for that business?—A. I think that was a patriotic action on their part.

Q. I have listened to that evidence and it struck me and as Mr. Stevens had said, I think it has certainly occurred to the members of the committee, that the evidence shows there is no surplus of woollen goods, that on the other hand they have great difficulty in supplying the manufacturers of clothing with tweed, and if they had taken the American orders then the Canadian manufacturers would not have been in the position to get any such quantity as they have up to the present.

Q. Now, in a general way you are in the business of making clothes and you are making investigations along those lines, would you say that probably Dr. McFall has been wrongly informed?—A. Oh, undoubtedly so.

Q. And that there is no surplus of woollen goods at the present time?—A. There is not, either here or in England.

By Mr. Stevens:

Q. Is there not an abnormal demand just now because of the large number of returned soldiers coming back?—A. I do not think so, I do not think there is in this way: I do not think there was an abnormal demand in 1913 and all these men who are now coming back were in this country in 1913. Of course they are coming back now and wanting civilian clothing, but I would not say that it is abnormal.

Q. The only thing is they are wanting it in a bunch now, whereas the demand then was spread over a longer period?—A. I suppose they wanting it now within a shorter time.

By Mr. Pringle:

Q. And a great many people too are wearing their old clothes, I am informed?—A. Yes, I have seen that in this way: a man came into my store the other day and I said to him: "You have a new overcoat, Jim," and he answered: "Yes, it cost me $15; I took the overcoat that I got from you a few years ago and had it turned at the tailor's."

Q. I suppose the overcoat you sold a few years ago for fifteen dollars sells at thirty-five now?—A. Hardly as bad as that in the overcoat end.

Q. Twenty-five dollars?—A. Yes, easily.

By Mr. Euler:

Q. If your suit of clothes was more than doubled in cost, would not that apply to overcoats?—A. No, it did not seem to hold so largely in overcoats, for some reason, I do not know why.

Q. In a general way, you have a pretty good knowledge of the clothing business in the city of Ottawa?—A. I have, so far as my own business is concerned.

Q. And you know pretty well the prices charged by others carrying on a similar business?—A. Yes, I see it in their windows.

Q. Do you think there is—to put in the language that has been used so often—profiteering going on among clothing dealers in the city of Ottawa?—A. I do not.

Q. Do you think they are just getting a fair margin of profit upon their turnover?—A. That is all, sir. I think that maintains throughout Canada. I do believe that if the retail dealer of this country had not taken every dollar he had, and every dollar he could borrow, beg, buy or steal, and put it into staple merchandise in the fourteens and in the early fifteens, while there were surplus stocks lying around this country, it would be impossible for you to go into any store and buy an all-wool suit of clothes to-day for $25. I do believe that, and I do not believe any of them have to any extent, or in most cases anyway, increased their price, or profiteered in any way. They dare not do it.

By Mr. Nesbitt:

Q. Too much competition?—A. They are looking after the interests of their customers and their business, and they must hold the confidence of the public. A young fellow comes in to-day and pays me forty-five dollars and buys a suit. I tell him just exactly where he gets off. He demands the last button and the last seam. He is the fellow that to-day is paying high prices for clothes. The man who is buying staple merchandise, who is satisfied to wear a plain three-button sack, that the merchant put away two or three years ago, but is not buying to-day—he can get a good suit of clothes for twenty-five dollars, but the merchant cannot go back and buy over again the same suit he sold.

By Mr. Euler:

Q. That sample produced is all wool?—A. Yes.

Q. And that would sell for twenty-five dollars?—A. I do not think forty-five would get it.

By Mr. Nesbitt:

Q. You are not a manufacturer?—A. No.

Q. This man says he sold that for $4.25 a yard, and it took three and a half yards for a suit, and that comes to $14.88?—A. Have you any idea what it costs to make?

Q. I want to find that out?—A. Fashion Craft have been very fair during the war. I think they have been fair always. I think they figure on the seven per cent as being the limit that they want to make in their business. They claim they follow that policy. Fashion Craft charges me to make this suit in a plain three-button sack,

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without any fancy lining or silk sleeves, $21.50 for the tailoring, lining and trimming, and I do not believe when they are through, with the prices they are paying for their operators, that they—

By Mr. Pringle:

Q. That brings it to about $34?—A. As a matter of fact I paid Fashion Craft $40 a suit for thirty suits of plain cloth. I paid them $40 inside of the last month for a very much better material than this, very much heavier, softer, better fibre all through, and I consider I bought it awfully cheap, because I could not buy it among the Jews for that price—people who skimp in their linings and trimmings.

Q. You speak rather slightingly of them?—A. No, I do not. For instance, Fashion Craft have a standard, or Twentieth Century have a standard, and that standard is maintained in the tailoring and trimming. They won't slip sideways and put in a poor lining.

Q. How is it you can go to the Scottish Woollen and get a suit for $20?—A. Did you say a suit?

Q. Yes?—A. I would not call it a suit.

Q. What would you call it?—A. A dirty rag, both for material, lining, cut, workmanship and finish. There is no tailoring on it.

By Mr. Nesbitt:

Q. Isn't that Scotch goods these people are selling for this price?—A. I do not think so. I do not think they have a piece of Scotch goods in their place. I do not think you can buy a length of tweed for the price they are selling the whole suit. They sell nothing but shoddy rags and they never expect to see you again.

By Mr. Pringle:

Q. They will be sorry I asked you the question?—A. Well, I do not care. That is my opinion of it.

By Mr. Reid:

Q. Then there is the Tip Top Tailors?—A. Yes.

Q. They make suits for $21?—A. Yes. Did you ever see a man that repeated? I never saw a repeater in my life. I have heard them come in after they had paid their $21 and tell me they wished they had gone to Gatineau Point on a drunk with the money or stuck it in a sewer, because it was absolutely a suit they could not wear.

Q. That is just a little hard?—A. It is no harder than they give it to me. I never bought any of those suits.

Q. I know a man who got a twenty-one dollar suit and he is perfectly well satisfied, and I think he will repeat?—A. I have not seen a repeater yet; he may have been fortunate enough to get a suit to fit him. I do not want to throw any mud at competitors. I do not consider them competing; I am selling clothes and they are selling rags. I have repeaters and they have not.

By Mr. Euler:

Q. You think there may be something in this, that they would not pay their tailors?—A. Well, it is not that. They have not any tailors. All they have is seamsters. They put a coat under a sewing machine and sew it up like a bag and give it to a presser and he puts the goose to it, and after a rainstorm that is the end of it. It is not tailoring. They have not any tailors.

By Mr. Pringle:

Q. I do not want to get you involved in any libel or slander, and therefore I am not going to ask you about the up-store man, Robinson——A. I have nothing to say, sir, about him. He is in my line. He will have to clean his own skirts.

[Mr. E. R. Fisher.]

By Mr. Stevens:

Q. I would just like to ask you a few questions about your spread; you show a spread of 27·23 per cent?—A. Yes.

Q. On your sales?—A. Yes.

Q. How do you make that 27·23 per cent; it seems rather high?—A. Well, it is high, and if you take the early you will find it is lower, but when you keep increasing your staff, if you are going to have a contented staff and see that they are well paid and that they have no business worries, so far as collectors coming after them, they must be well paid. They are entitled to good pay. On an average they are a little better than the average. The sales people require to be a fairly clever people. Salaries have been going up enormously.

Q. In 1911 your spread was twenty-four and a half and now it is twenty seven?—A. I do not think it has ever been much less. I have always paid fair salaries, and had contented help, and help that nobody could come and steal away?

Q. What salary do you allow yourself?—A. I allow myself $75 a week.

Q. I am just calling attention to these facts. I am not criticizing your business. You have been very frank with us, but you show your average earnings to be, I should say a little over 7 per cent?—A. 7.61.

By Mr. Euler:

Q. That is on the turnover?—A. Yes.

Q. What would it be on the investment?

Mr. Stevens: I think his investment is not shown here. His investment is a gradual accumulating investment. Practically he started in 1912 and the business grew up.

By Mr. Stevens:

Q. In 1917 it was $26,998, and in 1918 $68,756. Unquestionably that is made up, as we brought out on other occasions, by accumulative profits. What I am pointing out for the moment is that there is a spread of 27 per cent, and that means 7.61; that 20 per cent for expenses is very very high.—A. Well, it may be, sir. I do not know the reason of it, unless just because we pay particularly good salaries.

By Mr. Pringle:

Q. You have got probably one of the most expensive stands in Ottawa?—A. You cannot figure it from that line at all.

Q. That is one of the items which has a bearing?—A. It has a bearing that with the turnover we have to-day my rental will not be as high as it was in 1911 in the old store. The turnover is now assuming very large proportions.

Q. What would your rental run to?—A. Between seven and eight thousand dollars.

By Mr. Stevens:

Q. Credit or all cash business?—A. We do a certain amount of credit.

Q. Any bad debts?—A. Very few—half of one per cent.

Q. Do you maintain a delivery?—A. No, we do not, we cannot afford it.

By Mr. Stevens:

Q. Then this is all taken up in rent, light and such expenses?—A. Light, heat and ordinary expenses. It includes rent, insurance, advertising and so on. Advertising is not a big item.

Q. What about the delivery costs?—A. It cost us eight cents a package to deliver. I find that our delivery system during the year would possibly cost us about one thousand dollars, and that to maintain a delivery of my own would cost me three or four thousand dollars.

[Mr. E. R. Fisher.]

Q. We cannot classify you as a profiteer. At the same time you have made a fairly good profit.—A. Undoubtedly I could have very good profits in selling my services in the open market.

Q. I doubt if you would do as well?—A. I can go to more money than that has shown me in my own business in the last eight years.

Mr. PRINGLE: Everybody living in Ottawa knows that Mr. Fisher has given great attention to business for years.

By Mr. Davis:

Q. Were there a large number of failures in your business during the war, compared with the period previous to the war?—A. I know there have been very few failures as far as those businesses, which one might be interested in, are concerned. That is, among the larger merchants. If there had been a stock of cloth thrown on the market in the last few years, I would have been in the market to buy it. There has been nothing worth while.

Q. Not as many failures, then?—A. I do not think so.

Mr. PRINGLE: We can get all that from Dun's reports. It has been very small for some years.

By Mr. Nesbitt:

Q. As a matter of fact the retail business has made better progress, and there have been fewer failures than previously.—A. I do not know.

By Mr. Euler:

Q. Does it apply to socks, collars and so forth?—A. Yes, sir, they cost us much less previous to the war. Woollen hose were laid down for three dollars and four cents a dozen, and we sold at three pairs for a dollar. That was a leader. They cost us now between eleven and twelve dollars.

Q. Canadian?—A. No, English, and from reputable people who have done no profiteering during the war. That is one hose that I am particularly well informed on.

By Mr. Pringle:

Q. How long have you been in business?—A. I opened business on September 5, 1905, fourteen years ago, this September.

By Mr. McCoig:

Q. Supposing we brought the Tip Top Tailors here, and they said that their $21 suits were equal to your $75 suits, what would you have to say?—A. If a man makes lying statements, and the press allows him to do it, and the public are willing to take hook, line and sinker, let them do it.

Q. How can we tell which of you would be telling the truth?—A. Come and see my shop, and ask any clerk to show you a twenty-five dollar tweed suit or clothes. Then go and look at the merchandise they have to sell you. I do not claim that they tailor their clothes at all. They are sewed up like bags and are given to the goose. Hand made clothes made by Fashion Craft, and for which they used to charge seventeen dollars and a half are similar to some Canadian made goods that I am selling now for twenty-five dollars, cloth and all. Those old prices will never obtain again. After the present stocks are out of merchants' hands, and they begin to get new supplies. Never again will cloth go back to where it was. Never again will you be able to buy any tailored clothes for twenty and twenty-five dollars.

By Mr. Euler:

Q. The cost of labour will not come down?—A. No.

[Mr. E. R. Fisher.]

By Mr. McCoig:

Q. Men are charged over sixty-five and seventy dollars for suits of clothes to-day?—A. I know. Our range is from fifteen dollars to seventy-five dollars.

By Mr. Pringle:

Q. You have no fifteen dollar suits?—A. Yes, I have. I have one in this bundle.

Q. I heard of a mother complaining that she had to spend between thirty and forty dollars for the first long suit for her boy?—A. If they do that it is because they do not take time to investigate and it serves them right. Here is a suit that a mother might get when she goes out to get the first long suit. I do not know if any of this committee are clothing people. She can get this cloth in sizes 31 to 35 for $15. It is a good Canadian tweed.

By Mr. Euler:

Q. How do you account for the discrepancy when the Tip Top people sell at twenty-one dollars and this is sold for fifteen dollars?—A. These were tucked away a long time ago.

By Mr. Pringle:

Q. This is not a good quality of tweed at all. You could not expect to get over fifteen dollars for it?—A. I think that that suit is worth twenty-five dollars in the retail market now. I would like to get a few hundred standards of it at eighteen dollars or eighteen dollars and fifty cents now.

By Mr. McCoig:

Q. What position are you in to say that the Tip Top people do not have a large stock of good goods?

By Mr. Pringle:

Q. You make broad statements. Have you seen the goods?—A. I make the statements from what a man said to me. He was stung.

Q. Have you ever examined their goods? I do not think you should make such sweeping statements until you have personal knowledge of the class of goods you were speaking about?—A. I only make these statements from the fact that a man will come into me after buying one of these suits, and say that he cannot wear the shoddy rag and wants a decent suit of clothes. He feels as though he had thrown his money into the sewer.

By Mr. Davidson:

Q. How does it compare with the best custom clothes?—A. I should say that we sell possibly for ten dollars a suit less.

Q. Is there that difference?—A. There is that difference in making one individual suit and making a large quantity.

By Mr. Euler:

Q. What would the cloth in a seventy-five dollar suit be worth?—A. I think it would cost the manufacturer eight dollars laid down here from England.

Q. You would charge twenty-five dollars for the cloth and that leaves a margin of fifty dollars for making and trimming it?—A. You forget the wholesaler's profit and my profit. We all have to have something.

Q. Even at that it seems too much. Who is this cloth made by?—A. Made by W. R. Johnston in Toronto.

Q. It puts the cost to that?—A. Yes. They are ready made clothes outside of a few brands, that is, where you can tabulate all the clothing.

[Mr. E. R. Fisher.]

Q. How much would it cost to fit a big fellow like this (pointing to Mr. Mackie of Renfrew)? Would it cost any more?—A. No, I will fit him for twenty-five dollars in a good tweed suit of clothes.

Q. You can't do that?—A. Yes, I can.

By Mr. Stevens:

Q. If you sell him for twenty-five dollars, I should get it for fifteen?—A. That is one thing the wholesalers will not do. Their range is twenty-one dollars and a half. You say, "I like that cloth." I think I will make it look well on a man of six foot three high. I can make four and a quarter yards out of that. The next time I look at another type of cloth and I think I would like it on a short type "A." I might make fifteen suits out of it, and it would take two and seven-eighth yards to cut each. They strike a big average in that way.

Mr. PRINGLE: Then the big man has the advantage.

By Mr. Sutherland:

Q. You want to encourage proper development?—A. There is just one thing if the committee will allow me. It is to this effect, that Mr. McFall has made these erroneous statements in reference to my line of business. I do not believe it is true. The evidence does not back up one statement that he has made. I am satisfied he was misinformed on the matter, and I think it is only fair that this committee should issue a statement to the press that he was mistaken, that is if you are satisfied that he was.

By Mr. Stevens:

Q. It is not our business to sit in judgment on Dr. McFall or on yourself. Your evidence is here before the press, and there is no doubt that the press will give full publicity to it. It is not our place to pass judgment on Dr. McFall. But we are very glad to have your view of the case?—A. I was very glad to hear the remarks of the Chairman in reference to some things that go out to the press. I do not believe that it is a good thing to have Dr. McFall's statement given out from end to end of this country. It is no time to send such inflammable material out when there is so much unrest.

By Mr. McCoig:

Q. You do not think we should stand idly by while profiteering goes on?—A. If it is true, put your finger on it. You put your finger on one at the start. That cloth manufacturer has been trying to put it over the retailer ever since he began to manufacture. In that case we have profiteering where it belongs. The retail trade has been exonerated. I do not think anybody can accuse a retailer of being a profiteer for making 7·62 per cent on his turnover, showing exactly the same average as before the war. If he is a profiteer now, he was a profiteer before the war.

By Mr. Davidson:

Q. Is this a three-piece suit?—A. Yes.

Witness discharged.

Mr. GEORGE E. PRESTON, called, sworn and examined:

By Mr. Pringle:

Q. You are a member of the firm of George E. Preston and Sons?—A. Yes.

Q. One of the oldest firms in the city of Ottawa?—A. Very nearly. Holbrook is older.

Q. You are a merchant tailor entirely in customs work?—A. Yes sir, nothing else.

Q. What advances do you find in the cost of importing tweeds?—A. Sometimes they run as high as three dollars and a half.

By Mr. Stevens:

Q. Is that from the jobber?—A. I do not know, we like to get it delivered.

By Mr. Pringle:

Q. Do you buy through the jobber?—A. We cannot buy a yard from the manufacturer. We have to buy through the wholesaler or jobber.

Q. You say that there have been advances in imported tweeds?—A. Yes, up as high as three hundred and fifty per cent.

Q. Prior to, we will say, 1916, the cost, I do not think had increased very appreciably until about the end of 1915?—A. No, not until the early part of 1915. There was no increase at all before that.

Q. Has that price been steadily going up from 1915 to the present time?—A. Until the spring of 1918, and then it took a big jump.

Q. What percentage of a jump did it take in the spring of 1918?—A. About 40 per cent in that one year.

Q. What do you pay to-day for a first-class Scotch or English tweed or worsted?—A. You cannot buy anything at all under seven dollars and a half a yard. You might get an odd cloth for five dollars and a half a yard, but it is isolated in the samples and unless examined carefully, you are liable to be stung on it. We do not handle domestic goods. All imported goods.

Q. You say the prices run from five dollars and a half to seven dollars and a half a yard.—A. We cannot get anything under seven dollars and a half a yard, except isolated cloth.

Q. You have a special trade? A certain number of customers deal with you for years and years?—A. Yes. The highest we have paid is ten dollars and ninety cents a yard.

Q. You say you cannot get anything that will suit your trade for less than seven dollars a yard?—A. Yes.

Q. Of necessity you have advanced your price?—A. Yes.

Q. Is your margin of profit in excess of what you got at a lower price?—A. Just the same. We do not expect to make as much profit with the advance as before.

Q. How does the cost of manufacturing a suit of clothes compare with 1915?—A. It is one hundred per cent higher.

Q. Does labour make the difference?—A. Labour is that much higher.

Q. Trimmings?—A. It has gone up as high as three hundred and fifty per cent.

Q. About what did it cost to make a suit, to cut out and manufacture it in 1915, and what does it cost to-day?—A. In 1914, we got fifteen dollars to make and trim a suit of clothes.

Q. I suppose occasionally, if a customer brings in cloth, you make it up for him? You would get for it in 1914 just fifteen dollars?—A. Yes.

Q. To-day?—A. From twenty-five to thirty dollars. We had a flat rate of fifteen dollars in 1914, and now we get twenty-five to thirty dollars according to the grade of cloth.

Q. Do you pay the workmen by the piece or day?—A. Both ways.

Q. These wages have advanced practically one hundred per cent?—A. Our head tailor—we pay our head coat maker forty dollars a week. We pay from twenty-two and a half dollars to forty dollars a week.

Q. For labour?—A. Yes.

[Mr. Geo. E. Preston.]

Q. You have a number of other employees? How about the girls? Have their wages increased?—A. It used to cost us for making pants seventy-five cents a pair before the war. That was an ordinary pair.

Q. You charge from fifty dollars to sixty dollars for a first-class imported tweed or worsted suit?—A. Yes.

Q. And you say that the cloth cost you from seven dollars and a half to ten dollars and a half a yard, and that it takes about three and one eighth yards to make a suit?—A. No, we can't. We figure on the English measurement of three and a quarter yards. We get shorter lengths but we have to give these to short men occasionally. We buy two or three suit lengths.

Q. Your material would cost you $32.50?—A. About that.

Q. Then the cost of making up would be twenty-five to thirty dollars. That would bring the cost up to fifty-seven dollars and a half?—A. Yes.

Q. You do sell very good imported tweed suits from fifty dollars up?—A. The average is from fifty dollars to sixty dollars, but we have quite a few this season for sixty-five dollars. I will show you a sample we will have to have seventy-five dollars for.

By Mr. Stevens:

Q. Your price of twenty-five to thirty dollars for making and trimming includes the profit, does it not?—A. Our profits are in that. This cost was two dollars and seventy-five cents before the war. Now it costs eleven dollars and fifty cents a yard. We bought that in bulk at two dollars and seventy-five cents a yard before the war. The lowest price now is ten dollars and ninety cents. That was bought before the armistice was signed at all, in November. After that we had to pay eleven dollars and sixty cents a yard, and they have not bothered about a price list since.

Q. What do you consider a fair profit on cloth after deducting all overhead expenses and expenses for workmen and so on, just a fair net profit?—A. We add thirty-three and a third per cent on everything, labour and everything.

Q. Out of that you take overhead?—A. If you manage the business you can make money. If not, a tailor loses money.

Q. You mean that we never see a millionaire tailor?—A. The only way to make money at it is to start at eight o'clock in the morning, and stick at it until night.

By Mr. Nesbitt:

Q. What would a suit cost, the cloth of which cost eight dollars a yard?—A. Sixty dollars.

Q. Twenty-five dollars to make it does not include a profit to yourself?—A. Yes. That suit cost twenty-eight or thirty dollars to make up.

Q. I see twenty-eight dollars for the cloth, and twenty-five dollars to make, would come to fifty-three dollars, but you sell that for sixty dollars?—A. You give us no profit for the cloth. We carry cloth in stock for three years. We have sold suits for thirty-five dollars which you could not sell for fifty dollars at the present prices of cloth. We raise the prices according to the advances in cost of labour and manufacture.

By Mr. Pringle:

Q. This card is a card from Peebles, from Lowe, MacDonald and Company: He gives samples of cloth with prices. These are English cloth guaranteed, and these prices you say are three hundred to three hundred and fifty per cent more than in 1914?—A. Yes. They were laid down here before the war at one dollar and seventy-five cents a yard, and now they cannot be obtained for under seven dollars and a half a yard. There is a piece of linen which goes in a suit, and which was worth fifteen cents a yard before the war, and now you cannot buy it under seventy-five cents a

[Mr. Geo. E. Preston.]

yard. It is Irish linen. Here is an Irish canvas. We bought it in bulk by the case at fifteen and a half cents a yard. It would be the same price as the linen now, and it does not matter whether we buy by the roll or the case. That is where we made money. Years ago a man with capital could make money by buying in lots and paying cash.

By Mr. Devlin:

Q. Where do you buy this linen?—A. From an importer.

Q. In Ireland?—A. Yes.

Q. Or London?—A. No.

Q. Are you sure?—A. They have not the facilities to make it there.

Q. Are you sure?—A. I would not like to swear but it is much like buying German silk. All we have to go on is that it is marked Belfast linen. If we bought from the manufacturer, we would know what we were getting.

Q. Do you think unreasonable profits are charged by the tailors in this city?—A. No. There are very few tailors who by the time they take the overhead expenses off are making more than just a living wage. The only way is to start at work at eight o'clock in the morning.

By Mr. Pringle:

Q. I can speak as to that, Mr. Preston is an early riser.—A. Yes, I meet Mr. Pringle about seven forty-five every morning.

Q. How many men do you employ?—A. We employ twenty men and forty girls.

Q. And your point is that the increase is due to the enhanced cost of material and the cost of labour?—A. Undoubtedly it is due to the cost of material and labour. As for labour you cannot handle it at all. They do not deliver the goods. A man working by the week will not stretch himself.

Q. Do you get as much from an employee as before the war?—A. No. There is a difference of nearly twenty-five per cent.

Q. In other words, there is a hundred per cent increase of wages and twenty-five per cent decrease in production. You are quite sure of that?—A. I am almost sure of it.

By Mr. Euler:

Q. How do you account for it?—A. We had a strike last fall. We had a man who had been working for us twenty years, and we had been paying him a good wage. Then they organized and struck for two and a half weeks. It is due to the unrest going through the country. It is hard work holding the men. I had to stop a man talking unionism in work hours the other day. I said to him, talk all you like outside but not in here. The men do not do the right kind of quantity of work now.

By Mr. Pringle:

Q. Why don't you deal in Canadian tweeds?—A. We don't get as good value.

Q. Forbes would be a good cloth.—A. If we had a million dollars we could not buy anything from him He will not sell to us either for credit or cash. We cannot buy except from the Export Woollen Mills, Nova Scotia. We have to buy from the jobber in very case.

By Mr. Stevens:

Q. What would you pay a jobber for a piece of cloth like that?—A. We would not handle it. It is not good enough for us.

Q. How about this one?—A. It is too hard a cloth. That is better. We keep as much as we can from this hard cloth. This is made for a special purpose. It is made for a good wearing honest cloth, but Forbes has better cloth than that. We used to

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buy it for six dollars and a half a yard. The middleman I think will not take another yard at six dollars and a half. One of them refuses to take orders. We pay five dollars a yard to the middleman. There is no other way to get at them. That cloth is built that way. This blue would get shiny. Grey is better value, for it won't shine.

By Mr. Devlin:

Q. What would it cost to make a suit of clothes out of that?—A. I would not like to quote a price, for I have a line at five dollars and a half a yard.

Q. Give me an idea?—A. That would be worth from fifty to fifty-five dollars made in the regular way. We have better goods in stock than that. In the last couple of weeks we were cleaned out. Twenty-five per cent of our trade comes in and asks for stock. The war was the greatest thing to the woollen men. He cleaned out old stock at good profits, cutting the middlemen out of business, and it gave us a chance.

By Mr. Pringle:

Q. You consider that the middleman is the one who gets large profits?—A. Why, sure. He doesn't need to be there at all.

Q. You believe that the retail merchant should have the right to buy straight from the manufacturer?—A. If he has the money and can put up the price, let him buy.

By Mr. Nesbitt:

Q. The wholesale clothiers say that if the tailor did go to the manufacturer, being unable to order large quantities of any one line or quality of goods, and being obliged to have a lot of lines in order that his customer may have a good selection, he could not buy a sufficient quantity of any one line to be able to get the goods any cheaper from the manufacturer than he would from the wholesale house?—A. Every merchant tailor carries the standard lines. If they would sell on these lines of goods at the manufacturers' prices we would be able to reduce the cost a lot. A roll of goods is not a small item. It costs from six to ten dollars a yard. Would that not be enough money to interest the mill?

By Mr. Pringle:

Q. Have you any idea what the middleman gets?—A. He gets thirty-five per cent.

Q. He gets thirty-five per cent. So that that roll of cloth instead of costing ten dollars a yard cost thirteen fifty?—A. Not only that. Not only does he get thirty-five per cent but the broker who sold to him gets one and a half to two and a half per cent. The broker gets one and a half to two and a half and he sells it to the distributor and he gets thirty-five per cent or whatever he likes. He sells it to us and we get our thirty per cent. By the time the customer gets it——

Mr. STEVENS:—He gets it in the neck.

The WITNESS: Yes.

By Mr. Devlin:

Q. Do these mills have their own travellers?—A. No. They have a traveller who merely carries the goods as a side line.

Q. Do they export?—A. Yes, to the United States.

Q. To England?—A. They do to-day.

Q. And their goods are sold as English goods?—A. Possibly. We are buying American worsteds to-day.

By Mr. Pringle:

Q. Do you find there is a demand for American worsteds?—A. I suppose they take them because they cannot get Canadian goods. They are not making any other cloth. They are out to get extra trade and sell cheaper than to their own people.

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By Mr. Devlin:

Q. Do you know as a matter of fact whether these goods are shipped from this side over to England and after being sold as English goods are shipped back here?—A. No, we deal with reputable people. These people have been in business two hundred years.

By Mr. Davidson:

Q. Do you represent certain English houses?—A. We do anything with any money in it.

Q. But do you represent anyone?—A. No, an agent from Stricklands used to come out here every year and we used to do a little for him.

Q. Do they do a large business in Ottawa?—A. Not very large. Not so much as they should do under the circumstances.

The WITNESS: (Continuing.) In England to-day you cannot get a suit of clothes under twelve guineas or from sixty to ninety dollars.

By Mr. Pringle:

Q. There was a time when Stricklands and other English tailors did do a large business in Canada because they were able to compete here?—A. To-day there is no over production. Up to war time every mill and warehouse was chuck full of goods which, could the jobber buy perhaps at twenty-five, fifty per cent of what they were worth. We have seen goods on sample worth two forty-five a yard sell for two dollars. After the war, the same goods sold at four dollars a yard. They used up cloth for blankets and everything else and possibly drugged the market.

By Mr. Davidson:

Q. Is your concern an incorporated company?—A. No.

Q. What is the capital?—A. About one hundred thousand dollars.

Q. Is that the original capital?—A. No, we put all our money into the business. We carry a hundred thousand dollars in goods.

By Mr. Nesbitt:

Q. You told us that you added thirty-three and a half per cent gross. What has been your net profit during the last three or four years?—A. Twelve and fifteen per cent on the turnover.

By Mr. Stevens:

Q. What is the turnover?—A. About one hundred thousand.

By Mr. Nesbitt:

Q. You have over one hundred thousand invested in the business?—A. Yes.

Q. Have you been making a net profit of from twelve to fifteen per cent during the war?—A. Last year it was twelve per cent.

By Mr. Pringle:

Q. Does not include allowances for yourself and your brother?—A. Yes, my salary——

Q. And you have this over and above your salary?—A. Yes, we would not make that only we are there from morning to night.

Mr. NESBITT: Every one who is successful in this country works from morning to night.

By Mr. Devlin:

Q. What is your rent?—A. We own the property. There is a workshop with it. If we were up on Sparks street the rent would be eight or nine thousand dollars.

Committee adjourned till three o'clock.

The Committee resumed at 3 p.m., Mr. Nicholson, the Chairman, presiding.

[Mr. Geo. E. Preston.]

Mr. J. S. McLean recalled.

By Mr. Pringle:

Q. You procured for the Committee a statement that was asked for this morning. Before going into these statements, could you give us an idea of your percentage of profit on your turnover? Take, for instance, the year 1914-15. The end of your fiscal year is the last of March?—A. Yes.

Q. Your turnover in that year seems to have been $9,222,739.09. Does that represent dollars?—A. That is dollars. The figure on the first column is pounds.

Q. Your earning is ·42 per pound, or 2·7 per cent per hundred?—A. Yes. We express it to ourselves as 42 cents per one hundred pounds. That is the way we think about it, two-fifths of a cent a pound.

By Mr. Nesbitt:

Q. That is 42 cents for one hundred pounds of meat?—A. Product.

By Mr. Pringle:

Q. For 1915-16 it would be 40 cents per one hundred pounds of product?—A That is correct.

Q. And your profit per $100 of turnover is 2·6?—A. Yes.

Q. In 1915-17 your money turnover was $25,991,246.03.

By Mr. Nesbitt:

Q. (Interrupting): Is that 2·06, or 2·6?—A. Two and six-tenths.

By Mr. Pringle:

Q. 1·7 per cent per hundred is your profit on the turnover?—A. Yes, that is on every one hundred dollars of turnover there is $1.70.

Q. In 1917-18—that seem to have been your largest year—your money turnover was $38,556,291.75, and per hundred 25 cents?—A. Yes, 25 cents per 100 pounds, or one quarter of a cent per pound.

Q. And your percentage is one and a half or one and three quarters?—A. One and fourth tenths.

Q. In 1918-19 your money turnover was $33,316,441.56, and .15 is your percentage per 100 pounds?—A. Yes.

Q. And your percentage in money is less than one per cent?—A. Six-tenths of one per cent.

Q. We had better file this statement. Having filed it, let us go back to your profit and loss statements since 1914. The first statement you handed to the Committee is the profit and loss statement for the year March 28, 1914, to April 1, 1915. Your net profit that year—I am not going into details—was $251,895.93?—A. Yes.

Q. Your profit and loss statement for the year expiring 31st March, 1916, is $408,-232.17, or the equivalent of about 20 per cent on your capital stock?—A. Yes.

Q. Your statement for the year ending March 29, 1917, shows that your profits were $444,357.58?—A. Yes.

Q. Or approximately 22 per cent on your capital?—A. Yes.

Q. For the year 1918 your profits are $522,014.15. That is about 26 per cent?—A. Yes. That is including the profit on the capital without including the reserves. The reserves, of course, would bring the actual capital invested in the business that year up to between two and a half million dollars and three million dollars.

Q. In the year ending March, 1919, your profits came down from $522,014.15 to $206,243.02, or a difference of over $315,000. Will you tell us how you account for that?—A. During about eight months of the year we were doing business under very trying conditions. You will remember that the British Ministry of Food had an office in Canada, and were purchasing both our bacon and our beef. These prices were fixed from month to month by a conference between the packers and the British Ministry of Food, and the prices were arrived at in the main by relating them to the prices they were paying for the same product in the United States. Now it happened that in Canada the packing house capacity is very much in excess of the supplies of livestock, and the chief part of the business of the packing houses was preparing this bacon and frozen beef for the British Ministry of Food for export to England and France. That was a kind of business in which you just bought your stock——

Q. (Interrupting): When did the Government regulations come into force limiting your profits to eleven per cent?—A. In November, 1917. The announcement was made just prior to the election, but the actual Order-in-Council was not passed until March, 1918.

Q. Would not that have something to do with the difference between $522,014.15 for the year ending February, 1918, and the $206,243 for the year 1919?—A. No, I do not think it had anything whatever to do with it.

Q. You say that what did make the difference was that the British Government intervened?—A. Yes.

Q. And you were only getting prices that corresponded to the prices got by American manufacturers?—A. Yes.

Q. Did not this make a difference; the American packers were under investigation, and the American Government on the report of the Federal Trade Commission took some steps to reduce the profits of the packers in the United States that brought down the prices to the packers in the United States, and in turn brought down the price to the packers in Canada. You are aware of that investigation surely?—A. I do not think it had the slightest effect on this.

Q. Do you not think that the investigation which was started by the President of the United States in a letter dated February 7, 1917, directing the Federal Trade Commission to investigate and report facts relating to the production, ownership, manufacture, storage and distribution of foodstuffs, and so on. Do you think that that investigation had a very important bearing on reducing the price to the packers in the United States of America?—A. So far as I know the situation, I do not think it did.

Mr. Nesbitt: He was explaining why the price was reduced; why not let him continue his explanation?

Mr. Pringle: I do not want to curtail him.

Witness: I got just to the point of finishing that. The point was that, having this free outlet for stuff, the competition to buy livestock in Canada was very keen. The result was that, due to that competition, the price of livestock was forced up as between the packers to a point where their profit almost disappeared in the business, and that maintained for nearly eight months of the year covered by that statement.

By Mr. Nesbitt:

Q. The farmer got the benefit?—A. Yes.

By Mr. Sutherland:

Q. The law of supply and demand prevails for a time?—A. Yes. I think it generally operates, so far as I can see.

By Mr. Pringle:

Q. Was not the result in the United States—you are probably more familiar with the conditions there than I am—that the packers had a combination consisting of the Swift Company, the Armour Company, the Morris Company, the Wilson Company, and the Cudahy Packing Company, and they divided up the territory and simply paid the farmer the price at which he could raise his cattle. And those few companies

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controlled 82 per cent of the number of cattle that were slaughtered in the United States?—A. I have no first hand knowledge of that any more than you have, but the farmer got pretty good prices for his stock.

Q. You remember how they divided it up?—A. No. The American packers' answer to that is that they did not divide it up and that there was no combination. However, of these facts I have no knowledge.

Q. I do not know that any good purpose would be served by going into discussion of it. I happen to have the report in my hand which shows the conditions, and the Federal Trade Commission, if you will remember, discovered a memorandum book about the domestic combination where the whole record was kept, and they evidently came to the conclusion that the whole matter was arranged. The price they paid for cattle and everything else?—A. I have no knowledge of that.

Q. Have you any such understanding in this country?—A. Absolutely none; there never has been, or anything approaching it.

Q. Another thing that was established in this investigation, and which I do not think is occurring in this country is this: that these large corporations like Swift, Cudahy and so on, all had practically control of the small packing house. Is that occurring in this country?—A. Oh, no, there has been no change whatever in the line-up of packing houses of the meat industry in Canada.

Q. Until there was a question in regard to the William Davies Company, did not the William Davies Company practically control your company?—A. No, they have not controlled it—I suppose it might have been said at the beginning that they were a going concern and a large meat industry and they had fifty per cent of the stock in the company. Later their holding in the Harris Abattoir dwindled, because I was admitted as a stockholder, and after that the Davies Company had only a minority holding and it has never been proved since then that they controlled the policy of the company.

Q. Have they a minority holding now?—A. No, they have no stock whatever now.

Q. When did they dispose of their stock in this company?—A. In April, 1918.

Q. Was that subsequent to the investigation into the William Davies Company?—A. Yes.

Q. What other abattoir companies are there in Ontario?—A. In Toronto there are the William Davies Company, the Matthews-Blackwell Company, the Swift Canadian Company, Gunns Limited, and ourselves.

Q. Does the William Davies Company hold stock in all these companies?—A. So far as I know—indeed I am sure—they hold stock in none of these companies.

Q. Is there any understanding or arrangement between yourselves and the other packing companies in regard to prices?—A. None whatever.

Q. Is there any agreement with you in regard to the territories in which you shall acquire your cattle?—A. None at all.

Q. None whatever?—A. No.

Q. If there was an understanding in the United States in regard to that among the packers, no such understanding as this exists in this country?—A. No.

Q. You are all on a competitive basis?—A. Absolutely. The prices we pay are the best evidence of that.

By Mr. Nesbitt:

Q. Mr. Pringle suggested there was a packing combine on the other side at that time? How would the prices on the other side for hogs and cattle compare with your prices here?—A. It is broadly true that since the war prices in Canada for hogs have been from one to two cents per pound higher in the United States, but there are several conditions that enter into that. They are a different type of hog altogether. We breed in Canada the bacon type of hog, the Yorkshires, Tamworths, etc., while in

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the United States they breed a large type of hog, three and four hundred pounds. The bacon from our hogs commands a premium on the British market, and that is why we pay the higher price. Another reason is that the competition due to the fact that our plant capacity is greater than the supply of hogs, and the competition is keener, but the implication is that there is a combine in the United States. I have no knowledge whatever whether there is or not.

By Mr. Nesbitt:

Q. Last year they came to the Toronto market and bought hogs and shipped them to the United States?—A. Yes.

Q. Therefore, paying the bigger price?—A. There was a special reason for that. The British Ministry of Food were buying all the beef both from them and from us. Now, due to conditions that were existing, and that were finally removed, the British Ministry of Food paid a higher price to the American packer than the Canadian packer.

Q. Why?—A. Well, just because they made a better deal with them than we made with them. That was the only reason. We finally, with the assistance of the Department of Agriculture in Ottawa, had that differential removed, and got the same prices.

By Mr. Sutherland:

Q. How much difference?—A. About twenty-seven cents. It began at a cent a pound in April, 1918, and we gradually worked it down until it disappeared altogether in October or November of that year.

By Mr. Nesbitt:

Q. The armistice was signed in November?—A. Yes, that is correct. There was one other thing that accounts for that. They took advantage of the two and a half per cent—you see the exchange was two and a half per cent in their favour—those two things were sufficient to enable them to take stock from us.

By Mr. Pringle:

Q. I am glad to get these facts from you for this reason: the report of the Federal Trade Commission is a public document, and while it has not a wide circulation in Canada, still it is in Canada, and there is a condition there, as shown by the Federal Trade Commission, which I think would be very unfortunate if it existed in Canada—and that is why I wanted you, if you were in a position to say so, to tell us that no such condition existed in this country?—A. No.

Q. For instance, the Federal Trade Commission says: "Thus, even without any collusion beyond the agreement to divide purchases, the price to the producer is bound in the long run to be the lowest price which will keep the producers raising cattle, hogs and sheep and sending them to the stockyards." They seem to have had an absolute division of territory, the territory was divided, the volume of business was apportioned out, and penalties were assessed for violation, and secondly they not only practically controlled the whole meat trade of the United States but they were extending out to other countries, and I wanted to see if the packers in this country were associated in any way with the packers of the United States. Whatever the facts are there there is absolutely nothing similar to that in Canada.

Q. There is nothing similar to that in Canada?—A. Absolutely not.

Q. The packers here are all standing absolutely on their own feet, they are in a competitive business, and there is no agreement in any shape, manner or form by which they divide territory or by which they fix prices to the consumer?—A. That is correct.

Q. I am very pleased to hear that. A committee of the United States Senate reports agreements between Armour, Swift, Morris and Hammond in 1890 to refrain

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from competition, with collusive prices and divided territory. From 1893 to 1896 there was a pool of the same companies with the Cudahy Packing Company and one other, meeting every Tuesday Afternoon, by which territory was divided, volume of business apportioned and penalties assessed for violation; from 1898 to 1902 there was a new pool to which Schwartzschild and Sulzberger was an added party; in 1902 charges of conspiracy and restraint were filed against the big packers, and in 1903 a permanent injunction was issued against them. The old pool of meat shipments was replaced by a simpler, more effective "live stock pool" or division of all live stock coming to market. The Federal Trade Commission of the United States report: "Since 1913 these percentages have held year by year with scarcely one per cent variation. Thus without any collusion beyond the agreement to divide purchases the price to the producer is bound in the long run to be the lowest price which will keep the producers raising cattle, hogs, and sheep and sending them to the stockyard.

A personal memorandum book kept by German and Sulzberger is a prime source of evidence of a domestic combination. Sulzberger's memorandum of a meeting of White (vice-president of Armour & Company), Wilson, Edward, Swift and himself on June 14, 1914, at Armour's office is evidence also of an international pool with other Argentine companies for the shipment of meat from Argentina and Uruguay both to Europe and to the United States.

In the vault of Henry Veeder were found documents relating to joint funds maintained by the big packers and oleomargarine manufacturers to employ lobbyists and pay their unaudited expenses; to influence legislative bodies, to elect candidates who would wink at violations of law and defeat those pledged to fair enforcement; to control tax officials and thereby evade just taxation. These findings had the result of bringing down the prices in the United States to the consumer and I was wondering if that had been reflected here to reduce the profits of the packing houses in 1918, because there has been a reduction in the profits of this concern alone of over $300,000 in one year.—A. Of course profits both before and during the war fluctuate according to the conditions that are existing, they are always varying, sometimes we have good years and sometimes we have bad years.

By Mr. Sutherland:

Q. How do you account for the fluctuation of the last month? About a month ago beef was on the decline, it went down a cent a pound and last week it went up a cent a pound.—A. You are thinking of the Toronto market.

Q. Yes.—A. The explanation is this, a week ago last Monday there was a big run of cattle, 4,400 came to the market.

Q. That was the week previous?—A. I guess two weeks ago, was it not?

By Mr. Nesbitt:

Q. Two weeks last Monday, two weeks ago yesterday.—A. That was a bigger run than the trade could absorb; you understand that now we have no export trade in beef whatever, for the reason that the British Ministry of Food which was anxious to buy all the beef in Canada, and urged us to cut down our own consumption so that they could have it, up to December, 1918, have now disappeared from the field altogether and we are not shipping anything. That 4,400 run looked as if we were in the beginning of our big run, which usually begins somewhere about this time of the year, and the local demand could not consume that; prices were at a very high level, steers were selling at 15 and 15½ cents a pound, which is an unheard of level, and it is a foregone conclusion that cattle had to go down. The result of that heavy run was that a cent a pound was taken off the price of the cattle, the buyers bought them just as cheaply as they could. Then the next week the run of cattle instead of being large again as was expected, was quite small, and there was not enough for the local consumption; the result was they put back about half a cent a pound of what they had taken off the week before.

By Mr. Sutherland:

Q. Does it not invariably happen that in every year when the last of the stall-fed cattle are coming forward they are absorbed at the lower rate?—A. There are frequently fluctuations up and down. The market this week is lower again.

Q. Then you buy them in one of these big runs and put them in cold storage, and the price of meat does not decline. For instance the price of beef has not been down for two weeks, and it has gone back again to pretty nearly the level that it was before. How is that going to affect the price of meats you have in storage?—A. It has no effect whatever; there is no business, there is no outlet in Canada for frozen beef. I am thankful to say that it is sold now, we have been sitting on a gridiron for the last four or five months with the large quantity of frozen beef that we have had on our hands in Canada.

Q. Where did you find the market for it?—A. The Italian Government largely.

Q. But what have you to say in reference to the chilled beef?—A. The beef is held in the chilling rooms over only 3 days; every packer seeks to clean out his chilled beef within 3 days.

Q. Did your price for beef go lower when the price broke for steers?—A. Absolutely our price for beef responded immediately to every move in the market. We have to reduce the price of beef that we have on hand because our buyers know exactly what we are paying for cattle, and the competition to sell just forces that.

By Mr. Nesbitt:

Q. There is a contention that the beef that you had left on your hands when the armistice was signed instead of being shipped to foreign countries could have been put out on the market in Canada and our people should have had a chance to buy it at the lower price.—A. They would not buy it. There was 40,000,000 pounds of it and we would have been glad to sell it for 2 cents a pound less, but they would not buy it.

Q. What became of it?—A. Part of it went to Great Britain, but most of it to the Italian Government.

By Mr. Pringle:

Q. Suppose you have in the packing houses so many thousand pounds of beef and the price goes up, do you immediately advance the price on that quantity?—A. Yes.

Q. You take the replacement value?—A. Yes.

Q. And if it goes down do you reduce the price?—A. Oh, yes, you have to do it, it is impossible to do otherwise.

By Mr. Nesbitt:

Q. You say that the Canadian people would not have bought that frozen beef that was in cold storage, why not?—A. Because the Canadian trade is not accustomed to handling the frozen beef; of course there is a certain small portion of it handled, in the winter time, the country butchers will buy a frozen carcass occasionally, particularly in the west, but not in Ontario, they will not handle it.

By Mr. Pringle:

Q. Coming to oleomargarine, do you manufacture oleomargarine?—A. Yes.

Q. In large quantities?—A. Yes, I would say we manufactured last year about, I think, eight million pounds.

[Mr. J. S. McLean.]

Q. What is the cost per pound to you, for manufacturing oleomargarine?—A. That varies always with the market for ingredients. The ingredients of oleomargarine are oleo oil, that is just a product arrived at or secured by the treatment of beef fat, through the oleo process, that is about 55 per cent; and there is about 15 per cent of creamery butter in it, and about 15 per cent of cotton seed oil, and a certain—I have forgotten the percentage—but a percentage of neutral lard, but the oleo oil is the largest ingredient.

Q. Is it ever manufactured without a percentage of butter?—A. It is in Europe and, I suppose, it is in the United States.

Q. I do not suppose it is palatable?—A. It is not nearly so palatable without the butter; that gives it the butter flavour.

Q. Is it ever sold as butter. I do not think it is sold by your buyers as butter, but no doubt there have been cases where it has?—A. I have seen it stated in the newspapers, that is all I know of it.

Q. Where that mixture, as you might call it, has been palmed off on the public as butter?—A. Yes.

Q. Now, when you sell it, do you sell it as just oleomargarine?—A. Oleomargarine, it is practically all sold in pound prints, it is put into prints immediately it is manufactured.

Q. What do you get a pound for that, it varies, I suppose?—A. At present our price is 35 cents.

By Mr. Nesbitt:

Q. Is that the wholesale price?—A. Yes.

By Mr. Pringle:

Q. What does it cost you to manufacture that?—A. Just at present it costs us about 34 cents.

Q. So your profit would be one cent?—A. Our profit on oleomargarine has been very small. Of course, it is a new branch with us. We began manufacturing on the 10th December, 1917, when the Order in Council became effective.

Q. Do you manufacture butter?—A. No.

Q. You purchase your creamery butter in which you mix the oleomargarine?—A. Yes.

By the Chairman:

Q. But you sell large quantities of butter as well as oleomargarine?—A. Oh, yes. You asked about butter and I have got a statement telephoned from Toronto.

By Mr. Nesbitt:

Q. You do not churn it with the first milk?—A. Yes, it is churned with skimmed milk, fresh skimmed milk.

Q. I understood it was fresh milk?—A. No.

By Mr. Sutherland:

Q. Why should you have to churn cotton seed oil in oleo oil and stuff like that?—A. The milk is treated with a culture. I do not know what the chemical effect is, but it gives it a flavour, something similar to buttermilk. That gives it a butter flavour.

Q. The object is to disguise the flavour of the other ingredients?—A. Not at all, the object is to make it palatable.

Q. To make it as much like butter as possible?—A. Of course, one seeks to do that.

By Mr. Nesbitt:

Q. One of your fellow citizens says that oleomargarine is sold in England for 16 cents, that would be 8 pence, and that it does not cost you any more to make it here than it costs over there.—A. That fellow citizen does not know what he is talking about. I forget what they call it, but I was in England a couple of months ago and they were then selling it for 8 pence a pound. The retailer was paying 9 pence for it. It was a controlled price, and they were competing amongst themselves to secure a market, and using that margarine as an advertisement to bring customers to their stores. These chain stores were selling it at 8 pence. It was only the chain stores that were selling it, but it had no oleo oil and no butter in it. England has been manufacturing margarine for a great many years, and they import oil from all over the world, cocoanut oil, soya bean oil, and all other kinds of oil, and they have also plants for treating oils and making edible oils, and all the sort of thing that has been developed in that period. They have the machinery and the experience for manufacturing these things that we have not in any way corresponding at all. We just make what is called the standard type of margarine.

Q. What is the better grade of oleomargarine sold for in England?—A. It would be more than we are selling it at, it would have to be, because their prices are higher. It may be a controlled price.

Q. I was talking to a lady about it the other day, and she told me that the stuff they were selling for 8 pence or 9 pence was not called oleomargarine but was called, I think, margarine?—A. Yes.

Q. And the oleomargarine, I think she said, sold for 12 pence or 16 pence?—A. There would be no butter in that, I should think.

Q. She said that the butter quality was excellent?—A. They make very much better oleomargarine because they have had so much longer experience than we have had, and they go to the corners of the world for ingredients. We have never been allowed to manufacture margarine until within the last 15 months, and we don't know much about it yet.

By Mr. Sutherland:

Q. How much butter have you used in the manufacture of oleomargarine during the last year?—A. 724,912 pounds.

By Mr. Devlin:

Q. How many retail stores has your company?—A. We have none whatever.

Q. You have branches?—A. Branches, yes.

Q. How many?—A. At Montreal, at Sudbury, at Quebec, St. John, Halifax and Sydney. I think that is the list.

Q. Do these branches deliver to the consumer?—A. No.

Q. They do no retail trade?—A. Just wholesale branches.

Q. There is a step, the retail trade, between you and the consumer?—A. Yes.

Q. And you do not control in any shape or form the retail trade in the lines which you supply?—A. None whatever.

Q. Could you say what was your profit on the capital invested?—A. Yes.

Q. Have you given that?—A. It is already in.

By Mr. Pringle:

Q. The profit for the last year was 26 per cent?—A. Yes, but that is not on capital invested.

Q. On the capital?—A. Yes.

Q. You have not given us a statement of your capitalization, of your assets, reserves, etc. I would like to get that statement?—A. May I send that from Toronto? I can give you an outline.

[Mr. J. S. McLean.]

Q. Coming back to the price of margarine in England, I find a very peculiar condition existing there largely owing to the fact that England was evidently bound to control the price of products for the benefit of the nation. I find that they were getting their butter at 51 cents when the American price was 65 cents and 70 cents?—A. Yes.

Q. I find, for instance, that dry milk powder which cost in the United States $10 a case was sold in England for $5 a case. Now, the British Government must have been bearing some part of that burden in order that the people could get these products at a low cost. Possibly oleomargarine was in that category?—A. It was.

Q. It was in that category?—A. Yes.

Q. That is what struck me, because there are a whole lot of articles on which England must be bearing a very heavy burden in order that the people should be able to live?—A. Yes.

Q. Flour is given at $5.11 a barrel, and we all know from the evidence that they could never get any of it from here at $5.11 a barrel. The lowest would be $10.80. So the oleomargarine may have been in that category?—A. It was sold at a controlled price.

By Mr. Devlin:

Q. You said a moment ago that you exported meat to Italy?—A. Yes.

Q. When did that exportation begin?—A. It is only within the last month. There has been no beef sold from Canada to Italy until the last month, and we sold to them the beef that we had in our preserve, which was put out for the British Ministry of Food and which they declined to take.

Q. What value in dollars did it represent?—A. About $6,000,000.

Q. Was that represented by the amount advanced to the Italian Government?—A. Yes, this Government furnished the credit in order to enable us to do the business.

Q. That meat belonged to whom?—A. It belonged to the Canadian Packers.

Q. To Swifts?—A. To Swifts, Davies, the P. Burns Company, Gordon-Ironside Company, The Harris Abattoir Company, Mathews-Blackwell and Gunns, Limited.

Q. Had they that amount on hand when the advance was made?—A. Yes.

By Mr. Nesbitt:

Q. You did not have six million pounds yourself?—A. We had about three and a half million pounds or four million pounds.

By Mr. Devlin:

Q. What profit was made on that transaction?—A. The profit on that transaction was all in red figures. It showed a loss to the Canadian packers. It is difficult to estimate exactly. I should say between two and three cents a pound.

Q. And the loss would have been total if the Government had not advanced the six million?—A. It would not have been total, it would have been a very difficult matter. We do not know where we would have sold it.

By the Chairman:

Q. You could not have sold it in the American market?—A. No.

Mr. PRINGLE: They say not. Mr. McLean says, "Our people won't buy it. It is only occasionally we can get some of the frozen meat sold." How is it that Mr. Devlin says you could have sold the frozen meat on the Canadian market?

WITNESS: Oh, no.

By Mr. Pringle:

Q. You could not have got a market for it in Canada?—A. There were over 30,000,000 pounds of it. We could not have sold it in Canada.

[Mr. J. S. McLean.]

By Mr. Devlin:

Q. Did you try?—A. Yes. As a matter of fact we did sell some. We kept pressing it all the time.

Q. You sold some. You said you could not sell it?—A. I said there was a slight outlet in Canada, but it was very small relative to the quantity we were carrying.

By Mr. Davis:

Q. I was just looking over your statements. They deal with balances of profit and loss. You have not given us totals here, the same as you have given the totals in the other?—A. That is the net figure for the year, and the totals are given on those statements.

Q. Does this mean that you made on fresh meats a credit of $185,000?—A. Yes.

Q. I was looking over the profits and loss statements, and you say that for the year ending 1st April, 1915, they made $185,000 profit. Now, this produce you have got in the debit column?—A. Yes.

Q. You lost $2,500 that year in handling produce?—A. Yes, handling butter, eggs and cheese.

Q. Now you have freezers and branches $20,000 and $46,000 on the debit side?—A. Yes.

Q. That you lost on those that year?—A. Is it on the debit side?

Q. Yes.—A. Yes, that is correct. I do not remember the freezer item—yes, that is correct.

Q. Then we may analyze this statement down the same way throughout. In the year ending 30th March, 1916, you lost on by-products $8,890?—A. Yes.

Q. You lost on cured meats $14,900 and on produce $4,296?—A. Yes.

Q. On distillery feeding account you lost $14,600?—A. Yes.

Q. And you have all the expense charged in here, $11,600?—A. We have an issue of bonds, and there was a block of bonds sold that year at a discount, and that discount, suppose the figure was 95½—I think that was it—that discount of four and a half points is distributed over the three years, and absorbed in the three years in that way.

Q. In comparing those two statements I notice that your interest account credit in the first year was twenty-seven thousand odd, and interest on investment twenty-eight thousand odd?—A. Yes.

Q. What is that interest?—A. Our method of treating interest is that it is charged from year to year. I noticed that on going over the statement. What we do now will be the best explanation of that. In each department it is divided into various departments. In each department we charge as an operating expense interest on all the money used in that department. We divide up the cost of our plant among other things, and apportion the cost of the plant to various departments, according to the nearest estimate we can make. Then we divide up or ascertain, or we have all the time, the amount of capital that is involved in stock in that department, and we charge each department with interest on all the capital that is invested in that department. So that at the end of the year you have a credit to interest at the end of that.

Q. Your interest on investments—what are these investments?—A. There are several. The chief investment is our holding in the Union Stockyards in Toronto.

Q. Which pays you interest?—A. Which pays us 7 per cent. We have a seven per cent dividend on it.

Q. Those first two statements run fairly alike, but in the year ending March, 1917, you have a number of large items here; take those on the debit side first, Casing Department, $12,698?—A. Yes, that corresponds to by-products in the first.

Q. Then you have divided up your fresh meat departments into beef, sheep, lambs, calves, etc.?—A. Yes.

Q. $209.60 lost on handling calves that year?—A. Yes.

[Mr. J. S. McLean.]

Q. What is this military camp item on the debit side, $64,551?—A. We took some very bad contracts that year. The market, if you will remember, advanced very rapidly during the summer and fall—very rapidly compared with other years, and we had nearly all the military camps in Canada that year, and it punished us pretty badly.

Q. Thorold Commissary $15,494?—A. That was a contract we had for feeding the men on the Welland canal. We put up buildings there, expecting that the contractors would have about from two to five thousand men. When the war came they stopped work on the canal, and we had to cash in our whole business. We abandoned it.

Q. This is in March, 1917; that was two years after.—A. They closed it down in 1916, and we took in the loss on it then. We first tore down the buildings.

Q. St. Charles boarding house, $1,577.85?—A. That is a small contract at Parry Sound.

Q. You charged on your debit side $20,000 Patriotic Fund?—A. Yes.

Q. If you had your assets and liabilities statements here, that would now show as an asset?—A. No, that is a subscription.

Q. Direct subscription?—A. Yes.

Q. Bond discount, $9,950?—A. That is the corresponding item to the last year.

Q. I should think that when you sold your bonds you would lose but one. Did you have two bond issues?—A. No, that loss is divided over three years. That is the practice the Department of Finance requires.

By Mr. Nesbitt:

Q. When you lose in one year, you absorb it over three?—A. Yes.

By Mr. Davis:

Q. In the third year you charge up $50,000?—A. But not of bond interest.

Q. Perhaps I have followed up the items wrongly?—A. I do not remember that. I do not think that is correct.

Q. No, I guess that is pension fund?—A. Yes, that is correct.

Q. It is opposite there (indicating on statement)?—A. I wrote this hurriedly in order to get here on time, and it is not exactly in line.

Q. Then you have bonus $45,000—A. Yes.

Q. What is that?—A. Bonus distributed out of profits to our staff.

Q. A pension fund $50,000?—A. That is the same pension fund for the staff.

Q. Special realization $44,600, what is that?—A. In that year we put up a building that cost us $120,000 or $130,000 that $44,000 was, I think, 30 per cent of the cost of the building which we estimated was excess over the normal value. The Department of Finance permitted the writing off of that excess in 3 years. You will notice that all our item is in there but Mr. Breadner ruled that it had to be distributed over 3 years, and it will appear in the next two annual statements, one-third of it in each.

Q. Then I think I can follow this statement now, with these explanations, there is some special realization in the next 2 years?—A. That is the same item. I would explain with regard to the last statement that it does not add up, I took these figures over the telephone and there is a mistake of $10,000, but I will send the correct statement from Toronto.

Mr. Davis: Did you, Mr. Pringle, go into the question of the prices paid and the prices realized for the different lines of business?

Mr. Pringle: No, but I have the statement there showing their net returns.

By Mr. Davis:

Q. Here is one year that produce sold at a loss of $2,500 and the next year $4,298, but the next year there are two amounts given here, "Provisions" and "Produce"?—A. "Provisions" are cured meats.

[Mr. J. S. McLean.]

Q. $48,000 on the credit side and then there is $52,000 loss on produce, the next year again $14,000?—A. As a matter of fact we have been very unfortunate in produce; we are not produce people, and we have been trying to build up that department but have not been successful up to date. We are not very proud of our record on produce; there should not be any such loss, but it is a very difficult business to handle.

By Mr. Nesbitt:

Q. In speaking of your loss on produce you charge up the interest on the money invested in that department, and the labour, etc.?—A. We charge up everything that belongs to it.

Q. You treat it as a separate department?—A. Yes, and the cold storage as well.

By Mr. Pringle:

Q. You might just explain that last statement there?—A. These are figures that I got over the telephone. When Dawson came in yesterday I asked him to prepare a statement and this is the result of it. These are the total butter transactions for the last year, that is the fiscal year, not the calendar year.

By Mr. Nesbitt:

Q. When does the fiscal year end, by the way?—A. March 31st, or on the last Thursday, we always end our charges, the last Thursday in March. They are divided into dairy and creamery: dairy 155,000 pounds, creamery 3,659,000 pounds. The average cost of dairy was 37·36 and the average cost of creamery 45 cents. The sales of dairy were 165,000 pounds, and of creamery 3,633,000. You will see there that the dairy has an average of 10,000 pounds and the creamery a shrinkage of 26,000 pounds; that is perhaps that some creamery was invoiced as dairy, there is some mistake, but on the whole there was a shrinkage of 15,000 pounds on a total of 3,800,000. The prices of dairy were, in 37·36 and out 41·93; a margin to cover all expenses and profit of 4·57 or 4½ cents a pound. That is the difference between the actual cost to us and the actual sale price, and the sale price includes freight to the point of destination. Creamery purchase price 44, selling price 48¼, our total profit on butter last year, on 3,800,000 pounds was $12,212.35. Of course you will remember that butter was controlled, we were limited to a certain margin over cost.

By Mr. Pringle:

Q. Is that control on now or is it off?—A. That is off.

Q. But on meat, is it still on or off?—A. I am not very sure, I hope it is off.

By the Chairman:

Q. Did you carry large stocks of butter over this year from last year until the new butter comes?—A. We try to gauge our stocks in order to meet our week to week requirements and try to lay in enough so that we will be out of butter on the 1st of March.

Q. As a matter of fact what quantity of butter did you have in store on that date?—A. About two carloads, about two days' supply.

By Mr. Sutherland:

Q. As a matter of fact what quantity did you have in stock when the new butter was being manufactured?—A. I cannot tell you that exactly, I would say probably 1,000,000 pounds, perhaps more. All of that information is with Dr. McFall and I went to his office to try to get that to-day but he is out of town and his assistant is out of town. But I think that information is with this committee because I understand Dr. McFall sent it over here. You will find there our stocks, and the stocks of every firm in Canada, month by month, in that statement.

[Mr. J. S. McLean.]

Q. You do not manufacture any butter?—A. No.

Q. Where do you get the butter you mix with oleomargarine?—A. We buy part of it from the dairies in Toronto, and some of it from the farmers who separate their cream.

By the Chairman:

Q. Do you know anything about the firms holding it in large quantities? What quantity do you ever have on hand to meet your requirements? Do you ever have in storage any greater quantity than is sufficient to meet the requirements that you have indicated to us?—A. We plan our storage each year to look after our regular business, and our chief concern is that all of our storage product should be cleared by a certain date each year; for instance on eggs, we invariably try to be clear of our storage eggs by the 15th of January and of our butter about the 1st of March.

Q. You handle large quantities of eggs, do you?—A. We store from ten thousand to fifteen thousand cases.

Q. What was the egg situation on the 31st of January last as far as you were concerned?—A. I think we were cleared, I do not remember exactly.

Q. Have you any knowledge of the volume of foodstuff, I suppose you are buying butter and eggs now and storing them up for next year; have you any knowledge of the volume that will be in storage?—A. We are buying it now, or we are considering it, but we do not know what to do. The prices are so high, but we have to buy a certain quantity in any event; of course we want that June butter for the oleomargarine because it is a butter with a little colour and we need it for the oleomargarine, you know we are not allowed to put any colouring matter into the margarine and so we have to use this June butter.

Q. Why do you want to put it in?—A. We would like to, but we are not permitted to put in any colouring matter, so that we put in butter with as much colouring as possible.

Q. Is that done with a view to deceiving the purchaser?

By Mr. Nesbitt:

Q. Is it not done to make it more appetizing?—A. It is to make it more appetizing.

By the Chairman:

Q. Do you stamp every one-pound print of oleomargarine simply on the wrapper? —A. Yes, on the wrapper, and we put a stamp on the carton.

By Mr. Pringle:

Q. In other words you obey the law?—A. Oh, yes.

Q. I think you gave me the cost to you of the oleomargarine and the selling price? —A. Yes.

By Mr. Stevens:

Q. I thought you said the selling price was 30 cents?—A. The cost was about 34 cents, and the selling price at present is 35 cents.

Q. You say it cost 34 cents to manufacture oleomargarine? I am sorry I had to be in the House and did not hear the early part of your evidence, but I want to say frankly that while I know nothing personally about the matter, my information is that it does not cost anything like that, and I think we ought to get some proof.

Mr. Pringle: We examined Mr. McLean about that, and all we can tell you is what his evidence is.

Witness: You can figure it out for yourself, 55 per cent oleo oil, which is worth 33 cents a pound. All these commodities are quoted both in the Canadian and

American papers. There is 15 per cent of creamery butter, which is worth about 51 cents a pound. There is about 15 per cent cotton seed oil, which is worth about 28 cents a pound, then there is a small percentage, I have forgotten what it is, of neutral lard, which is just a higher quality of lard made from the leaf. That is worth about 36 cents a pound. That is all mixed in a mixer and reduced to a liquid, and is mulsified in milk, and takes on 15 per cent. If you work that out, it will come to about 34 cents.

By Mr. Stevens:

Q. What kind of butter do you use?—A. The highest grade of creamery butter, the June butter.

Q. Is that what oleomargarine is usually made of?—A. That is what it is made out of here, not in England. They do not put in any oleo oil or any butter.

Q. That makes a vast difference?—A. Oh, yes.

Q. I am not sufficiently acquainted with these things to pass any judgment upon your description, but the point I would like to make is this: We are told that oleomargarine costs in England something like 15 cents a pound?—A. Yes.

Q. And you tell us it costs 34 cents here?—A. Yes.

Q. By your description I should judge that the oleomargarine in the Old Country is not in the same class as yours, or of the same type at all?—A. No.

The CHAIRMAN: Perhaps Mr. McLean had better go over that again?

WITNESS: Yes, I would like to make it clear. In England, you see, they have been manufacturing oleomargarine for a great many years; perhaps twenty years, perhaps more. There are very large firms. There is the Maypole Dairy Company which sells tremendous quantities, and Lord Leverhulme has gone into it very extensively. These men import vegetable oils from all over the world. England is the market for products from all over the world, anyway, but these men have travelled the world looking for vegetable oils, and they get soya bean oil, cocoanut oil, and other kinds of vegetable oils which they pick up in the outlying parts of the world, and which are very much cheaper than these oils which we use here. By the time we are thirty years in the business, if we are permitted to continue that business, we will know the world's conditions better, so we hope, and we will be able to make a cheaper commodity. But we have not the oils, and we have not the shipping at present. We use oleo oil, cotton seed oil, butter and neutral lard; these are the four commodities that enter into it, and they are quoted on the markets in every trade paper every day.

By the Chairman:

Q. Is that cocoanut oil that you speak of commonly called kola?—A. I do not know. There is an oil in the cocoanut; it is pressed.

Q. There is a kola oil?—A. I do not know whether this is the same or not.

The CHAIRMAN: The reason I ask is that I saw a statement that kola oil was largely used in the manufacture of margarine in England.

By Mr. Sutherland:

Q. Do you adopt the process that has been adopted in other countries?—A. When we were permitted, as we were by the Order in Council, December, 1917—as soon as that order was passed, we went over to Chicago and got hold of an oleomargarine man, and told him to order machinery and ship it over to us, and get it quick so that we could start manufacturing on December 10, 1917. We hired him and brought him over.

Q. So you are not experimenting; you have adopted the process that has been perfected on the other side?—A. Yes. You understand that if we were back to normal times, this product that we are making now would cost only around 15 cents a pound. Cotton seed oil in the first year of the war would be about 6½ cents for the refined oil,

[Mr. J. S. McLean.]

and oleo oil was anywhere from 9 cents to 12 cents. Butter, of course, was higher. Neutral lard was worth about 12 or 13 cents, so that when we get back to these prices we will be able to have a very cheap product.

Q. What would the result be if you were not permitted to incorporate the butter and milk?—A. You could not make it without the milk. It has to be churned.

Q. Is margarine manufactured in other countries in that way?—A. It is all churned in milk; at least I think it is.

By Mr. Pringle:

Q. Is that not done with a view of rendering it palatable?—A. Of course. We make the most palatable article we can.

By Mr. Sutherland:

Q. And in order to do that you churn it in milk; you buy the June butter which is highly coloured in order to colour this stuff in order to deceive the people? For instance, you go into a restaurant, and something is put before you and you do not know if it is margarine or butter by reason of the fact that it is coloured. The law expressly forbids colouring to be put in margarine, and you endeavour to get round this by purchasing June butter which is highly coloured to deceive the public?—A. You are entitled to your interpretation of the facts.

Q. Is that not a fact? You realize that if it was sold without any colouring?—A. It would not be so palatable; it would be like eating lard.

Q. You say that the colouring alters the palatability?—A. It does. It is the psychological effect of which you are aware quite as much as I am. As a matter of fact, I think what should be done is to permit colouring in margarine the same as in butter. You can safeguard the consumer by other means. Take the most rigid methods which can be adopted to protect the consumer so that when he buys margarine he buys it as margarine and not as butter. But what reason is there why a creamery should be permitted to use colouring matter to make butter more palatable and an oleomargarine factory should not.

Q. Why should not a creamery be permitted to incorporate some of these ingredients in their butter, and sell it? They are prohibited on premises where butter is being manufactured?—A. The whole Order in Council is framed with the object of absolutely protecting the consumer——

By Mr. Pringle:

Q. (Interrupting). To prevent fraud?—A. To prevent fraud.

By Mr. Sutherland:

Q. Is it not fraud churning this stuff in the milk to deceive?—A. I do not think so.

Q. The regulations expressly forbid the putting of colouring into oleomargarine, and yet you put highly coloured butter into it.

By Mr. Pringle: (Interrupting.)

Q. What is that retailed at?—A. At about 40 or 41 cents.

Q. According to the evidence we have had here, that would be 20 or 25 cents a pound less than creamery butter?—A. Yes, I would like to call attention to that; I had not thought of it before, but during the period, the few weeks, when butter was at the peak load, oleomargarine was selling wholesale at about 25 cents less than creamery butter.

By Mr. Stevens:

Q. This morning I mentioned the fact that some time ago the Davies Company had a new directorate?—A. Yes.

Q. Does the Davies Company still hold an interest in your concern?

[Mr. J. S. McLean.]

Mr. PRINGLE: We have threshed that out fully, and the question of combination, agreement or arrangement for division, etc.

Mr. STEVENS: How about the arrangement of the Union Stockyards?

Mr. PRINGLE: They are all interested in the Union Stockyards.

WITNESS: Do you mean financially?

Mr. PRINGLE: Yes.

WITNESS: No, only the Swift Company and ourselves.

By Mr. Stevens:

Q. Have you recently made any arrangements with any of the big American concerns?—A. None.

Q. It was reported that you made a sort of combination with one of the big American companies?—A. No.

Q. There was one with the Harris Abattoir was there not?—A. No.

Q. Nothing in that?—A. No reason for it.

Q. Does the Swift Company own any stock in it?—A. No. It is all held practically by the banks or the names I mentioned this morning.

Q. What did you leave the Toronto Stockyards for—the Toronto public yards?—A. Well, just because the yards had ceased to be large enough to accommodate the trade.

Q. Was it that the packers got together and decided to establish the Union Stockyards and all operate together?—A. No, we left there unwillingly, because we had to abandon an investment of about $400,000, but we were forced to leave there, because we recognized what the subsequent years have quite demonstrated, that the trade would have to leave that market, it was so small. It was absolutely inadequate.

Q. You wrote most of that off, did you not, that $400,000?—A. No. Of course, we had depreciation reserves and we applied those. Of course, they existed prior to our leaving.

By Hon. Mr. Fielding:

Q. You gave some comparison between your oleomargarine and that which is sold in England. May I ask you to do the same in regard to the States? Do the United States use the same materials as you use?—A. Yes.

Q. Have they any difficulties in getting materials?—A. They get more than we do, because they have been in the margarine business a very much longer time than the United States, although it is done there under heavy restrictions, but I think they get a certain proportion of these vegetable oils.

Q. From England?—A. No, I think they import them direct from China.

Q. Direct from the place of production?—A. Yes.

Q. They would have the same difficulty regarding shipment as you have?—A. Yes. The great majority of them go to England.

Q. How would you compare your product in selling price with the American oleomargarine?—A. Just about on a par. Their oleomargarine comes into Canada without any duty at all, even war tax, and we sell in competition with them. I made up a table on that some time ago, and I found that our average selling price was about a cent a pound less than at the beginning.

Q. You sell at substantially the same prices as the United States?—A. Yes.

Q. If you had the same shipping facilities, of course, the English article would come over?—A. There is no reason why the English article should not be imported. I do not know whether England at the present stage would permit the importation of it as they still ration it.

Q. There might be an embargo on it?—A. Yes.

[Mr. J. S. McLean.]

By Mr. Pringle:

Q. My attention has been called to this charge of $46,250 for William Davies Company's stock?—A. Yes.

Q. Is there any cross entry in regard to that?—A. No, that is a credit. That is an item of profit. When we purchased the stock of the William Davies Company, it was Mr. Harris, the Managing Director, and myself, who bought the Davies stock. The Harris Abattoir Company had $50,000 of the William Davies' stock, or 500 shares of that stock which we had secured about seven or eight or nine years ago, I have forgotten just when, and that was carried at what it had cost us. It was sold for that amount of money in excess of that figure, and that is an item of profit.

By Mr. Stevens:

Q. You turned around and sold their stock?—A. Yes, that was the agreement, that we bought their stock, and they bought our stock.

By Mr. Stevens

Q. When did you sell?—A. April, 1918.

Q. After the inspection?—A. Yes.

Mr. Pringle: You have not filed, I regret to say, your financial statement, but I find in the report of the Commissioners appointed to investigate the business of the William Davies Company, Limited, and Matthews-Blackwell, Limited, the following:—

> On March 31, 1917, before payments of the dividend for the year ending on that date had been made, the Harris Abattoir Company had a balance of $799,-955.43 at the credit of general reserve account——

Witness: Yes.

Mr. Pringle: (reading)

> —and a balance of $420,300.06 at the credit of undivided profits account, this latter amount being arrived at after providing an estimate of the amount of taxes payable under the Business Profits War Tax Act. At March 31, 1917, the Harris Abattoir Company had, therefore, a total balance at the credit of general reserve and profit and loss accounts amounting to $1,220,255.59, in which the Davies Company was interested to the extent of 40 per cent, and which was not reflected in any way on the books of the Davies Company at that date, except to the extent of $120,050, being premiums upon 2,401 shares of the stock held.

By Mr. Pringle:

Q. That stock you have explained to us has been disposed of?—A. Yes.

Mr. Pringle: I find also in this report that evidence as to profits was being presented, and the report says:—

> When evidence as to profits was being presented, question was raised as to the propriety of writing off certain amounts in the value of fixed assets or improvements made to the same. In particular it was urged that a writing off of $50,000 in 1915 in respect of the value of the Harriston factory, and the following items written off in 1917, namely—

Depreciation of Harriston factory	$ 20,000 00
New Factory, Toronto, proportion of estimated excess cost	150,000 00
Old building, Toronto	25,000 00
Office extension and special replacements, Toronto	28,790 97
Ventilation equipment	15,788 37
Casing patents	33,011 83
Total	$272,591 17

[Mr. J. S. McLean.]

were not justifiable, but that the profits shown by the company as having been carried in such years should have been increased by these amounts. Question was also raised as to an item of $50,000 set apart in 1917 for the establishment of a pension fund, and as to another item of $69,256.54 profit on sale of a College Street property disposed of in 1916, which was carried to credit of depreciation reserve account, and not included in the profits of that year as shown.

By Mr. Pringle:

Q. Now, having this report before us, it is very important for this Committee that we should get your financial statement right down to this date, so that we could ascertain exactly what your present reserve account is, what you have written off for depreciation, etc., and what your net profits have been?—A. You understand the first figures you quoted refer to the Harris Abattoir Company, but the subsequent ones have no reference to the Harris Abattoir Company. They are William Davies' figures.

Mr. PRINGLE: I did not understand that.

By Mr. Stevens:

Q. This $1,220,000?—A. That is Harris Abattoir.

By Mr. Pringle:

Q. But the last figures are all William Davies' items?—A. Yes.

By Mr. Stevens:

Q. Did you pay over to the Davies Company the 40 per cent of this that belonged to them?—A. We purchased their stock.

Q. For how much?—A. We have purchased it at an agreed price.

Q. What was that?—A. It was a matter of private agreement. I have not the slightest objection to divulging it, but I do not think it should be made a public record.

Q. Here is an accumulation of $1,200,000?—A. I have no objection to giving it to each member of the Committee, but I do not want it made public.

Mr. STEVENS: I asked Mr. McLean if he had paid that over to the Davies Company, and his answer is that it was a private transaction and that he does not care to say that he purchased a certain stock, but the point I am coming at is, did you pay over to the Davies Company 40 per cent of $1,220,000.

WITNESS: No, we just purchased the shares that they had in our company at an agreed figure. I am perfectly willing to give you the figure, but I would rather not——

Mr. STEVENS: We cannot obligate ourselves to keep things private.

Mr. NESBITT: What difference does it make in our inquiry?

Mr. STEVENS: I will tell you what difference it makes, and it is this. We are bombarded here from one end of the country to the other with the fact that the abattoirs and cold storage plants are making abnormal profits, and when we put questions to the witnesses to try and draw out the information as to whether that is true or not, the answer we get is, "Well, the Government is fixing the spread and we cannot help it." That is the answer that we get, but it strikes me that this is a pretty handsome little thing to have tucked away, and it does not show on the Davies books at all. This may not be of interest to this Committee, but to me it is most interesting, to study this problem.

Mr. NESBITT: You say we are bombarded with facts; I think it is statements.

Mr. STEVENS: Statements alleged to be facts.

Mr. PRINGLE: I am trying to bring out, Mr. McLean——

Mr. STEVENS: Of course, if the Committee don't want to——

Mr. MCLEAN: I will be very glad to give you whatever I can.

Mr. PRINGLE, K.C.: The object of my examination of you in regard to any interest that your company might have in the William Davies Company, or that the William Davies might have in your company, was owing to the fact that it was found by the Federal Trade Commission, in the United States, in their investigations, that the large companies had an interest in all the smaller companies. For instance, they say that it should be noted that there was found to be no less than one hundred and eight companies in which one or more of the big packers were jointly interested. We find that your concern and the William Davies concern, are very large packing establishments, and we also find a close relationship existing between you, and while a short time ago before the William Davies Company were investigated, they had forty per cent interest in your company, now, that the William Davies Company has been investigated, they have sold their interest in your company, and you have sold your interest in their company.—A. I would like to explain that.

By the Chairman:

Q. What interest did you have in the William Davies Company?—A. Five hundred shares—fifty thousand dollars worth of stock.

Q. You sold that to the William Davies Company?—A. That was part of the transaction.

By Mr. Stevens:

Q. After this investigation was made, the affairs of the two companies were separated?—A. It was only an accident. The history of the thing is this, and I think Sir Joseph Flavelle told it in his evidence before the Commission.

Originally when the Harris Abattoir was formed, the William Davies Company had no beef business at all; they were purely a hog-killing industry. The Harris Abattoir became as a purely fresh meat business; they killed only cattle and sheep and lambs, but they were supplementary to each other, and the William Davies Company had a fifty per cent interest in the Harris Company, but that gradually declined from fifty per cent to forty per cent by my entry into the business——

By Mr. Nesbitt:

Q. You bought additional stock when you entered the business?—A. Yes.

By Mr. Pringle:

Q. What is your objection—there must be a serious objection—to telling this Committee how much you paid the William Davies Company for your stock?—A. I have no objection at all. But, Mr. Chairman, you will readily appreciate that this is a matter of interest to the trade all over Canada.

The CHAIRMAN: I don't think it would make any difference, and I think you had better tell the Committee what you paid, and what they paid.—A. I would much rather give you that personally. I think you understand why.

Q. Well, we cannot deal with that personally. The personality of this Committee is submerged in this investigation.

Mr. STEVENS: Why should there be any objection on your part, Mr. McLean?

Mr. McLEAN: It is of no interest to the public, I think. However, if you think it is needed here——

The CHAIRMAN: Just tell us so that the suspicion surrounding this thing will be cleared up. There is nothing to be feared.

By Mr. Nesbitt:

Q. You are capitalized at two million dollars?—A. Yes.

Q. And the Davies people owned forty per cent of it?—A. Yes.

[Mr. J. S. McLean.]

Q. Did you buy it at less than par?—A. Oh, no. A great deal more than par, but at the time this transfer took place some eighteen months ago, our capital was only eight hundred and eighty thousand dollars. That has been increased to two million dollars by the conversion of the reserve into capital stock.

Mr. Pringle, K.C.: Oh, oh; that puts a new light on this matter. Your original capital was eight hundred and eighty thousand dollars?—A. Yes.

Q. So that, in the year ending in nineteen hundred and eighteen, I think it was, when you showed a profit of five hundred and twenty-two thousand and fourteen dollars and fifteen cents, that profit was shown on the original capital sum of eight hundred and eighty thousand dollars?—A. No, it was not that, sir. At the time we purchased that stock from the William Davies Company, the authorized capitalization of the company was one million dollars. We took up the balance of the stock, and purchased the balance of the stock——

Q. Now, look here, Mr. McLean. I have certainly been misled in regard to this statement. I asked you at the inception of this inquiry this afternoon what your capitalization was, and you told me two million dollars. I took it for granted that that was the capitalization of this company, which you said was an incorporated company?—A. Yes.

Q. And on that basis I have examined you at a very considerable length, and brought down your net profits from year to year from nineteen hundred and fourteen down to nineteen hundred and nineteen, and my figures are right here before me, and when I came to the five hundred and twenty-two thousand dollars return for the year ended March, nineteen and eighteen, I asked you if that represented 26·10 per cent of your capital, and you told me it did.—A. No, I said that it represented about twenty per cent of our capital.

Q. No; you said that four hundred and forty-four thousand dollars of the previous year represented approximately twenty per cent of your capital. That is for the year ended March twenty-ninth, nineteen hundred and seventeen. Now, as a matter of fact, your capitalization was eight hundred and eighty thousand dollars, and your earnings for the year ended March twenty-ninth, nineteen hundred and eighteen, were five hundred and twenty-two thousand fourtee dollars and fifteen cents, or sixty per cent. Now, that was a little misleading and I don't like it.—A. I think you are wrong, Mr. Pringle. The first question you asked me when I came this morning was what our capital was?

Q. The first question was "Are you an incorporated company"?—A. Yes.

Q. Then I asked you what your capitalization was, and you said "Two millions of dollars"?—A. Yes.

Q. I at once assumed you were telling me your capital, as you said it was paid-up capital?—A. Yes, that is correct.

Q. I at once, felt that what you had told me was absolutely correct?—A. So it was.

Q. That you were an incorporated company with a paid-up capital of two, million dollars. Now, I ascertain from what has occured just a moment ago, that your paid-up capital was really eight hundred and eighty thousand dollars, and I think we will have to go into a little more detail.

Now, you have got to tell us what you paid the William Davies Company for the interest in that business?—A. I will be very glad to do that, but I don't want any misapprehension on this. If I have any objection to answering any of your questions I will say so, as I did a minute ago. But anything I may say to you, Mr. Pringle, or to any of the members of this committee will be absolutely correct.

Q. I want to treat all these matters with absolute fairness, and not only on one side, but I want both sides?—A. You have overlooked the reply I made to you in regard to this five hundred and twenty-two thousand dollars.

Q. We will come to that. I want to know what reply you made to me on the five hundred and twenty-two thousand dollars—what your reply was? I just here, with a pencil, set it down as twenty-six per cent, and I think you acquiesced in that.

Mr. NESBITT: No, he did not.

By Mr. Pringle:

Q. What did you say?—A. I said twenty per cent, and I said the capital held in reserve was two and one-half millions.

Q. Let us get at this, and that is why we will have to have your statement for some years. Your original capital of paid-up stock was eight hundred and eighty thousand dollars?—A. No, our original capital at the beginning of the business, nineteen years ago, was one hundred and fifty thousand dollars.

Q. How has it increased from one hundred and fifty thousand up to eight hundred and eighty thousand? By the addition of new capital subscribed, or by adding the reserve from time to time, and issuing stock against this reserve?—A. By both.

Q. So your original capital was one hundred and fifty thousand dollars?—A. Yes.

Q. When did you issue stock to increase your capital?—A. I cannot give you that. I can send that to you, however.

Q. Let us start with the war period?—A. I think you will find that in that report. I am not sure, but I think it is there.

Q. In your report?—A. Yes, in the Davies report from which you have been reading. It may give you the history of our company there.

By the Chairman:

Q. Can you say how much actual money was put into the business?—A. I think I can; I think I have that.

By Mr. Pringle:

Q. Let us get it from nineteen hundred and fourteen, and see what your growth has been since that?—A. Yes.

Q. In nineteen hundred and fourteen, at the outbreak of the war, what was your issued capital?—A. Eight hundred and eighty thousand dollars.

Q. What was your reserve?—A. I cannot remember that, Mr. Pringle.

Mr. STEVENS: When?

Mr. PRINGLE: In nineteen hundred and fourteen.

Mr. McLEAN: It might be in that report.

By Mr. Pringle:

Q. Give us the reserve in nineteen hundred and seventeen?

Mr. STEVENS: In nineteen hundred and seventeen, the reserve was one million two hundred and twenty thousand dollars, including the balance to profit and loss, after making allowances for the war taxes.

By Mr. Pringle:

Q. When did you increase your stock from eight hundred and eighty thousand to two million?—A. In nineteen hundred and eighteen, subsequent to the Davies' purchase.

Q. Now then, the increase from eight hundred and eighty thousand to two million, was that made by the issue of stock for which cash was paid, or an issue of stock to cover your reserve?—A. That was the issue of one hundred and twenty thousand to bring it up to our authorized capital of one million dollars, and by the conversion of the million dollar reserve into capital stock. Our reserve in nineteen hundred and fourteen was one million, one hundred thousand dollars.

[Mr. J. S. McLean.]

Q. At the commencement of the war you had an issue of stock of eight hundred and eighty thousand dollars?—A. Yes.

Q. At the present time you have an issue of stock representing two million dollars?—A. Yes.

Q. The way you arrived at that was that you issued stock for one hundred and twenty thousand dollars?—A. Yes.

Q. Bringing the total up to one million?—A. Yes.

Q. That represented what—cash?—A. Cash.

Q. Then you converted or rather turned your reserve into capital stock?—A. Yes.

Q. You issued stock to represent one million dollars on your reserve, which now gives you a total capitalization of one million dollars?—A. Of two million dollars.

Q. Of two million dollars?—A. Yes.

Q. Then over and above that you say you have a reserve of approximately one-half million dollars?—A. Yes.

Q. Then you think we should not figure that return on the eight hundred and eighty thousand dollars which was your capital at the beginning of the war, but we should figure the returns now on the two million of stock and the five hundred thousand dollars of reserve?—A. Quite so.

The Chairman:

Q. Can you furnish the Committee with a statement showing the period of time over which these reserves have been accumulating?

Mr. PRINGLE: I think we ought to have a statement covering the period of years. We find a company that started out with a one hundred and fifty thousand dollars of paid-up capital. It went on increasing to eight hundred and eighty thousand dollars paid-up capital. Now, Mr. McLean very frankly tells us that it does not represent cash paid for this stock, but represents part cash and part reserve, and I think that we ought to know how much of that stock was issued for reserve and how much for cash. Now, this one hundred and twenty thousand of stock that was cash, who took that stock?—A. Mr. Harris and various members of the firm.

Q. They paid cash for that?—A. Yes.

Q. Now then——?—A. (Interrupting): All the members of the operating staff.

Q. The members of the operating staff?—A. Yes.

Q. Now, then, you say that the Davies stock that was held by the Davies Company—forty per cent—had something to do with the issue of the new stock?—A. New stock was issued after we purchased that.

Q. It was issued after you purchased it?—A. Yes.

Q. How much did you pay the Wm. Davies Company for their forty per cent of the eight hundred and eighty thousand dollars of stock which was held prior to the war?—A. We paid them two hundred and thirty-five dollars a share, which represented the value on the books at that time.

Q. They had forty per cent of eight hundred and eighty thousand dollars?—A. Yes.

Q. That would be——?—A. (Interrupting): About thirty-five hundred shares.

Q. And you paid them how much for that?—A. Two hundred and thirty-five dollars a share. That is the best reason I can give you why I consider all that money capital.

Q. Three thousand five hundred and twenty shares?—A. I think there were three thousand five hundred and twenty-two shares.

The CHAIRMAN: Now, on the other side of that——

Mr. PRINGLE: Would you mind if I just finished this point. I am just writing this down, and I would like to finish it.

Mr. MCLEAN: It is over eight hundred thousand.

[Mr. J. S. McLean.]

By Mr. Pringle:

Q. It is $838,670?—A. Yes.

Q. So you paid to the William Davies Company for their interest in the business eight hundred and thirty-eight thousand six hundred and seventy dollars and converted that into capital stock?—A. No. That was capital stock. We bought their stock. It made no change in the capitalization of the company whatever.

By the Chairman:

Q. There is an item on your profit and loss account of forty-seven thousand dollars?—A. Yes.

Q. That was the profit on the sale of your stock to the William Davies Company? —A. A number of years ago we accumulated five hundred shares in the William Davies Company, and in the exchange we accepted the same method as they did, and the Davies stock value was fixed on the same basis as our own, at a hundred and ninety-six dollars, and that stock which we were carrying on our books at fifty thousand dollars was sold for ninety six thousand two hundred and fifty dollars, so the balance was profit.

By Mr. Stevens:

Q. In figuring your war tax, you of course, allow this seven per cent on this two million dollars, or whatever it is?—A. On our whole capital, whatever that is.

Q. In this allowance that the Government made you regarding the eleven per cent maximum—or is that still standing?—A. I hope not.

Q. Never mind what you hope? Is it or is it not?—A. I don't know.

Q. It has been up to the present?—A. I don't know.

Q. When did it end?—A. There was an Order in Council, Mr. Stevens, and the question is whether it expired with the armistice or not.

Q. I don't know anything about that, but as a matter of fact it was eleven per cent for some period?—A. Yes, a maximum.

Q. Then you allowed that eleven per cent on the two million dollars, or eleven per cent on the turnover?—A. On the capitalization.

Q. They allowed you a maximum of eleven per cent?—A. No, they allowed us on our total capital which included capital stock, plus the reserve, undivided profits, seven per cent; from then on in excess of seven per cent, they take fifty per cent of our profits up to fifteen per cent.

Q. What was your surplus in nineteen eighteen?—A. About two and a half million dollars.

Q. I am not asking you that. I am asking you what your surplus was in nineteen hundred and eighteen?—A. I am trying to give you what you are asking for.

Q. Your capital was two million dollars, am I right?—A. No. In nineteen hundred and eighteen, it was one million. At the time of the purchase it was eight hundred and eighty thousand dollars, and that was increased to one million and then increased to two million.

Q. When?—A. I think that was in September, nineteen eighteen, I am not quite sure of the date.

Q. That was last September?—A. Yes.

Q. And what is the surplus in addition to that two million.—A. One half million —about.

Q. What you really have is this: That in nineteen hundred and seventeen when this investigation was made you had a capital of eight hundred and eighty thousand dollars?—A. Yes.

Q. You had accumulated profits and surplus of one million two hundred thousand dollars—approximately?—A. Yes.

[Mr. J. S. McLean.]

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Q. Since then you had capitalized your surplus and profits, your surplus account and balance of profit and loss account?—A. Yes. We put in a hundred and twenty thousand dollars cash.

Q. That is not very much compared with all these figures. We will let you put that in. You capitalized that at two million dollars?—A. Yes.

Q. But you still have five hundred thousand dollars surplus?—A. Yes.

Q. That five hundred thousand then, must have been earned since the spring of nineteen seventeen?—A. Our earnings are there. Our earnings up to March, nineteen hundred and eighteen were five hundred and twenty thousand dollars.

Q. What dividends did you pay?—A. In each year ten per cent.

Q. On the two million?—A. Yes, two hundred thousand dollars.

Q. That makes it clear, and that is what I want to make clear. That there is a system of financing. I may be wrong, and the chairman may not like my methods of figuring this, but what impresses itself upon me is that every day companies come forward and they start with a capital of one hundred, two hundred or four hundred thousand dollars, as the case may be and after a period of years, and having paid a reasonable dividend, we find a huge accumulation of profits, which they proceed to capitalize, and they immediately claim in the figuring of what they should sell their products at to the public, that they must be allowed for interest not upon their original capital, but upon the accumulated surplus, turned into capital. In other words this country is going on a system of financing which is practically a pyramid on its apex, and the top is broadening and broadening until the time will come when the thing will not stand. Frankly, this, as well as some other companies, which preceded this company—it is an utterly unreasonable proposition, and I disagree with the suggestion that we should hide these things. I think they ought to be exposed, and frankly faced by this committee.

Mr. McLean: I would like the privilege of replying to Mr. Stevens' remarks point by point.

Mr. Stevens: Certainly, go right ahead.

Mr. McLean: The history of this company and the history of every packing company, I think is this.

The first two or three years this company made little or no profit. It lost money on the first year. Perhaps it made ten thousand dollars on the second year, and gradually got on a basis where it made a profit which, according as its volume expended, gradually grew.

For years, and I don't know how many, no dividends were paid. The salaries that we paid would look small even as compared to a Member of Parliament's indemnity.

The company was just as actively and as conscientiously managed as possible, and the work which was put into it represented all the capacity of the men engaged in it.

All the profits year by year were reinvested in the plant, and I think that is the experience of every packing house, that you have to keep constantly improving the plant.

The plant with which we began business nineteen years ago was valued at the time we took it over at, I think, sixty thousand dollars. Our plant to-day—we have two plants, the one which we abandoned and the new one which we have built—are valued at something between two and a half million and three million dollars. It has been necessary, year by year, to put all the money that we made in the plant. All our capital is invested in the plant. These plant extensions have enabled us to make one saving after another, and to make a number of improvements in the treatment of the product to effect economies. Every dollar that we or any other packing company has on its balance sheet now, represents a saving that has been made, which otherwise would have been losses to the country, but more than that the money that the packing house has distributed by means of the increased prices which it has been able to pay for the product that it has bought, has been many times more than the amount that

[Mr. J. S. McLean.]

it has kept as profits. The proof of that is this, that the largest profit we had in any one year was last year. Our volume was two hundred and four million pounds. About one hundred million pounds of that was frozen beef, which we sold to the British Army, and a hundred and ten million pounds, roughly, of other products.

Our turnover that year was thirty eight million dollars. Our profits that year were five hundred and twenty-two thousand dollars, but that was before we paid the income tax.

Mr. Stevens says we are pyramiding and gradually turning our profits into capital. We are doing absolutely nothing of the kind. It is an incident of the business that we are able to pay a profit on this, and our business in that year, which is the most successful year in the history of the business, was done at a margin of twenty-five cents per one hundred pounds, or a quarter of a cent per pound.

By Mr. Nesbitt:

Q. How much percentage on the turnover?—A. One and two-fifths per cent. Now, it would be quite possible to wipe out all the profits if you took that five hundred and twenty-two thousand dollars and left us nothing. As a matter of fact, the Department of Finance has to have a go at us yet. On the previous year we paid to the Finance Department, out of this four hundred and forty-four thousand dollars which we show as net earnings, one hundred and thirty-eight thousand dollars taxes. That reduced our profits from four hundred and forty-four thousand to three hundred and six thousand, and we still have to pay the Department of Finance the taxes on this profit of five hundred and twenty-two thousand, but even if we do that it still represents a quarter of a cent a pound.

By Mr. Stevens:

Q. That is the same story we get from everybody?—A. That is an incontrovertible and absolute defence.

Q. Have you your profit and loss account here?—A. Yes.

Q. Will you let me see that last year's profit and loss account? (Witness hands paper to Mr. Stevens.)

By Mr. Davis:

Q. While they are examining that, you have properties to-day which you value at around three million dollars?—A. Yes.

Q. You had only one hundred and fifty thousand dollars to start with?—A. Yes.

Q. And you mentioned a few minutes ago that you put in one hundred and twenty thousand dollars since? Have you put any money into this business except what it has earned?—A. Yes, but I am not sure of the amount. All the stock that I acquired—

Q. (Interrupting.) I am coming to that. Roughly, I am coming at this. You have been in existence nineteen years?—A. Yes.

Q. You have got twenty times the capital that you had when you started, so that what you have practically done is this, that during all these years, except perhaps the first year, you have paid dividends to your shareholders, and have got one hundred per cent dividends on the property?—A. Not at all. There have not been dividends paid. All of our profits have been reinvested.

Q. But you own these to-day, and you have increased the earnings from one hundred and fifty thousand dollars to three million, so you have twenty times, and distributing that over your years of existence, nineteen, and taking out what extra capital was put in, it works out one hundred per cent dividends, by the increase in earnings plus the dividends you have paid year by year?—A. You are at least one hundred per cent out, because it is not twenty times, it is ten times——

[Mr. J. S. McLean.]

Q. (Interrupting.) You admit that you have got fifty per cent——A. (Interrupting.) How do you get that fifty per cent?

Q. You say I am fifty per cent out?—A. You say our present capitalization is twenty times the capital——

Q. (Interrupting): Not the capital, but your holdings?—A. On those? Our actual holdings are two and a half million, but we owe our bond holders part of the value of that plant. The net assets of the company at the present time are about two and a half million dollars.

By Mr. Pringle:

Q. How much are your bonds?—A. I think about one million dollars are outstanding bonds.

By the Chairman:

Q. You can give us a statement showing how much new capital stock was put in from time to time?—A. Yes.

Q. You cannot give us a statement now of approximately what it is?—A. How much new capital?

Q. Yes.—A. Oh, it would be about——I cannot remember——it is probably two hundred thousand dollars.

Q. You have given us figures of more than two hundred thousand. You gave us one hundred and fifty thousand in the first place?—A. In addition to that.

By Mr. Pringle:

Q. You are not trying to emulate the Armours? I think they started with about one hundred and thirty thousand dollars and wound up with something like thirty-seven million.

Mr. McLean: We are trying to do all we can. I am not trying to disguise anything, but I wish to say that all of the packing houses have been subject to a tax throughout Canada for a number of years—for at least ten years at any rate. This same thing is applied in the United States. All the criticism that has been levelled at the American packing houses, whether right or wrong, has been transferred in toto into Canada.

The packing houses in Canada deserve unbounded appreciation, and not criticism from the public. Why, take what we did in the War. In that one year of which we are speaking, we shipped to Europe over one hundred million pounds of frozen beef, and our profits on that whole year were one quarter of a cent a pound. You cannot do business without a profit at all, because the bank would close you up. We borrow in addition to our capital,—and this was not mentioned before—but we are borrowers of from two and a half to ten million dollars. In that tremendous beef business we had borrowed ten million dollars.

By Mr. Stevens:

Q. You pay interest, which you deduct from your earnings?—A. Of course we do, and I think I should say, because it is important for the committee and the public in general, that we cannot do business without a profit. You know what would happen if at the end of a year or the end of two years—suppose for two years in succession I had to take a balance sheet into the bank and say "We did not make a profit,"—supposing we just broke even—what would happen? The bank would say "We cannot give you any more money, it is too risky." You will certainly admit that we are entitled to a profit?

Q. Absolutely?—A. Of how much? We made a profit of one quarter of one per cent on a turnover. Is that too much?

The ordinary man consumes perhaps one hundred or one hundred and twenty pounds of meat per annum. Our charges on that represent twenty or twenty-five cents.

[Mr. J. S. McLean.]

The point is that I say that the packing houses have been subjected to a very very uniformed and unjust criticism.

By Mr. Pringle:

Q. What would the cost of the meat be without the packing house?—A. Very very much higher.

Mr. STEVENS: I appreciate your suggestion, and the "Uniformed" part of it.

Mr. MCLEAN: Mr. Stevens, please do not misinterpret that. I had no thought of you in that remark, but you will admit this: that most of the criticism that is published of the packing house industry in this country is uniformed. I would like you to understand that.

I would like to speak of one more thing. There are a good many packing houses in this country that have never made any money. A good many of them are defunct, and yet in spite of that, in the last year, we have been called "profiteers."

By Mr. Nesbitt:

Q. Where is this defunct packing house?—A. In Chatham.

Mr. PRINGLE: Perhaps they made enough to retire.

Mr. STEVENS: If you are through I want to make my position clear. I do not want to be unfair to you, Mr. McLean, nor do I want to rest under the suggestion that I do not know what I am talking about.

The point I am making in this is exactly the same as I made in several other cases.

You show, if we take this statement as it is here, (and I frankly admit it is not an unreasonable statement), but what I am getting at is where are we going to end, in this system of financing? We find your company as many other companies, gradually building up a larger capital out of surplus, and we find, of course, that when you make a return, for instance of this year, you have to provide for the payment of interest on this accumulated capital, not only on the original paid-in capital, but the accumulated capital.

If at any time to come the account shows five hundred thousand dollars or more, you say: "That is what we are keeping against a rainy day. We may be up against a loss next year, we may not make any money at all next year" but I notice this as a regular thing, especially during the war years (not referring to your company any more than any other, but referring to a system of financing)—I find this, that this company not only had a very good contingent fund that would accumulate and grow until such time as it became very ominous looking, and then it would be capitalized, and then it was necessary to form a still larger contingent account to protect that, and if the public would express themselves as satisfied you would go on and create another fund. All you have to do every five years—or at certain periods, when this accumulation assumed some magnitude—all you had to do was to re-organize and re-capitalize.

In other words it stood like this. Having started from a small beginning it gradually grew larger and larger until after ten or fifteen or twenty years their capital runs into a hundred million dollars, or something like that, and then on this huge sum, they find it necessary to provide interest, which all goes into the cost. For instance, you say you only earned a quarter of a cent a pound. That sounds very small and very reasonable, and that is after deducting——?—A. (interrupting: That is the whole business.

A quarter of a cent a pound?—A. Will you let me go into that, because that is the crux of the whole thing?

Supposing these profits year by year were distributed entirely in stead of being re-invested in the plant?

Q. Not all of them.—A. Supposing they were? I think, Mr. Stevens, there is the fundamental weakness in your argument there. If this capital was distributed

[Mr. J. S. McLean.]

year by year, it would be distributed to the shareholders, and the shareholders would invest it. They would either buy bonds, or put it out at interest, or invest it in another enterprise, and it would be quite a legitimate thing for the capital to look forward to drawing interest year by year.

By Mr. Sutherland:

Q. And your business would remain stationary instead of expanding?—A. Yes. There is one point which I have mentioned before and which I would like to emphasize and that is that the extension of the packing houses give an increasing value to the commodities, but the packing houses retain only a fraction of that increasing value.

What we are getting at is if we did what we are credited with doing, oppressing the producer on one hand and the consumer on the other, I would have to plead guilty to being a drag on the wheel instead of a useful agent for converting the animal into meat.

How much does the packing house take out of the individual?

Q. You show a quarter of a cent a pound?—A. But last year fifteen cents, which is one seventh of a cent a pound.

Mr. NESBITT: I think this argument is one which should be [illegible] for the Committee. I do not agree with him at all in his conclusions, so far as I am concerned. I think the way to estimate any profit is on the turnover, and not on the capital, and I take off my hat to an institution that can make a profit on a quarter of a cent a pound. That has nothing to do with the capitalization of the company, it is on the turnover.

I think this is an argument which should be retained exclusively for the Committee.

By Mr. Stevens:

Q. You will give us a list of the shareholders of the company?—A. It is practically what you have there as directors.

Q. I am speaking about the shareholders of the Harris Abattoir Company.—A. It is practically what you have. They are practically the same as the directors.

By the Chairman:

Q. No others?—A. Three or four others all of whom are working members of the Company.

By Mr. Davis:

Q. Can you tell us who they are?—A. Yes, you have a list there.

By Mr. Stevens:
By Mr. Stevens:

By Mr. Davis:

Q. They are those whose names appear in this book?—A. Yes.

Q. Who are they?—A. W. T. Harris, President; Managing Director, James Harris; Secretary, J. S. McLean, A. G. Hall, S. G. Brock, and Jos. Harris.

Q. Who are the others?—A. Frank Harris, and W. E. McLean, my brother, who is the Montreal manager. I will send you in a complete list.

I think there is one point that I would like to call attention to before I leave. I am speaking only of this business. I think I have satisfied you gentlemen, that all the packing companies would have the same defence, that so far as this company is concerned the business was done on a very narrow margin of profit. If we accumulate, say it is a large profit, relatively to the capital, then this war tax steps in and takes a large slice out of that.

You know what the war profit tax is as well as I do. It is seven per cent allowed; from seven to fifteen per cent, one-quarter; from fifteen to twenty per cent one half; and over twenty per cent they take three quarters. No company can possibly make a very reasonable profit under the war profits tax. Is that not correct, Mr. Stevens?

By the Chairman:

Q. I want to ask you one question. What is your opinion with regard to the continuation of the war profits tax, or the excess profits tax?—A. You mean the tax that obtains in Canada? I don't quite see what else the Finance Minister could do. I don't like to pay it, but I don't see what else he could do.

Q. As a business man, I am asking your opinion, because I think it is worth while getting at. Do you not think it would be a good thing for the business men to advocate the continuation of a reasonable business profits tax?—A. I think it is absolutely necessary. I think very heavy taxation like that in the long run is liable to discourage enterprise.

Q. It has to be equitable?—A. Yes, but as a means of meeting the situation as it exists to-day I think it is absolutely necessary.

By Mr. Nesbitt:

Q. Would you not arrive at the same object by income tax on business?—A. Well, I think the tax will have to swing to an income tax, because it will relieve the tax from the criticism that is now made, that it is discouraging enterprise. When you get back to the income of the individual, I think it will be much better.

By Mr. Davis:

Q. I would like to ask one question. Have you figured what it would cost you per pound to produce bacon?—A. That is not shown, but we figure that out very carefully.

Q. Can you tell us?—A. Yes, I could send it to you. These are departmental records, and the cost of operating in each department is very carefully figured out and checked over from month to month.

By Mr. Nesbitt:

Q. Can you take a piece of paper and tell us what you will buy a hog of two hundred pounds for, and what you will make out of it?—A. I will figure on Wiltshire bacon as our chief product. We buy, we will say, at twenty-three cents a pound, and the hog weighs two hundred pounds. It generally averages about two hundred and twenty pounds, but to make it easier figuring we will call it two hundred. Therefore, that hog costs us forty-six dollars. Then the hog is dressed, and we get about seventy-three per cent, or a hundred and forty-six pounds of this dressed hog. Then there are certain by-products up to that stage, the leaf lard and the entrails, which we make into casings. Then the hog is chilled for a couple of days and is then trimmed into the Wiltshire side, which is practically the whole side with the head taken off, and cut open and the back bone flattened out and the side bones removed. The percentage we get on that is about eighty per cent, or a hundred and seventeen pounds, so that out of the two hundred pound hog we will get about a hundred and seventeen pounds of Wiltshire side. The value of all the product that we get incidental to doing this trimming is about two and a half cents a pound, or five dollars a hog, so the forty-six dollars is reduced to five dollars which is forty-one dollars net. So that a hundred and seventeen pounds of Wiltshire side costs you forty-one dollars, without your operating expenses, which are roughly about a cent and a quarter a pound. That brings——

By Mr. Nesbitt:

Q. (Interrupting): That is your slaughtering and dressing, but your offal more than pays for that?—A. Very much. I took off the value of the offal, five dollars.

It works out about thirty-five and a half cents for the Wiltshire side, without our plant expenses.

By Mr. Stevens:

Q. In your abattoir?—A. Yes.

By Mr. Davis:

Q. This may be an exceptional case, but I was over in Niagara Falls, N.Y., the other day and went into an ordinary grocery and asked them what they were selling bacon for by the piece, and they said thirty-six cents?—A. That must have been a shoulder cut.

By Mr. Stevens:

Q. What do you get for that?—A. We are—the hogs are higher at the present time—the quotation in London to-day for Wiltshire bacon is one hundred and ninety shillings, which works out just slightly under the cost price to us.

By Mr. Davis:

Q. For what do you sell them in Canada now?—A. Bacon in Canada means an entirely different thing from that.

By Mr. Sutherland:

Q. You don't sell Wiltshire sides?—A. No, that is not a Canadian cut.

Q. How much difference would there be in the selling price of the Wiltshire side (if you could sell it) and the back bacon?—A. We are selling backs I think at the present time for about forty-six or forty-seven cents. These Wiltshire sides we would sell for thirty-six cents. That price of backs may be wrong. There is a difference in the prices for every cut we make. Backs and bellies are the two high priced cuts out of a hog. They are the same piece of the loin, the place between the head and the shoulder, and that is cut in two.

Q. "Belly" is what they call "breakfast bacon?"—A. Yes.

By Mr. Davis:

Q. Will you send us figures as to your liabilities?—A. Yes. You want the assets and liabilities, and the plant cost for manufacturing bacon. Is there anything else you want? If there is any other thing at all that you wish, as you go along, I will be very happy to give it to you.

By Mr. Pringle:

Q. What is your reserve against depreciation of stock?—A. Our method of providing for that is to figure our inventory conservatively at the end of each business year. We have just been in a low-dip period. After the armistice was signed it began to sag in certain things like hides and tallow, but they have gone up again. So no depreciation is needed at the time of the last stock taking, but the time will come when a great deal of the profits will be absolutely wiped out by the fall in the prices.

Q. You do not estimate any specific depreciation?—A. No, we value each item conservatively.

Q. How conservatively? What do you mean by "conservatively."—A. I can hardly tell you that. It would be according to the judgment of each department manager which would be o.k.'d by the general manager. It depends on the product and the fluctuation in the prices.

By Mr. Sutherland:

Q. I notice in your Harris plant there is twenty thousand dollars for depreciation?—A. We have no interest in that at all. That is the Wm. Davies.

[Mr. J. S. McLean.]

By Mr. Davis:

Q. There was a list of shareholders we wanted?—A. Oh, yes.

By Mr. Pringle:

Q. We want the assets and liability statement?—A. Yes.

Q. Then the cost of bacon?—A. Yes, I have that.

Q. If there is any further explanation which you want to make in regard to additional capital—you said you had a capital at the beginning of the war of $880,000.—A. Yes.

Q. The capitalization at the inception of the company was $150,000?—A. Yes.

Q. Now, increasing from $150,000 to $880,000, $730.000 is made up partly by cash and partly by capitalizing your reserve?—A. You would like the history of that whole business? I will send it to you.

Witness discharged.

M. Edward Trowern, called, sworn and examined.

By Mr. Pringle:

Q. What is your position, Mr. Trowern?—A. I am the Secretary of the Dominion Board of the Retail Merchants Association of Canada.

Q. Have you any views in regard to a commercial board or a board clothed with powers to investigate into mergers, trusts, monopolies, etc., in regard to unfair methods of doing business, etc.?—A. Well, I would like to say, Mr. Chairman and Gentlemen, that for the past twenty-five years I have been in the position that I am now occupying, and consulting with practically fifty-five sections of the retail trade. They meet and have been trying to solve a great many of these problems which they have, but during that time I have found that we have been very badly handicapped, because the retail business (and I am a retailer myself, so I am speaking from experience)—the retail men understand the retail end of the business. They are not familiar with the manufacturing or wholesaling end of the business, consequently a great many questions arise and we are not in a position to find out the facts. I could give you cases where, say the price of rubbers, have gone up, and the retailers have met and have been told that the prices have gone up and they have been given explanations by the manufacturer which perhaps did not appeal to them as being reasonable.

We had no means of finding out the fact.

There is the same thing amongst other lines of trade. That causes dissatisfaction. You have on the Statute Books in the Criminal Code a provision giving us the right if we think that there is a combination of any kind, to bring anyone up before the court, but that is a very clumsy and expensive proposition, and the securing of evidence is difficult, and these are all lumbered up with conditions of which we do not know.

During my experience I know of very few cases that have even met with success at all. So. we felt and feel and have been asking the Government for the past ten years, if they would not appoint what we term an "Inland Trade Commission."

I have prepared a little paper here just setting out the matters briefly, which I will read to you, and then turn in:—

In order that the inland trade of Canada may be more effectively cared for, and that the conditions which surround the same may be known to the Dominion Government as well as to the public generally, we suggest that an Inland Trade Commission be formed whose specific functions would be to investigate all conditions that surround the manufacturing and the wholesale and retail trades of Canada.

At present, trade conditions in British and foreign countries are made known to Canadian Exporters by commercial agents appointed for that purpose, but no provisions have been made to keep a proper record of the changes, developments and requirements that are constantly noted in the various branches of the internal trade of Canada. A department has been provided for labour and also one for agriculture, which have been found of great value in securing information and imparting it in an intelligent manner regarding the purpose for which they were formed.

In Canada, as well as in every other country of the world, it is the custom, and it has been found necessary by the constant changes which are taking place in the price of raw material and of labour, and every other cause, for manufacturers, wholesalers and retailers in almost all lines to meet together and consider market conditions. In Canada, where we are in such close proximity to the United States, and where labour-saving devices and other methods are constantly changing commercial conditions, it has been found necessary that there should be trade consultations.

The criminal law as it stands at present was placed upon the statute books to protect the public against the uniting together of any one or more bodies for the purpose of unduly enhancing the price of staples and other commodities. This Act, however, is very much clouded and ambiguous inasmuch as it makes no provision as to what is meant by "duly" or "unduly" or as to who shall decide whether the prices charged are reasonable or otherwise, and it is also so broad in its meaning that it covers all those who may meet together for the purpose of agreeing to lower the price, or to enter into fair, tripartite agreement which might stimulate trade and improve Canadian industries. With this Act upon the statute books, a weapon has been provided for any one who may fancy he has a grievance against a manufacturer or a merchant, and great costs may be incurred in self protection as no efficient tribunal has been provided, having a practical knowledge of trade, and who can decide upon the true merits of the case.

Notwithstanding that this Act is upon the statute books, it is well known to most business men of Canada that agreements are now made and entered into in many lines of trade with a view to preventing unfair and ruinous competition, and to secure statistical information, and to endeavour to act as a pendulum to regulate and steady trade. There are no restrictions in the Act placed upon workmen or employees as to how much or how little they may place upon the value of their labour. They can meet together, agree, decide and arrange among themselves to work or cease working, and no law can govern them, and in case of dispute with their employers provision has been made whereby they can, if they so desire, lay their claims before a tribunal for the purpose of adjudicating the same. Then why should not the merchants and manufacturers have the same privileges accorded to them? If the law recognizes that workmen who create by their labour a portion of any article of commerce should have the right to agree and arrange among themselves as to what that price should be, or as to whether they shall make it or not, then why should not those who purchase that labour and own the whole article, and take the risk of storing and caring for this article, have the same privileges under Government supervision?

We suggest that the proposed Inland Trade Commission should consist of competent, commercial persons, who shall be men of knowledge, experience in trade manufacturing, wholesale and retail. We would suggest that all trade agreements made between any persons, firms, corporations or associations engaged in the same or other lines of trade throughout Canada, in which the arranging of prices is concerned, should be submitted, with full reasons therefor, to the said commission for their examination and approval, and any persons, firms or corporations who entered into such agreements without submitting them and having the approval of the Inland Trade Commission would render themselves liable to prosecution.

The formation of this commission would enable any person or persons to have commercial practices and complaints investigated, and practices which are found to be

[Mr. Edward M. Trowern.]

injurious to the trade, or contrary to public interest could also be investigated and decisions rendered thereon, similar to the decisions that are arrived at by the Dominion Railway Commission.

It is not our purpose in this memorandum to set forth the manner in which the proposed Inland Trade Commission would be legally formed but to merely mention some of the main features which we think should be taken up by it. We believe that the formation of such a commission would result in more stable conditions of the trade, larger investment of capital, greater confidence that invested capital would be secure, and that both capital and labour would receive their just reward, all of which would result in building up the Inland Trade of Canada in a manner that can never be accomplished under our present system.

This commission should also have the power to investigate any supposed overcharge on any article that enters into the cost of living, and, after investigating any charges that might be made, and having the same publicly reported, it would have a tendency to allay public criticism and remove, if the evidence is found favourable, any claim that might be made against reputable manufacturers, wholesalers or retailers.

We would suggest that the board be comprised of five members; one manufacturer, one wholesaler, two retailers and a commercial solicitor.

That has been passed by our association, gentlemen, and they asked me to represent this to you. If there are any questions you would like to ask I would be only too glad to answer them.

Mr. Pringle: I don't know as I have any particular questions.

By Hon. Mr. Fielding: Have you moulded that after any particular tribunal elsewhere?—A. Yes, we have followed the form of the Federal Trade Commission in the United States somewhat, we took into consideration the fact that our laws are different.

Q. But your scheme is more comprehensive, is that it? The American Federal Trade Commission does not regulate the prices, does it?—A. No.

By Mr. Nesbitt:

Q. Would you recommend a trade commission to regulate prices?—A. Take the case of trade-marks; I will give you an illustration of what I mean by "trade-marks".

Take shredded wheat. We will use that as an illustration. When the Shredded Wheat people first entered into Canada to do business they called the wholesale trade and the retail trade together, and said: "We are going to put our product into Canada, and we are figuring on selling it at, say, 15 cents." The trade talked over the matter with them and naturally the wholesalers wanted to know what profit they were going to get and the retailers wanted to know what profit they were going to get, and they said that they wanted to fix a price to the jobber, their own selling price, and from the jobber to the retailer, and then to the consumer, and they had figured that a price to the consumer should be 15 cents a carton.

We, as retailers, figured it should be 12½ cents to the consumer or two boxes for a quarter, and after they had figured the matter out fairly they came to the conclusion that in view of the competition of this and other cereals that they would accept our proposal, and they did so, and they put shredded wheat on what they call a contract selling plan. That is a plan which, I believe, you know is adopted by piano makers, and musical instrument dealers, by fountain pen companies and the Waterbury Watch Company, and a whole raft of people sell goods on this plan. The newspapers are sold on this plan, the Journal and the Press, and they have a fixed price of two cents a copy.

They started in business and sold their products in Canada and those sales exceeded any sales that they had made in any state of the Union, because the wholesaler was behind the product and the retailer got behind the product. It is a good product. We had a committee to determine whether it was a good product before we took it up, and the sales were larger than any sales they made in any State of the Union.

That was going along in splendid shape until the war broke out. Now, you see what advantage that is to the public? In the first place the price is marked on the product, and no one can overcharge, no one can charge any more, and no one can charge any less, because the manufacturer won't let them. It is fixed. The price-cutter (and it is an unfortunate thing in business to-day, gentlemen, that it is different than it was some years ago, when I learned my business, that in business some people do not seem to have as large an amount of honour as others; 97 per cent of the retailers want to do business right, but there is a percentage who want to take the staple goods, goods that he knows he can charge)——

By Mr. Nesbitt:

Q. And make a lead of that?—A. And make those goods the bait to attract people into their shops, and in so doing make up from other lines of goods what they are losing on these goods which they are using as bait.

Q. How could your commission fix that?—A. The commission, in the first place, could decide as to whether the price fixed by the Shredded Wheat (I am still using them as an illustration) was a proper price for them to charge or not.

Q. But supposing a man wanted to make a lead in, we will say, sugar?—A. We are not taking the manufacturers themselves, but the lines which are used as leaders.

Q. Then some fellow comes along and complains that we are controlling trade? —A. That is a matter that must be left entirely with the manufacturer, but we should have some tribunal to go to, to say whether that policy is good for the country.

By Hon. Mr. Fielding:

Q. Let us go back to this shredded wheat, and give us more light on that. The price, you say, was fixed at twelve and one-half cents. That implies first, there was a wholesale price fixed by the manufacturer, and that by arrangement the wholesalers were obliged to sell to you at a fixed price?—A. Yes.

Q. Then what? Go ahead.—A. Yes.

Q. I suppose it allowed a fair margin of profit all through?—A. No, it is not done that way, Mr. Fielding. The manufacturer under the British law has a right to fix the selling price on his own product, and make it or not to make it. In Canada this was brought out in several suits that we had before the courts where the manufacturer could say, "Mr. Retailer is selling goods only to certain people,"—as Mr. Johnston says—"they might sell only to red-headed men," and the manufacturer can say to whom he will sell. That is British law. We want that law maintained in Canada. We want the manufacturer to be able to say how he shall price his goods, and to whom he shall sell, and at what price, and if he has a trade mark we want that man to be able to uphold that trade mark.

Q. Hold on. He does sell to the retailers?—A. He fixes the prices at which the wholesaler shall sell.

Q. And the retailer cannot take any more nor any less?—A. No.

Q. Is not that where the trouble comes in, that these cut-rate men try to sell for less?—A. The manufacturers now find under our present law—there was an Order in Council passed during the war making it a criminal offence to maintain prices. That was done not advisedly, but without forethought, and it is there now, and we want that removed. For instance, supposing I took Shredded Wheat, which was fixed by the manufacturer to sell at twelve and a half cents a package, and I put it in my window and I cut it down to ten cents, as a bait to attract trade, the manufacturer can come to me as a retailer and tell me to remove that ticket, otherwise he would put in an injunction on me which would be very expensive to remove.

Q. Under the Order in Council that has been removed?—A. I don't know why it was passed, but it should be taken out.

Q. The object of this committee is not to maintain prices, but to try and look at the other end of it?—A. I must say, gentlemen, that I have been coming before a great many committees in my time, and I will compliment this committee on the splendid way in which they have handled a most difficult and delicate subject, and I think your policy, if anything at all, is to see that not only some cranks (and we will always have them)—I think the object of this committee is to see that everybody gets a square deal: the manufacturer, the wholesaler, the retailer, and the consumer.

Q. If you will turn that around and put the consumer first, we will agree with you. —A. All right, I will turn it around.

By Mr. Sutherland:

Q. With reference to this Shredded Wheat; have you a percentage of profit which was allowed to each of those?—A. Yes, it is very small.

Q. Could you give it to us?—A. I will be glad to submit it. I have not got it with me. It was a very fair profit.

Q. A profit to everybody?—A. Yes. Fair to the consumer, fair to the jobber, fair to the wholesaler, and fair to the manufacturer.

By Mr. Nesbitt:

Q. When you say "Fair" you mean reasonable?—A. Reasonable.

Q. When you say "A fair profit" it generally means a pretty good profit?—A. No, a reasonable profit.

By the Chairman:

Q. In your opinion could a board such as you suggest, an Internal Trade Board, operate for the benefit of the consumer in the case of the exaction of undue profits. Would you clothe that with plenary powers?—A. Yes, I would give them all the power which is under the Criminal Code, which is not in operation. You cannot work out this present law now.

By Mr. Nesbitt:

Q. You would give the right to set prices?—A. I would give them the right if a man wished to fix a price—you cannot stop that—if I wanted to fix a price on a product, you could not stop it—I would give them the power, so that I must come before them with all my evidence, and I would have them say as to whether my price is too high or not.

By Mr. Sutherland:

Q. Then they would have to fix a price?—A. No. There would be no such thing as fixing prices.

Q. For instance, a person doing a small volume of business would have to have a greater profit than those who were doing a large business?—A. No. Not on staples, no. Take postage stamps, the Government has adopted the plan that the same percentage is given to everybody. It is the same with lots of other lines of goods.

By Mr. Nesbitt:

Q. As a matter of fact, the man who sells a thousand dollars worth of goods as against the man who only sells a hundred dollars worth, makes more money?—A. That is up to him.

Mr. SUTHERLAND: The Government has now taken that over and that is done now by the postmasters.

By Mr. McCoig:

Q. No person expects to make a living by selling postage stamps?—A. I am advocating this principle, that is carried out on a large scale by different lines of goods, and that principle being followed up, I think it would be only right and wise for the Government to appoint an Inland Trade Commission, who will be familiar with all kinds and conditions of trade.

[Mr. Edward M. Trowern.]

By Mr. Nesbitt:

Q. You don't think it is wrong, if a man has a patent or a trade mark, registered, for the price to be fixed provided he is allowed a reasonable profit?—A. That is my idea.

By Hon. Mr. Fielding:

Q. This Commission would have to judge that?—A. Yes.

Q. Let us take a concrete case, a case that, we will say, has gone before this Commission, of which you speak. How would you exercise their functions? What would you expect them to do in a case of that kind. In the case of the Railway Commission, it goes by analogy, and there are only a few railroads, but where there are thousands of retailers, how would this Commission function?—A. If you will allow me to go back a little bit. You have had a lot of evidence here, and as I said before, I will compliment you gentlemen on the way in which you have questioned your witnesses, and brought out witnesses, irrespective of what Mr. Robinson has said, or what any one else has said. I think this has been a splendid opening for the public to come here and give you gentlemen all the evidence possible and you have asked all kinds of questions so that no one can escape.

It must be evidence to you that the larger manufacturers—take, say, an industry where there are only four in Canada—take four manufacturers of rubber, for instance—that is a good example—take four manufacturers of rubber goods, or four manufacturers of any line of goods, and you have asked them, "Have you an organization?", and they all say "No," it is not necessary. All they have to do is to say "Billy, come on and we will have lunch at the Club," and the thing is done. You cannot do that same thing with wholesalers and retailers.

By Hon. Mr .Fielding:

Q. Because there are such a large number?—A. Certainly, a great number of them, and we have a suspicion now—we will put it that way—that we are paying too much for certain things.

Q. You are speaking of the retailers now?—A. Yes, I am speaking of the retailers, and they say "Why should we pay nine dollars a dozen, when we were only paying three dollars a dozen before the war?". I cannot explain it; the man in business cannot explain it, and he goes to the jobber; the jobber cannot explain it, and we go back to the manufacturer, and we ask him, and he begins telling us certain things, and we have a suspicion that that man is taking advantage of the market, and taking an advantage of his opportunities. What can we do?

With an Inland Trade Commission we go immediately to them. We don't charge anybody with anything at all. We go to the Secretary and lay before the Board the matter, and we say "Here, gentlemen, is something I would like you to investigate." They bring up the wholesalers and the retailers, and the manufacturers, and the cards are spread on the table. We have no means to-day of doing that, outside of your Committee.

By Hon. Mr. Fielding:

Q. Go on, follow that up?—A. The Inland Trade Commission examined into this whole business, and finds out that the people are taking advantage of the situation, and they can immediately pass an order, (and they should have the power to pass that order), and say "You are taking too much profit."

Q. And they would fix the price at a lower figure?—A. Yes.

Q. For each stage?—A. Yes.

Q. For the manufacturer?—A. Yes.

Q. And the wholesaler?—A. Yes.

Q. And the jobber?—A. Yes.

Q. And the retailer?—A. Yes.

Q. They would all have the scale down?—A. Yes.

By Mr. Nesbitt:

Q. But, remember, that the manufacturer has to get the raw, and that varies from day to day. How often are you going to have those prices fixed?—A. If it is determined that the manufacturer is not making too much to the retailer, you have relieved the public mind.

Q. I am a firm believer in publicity, as far as that is concerned, but there we get up against the same thing again. Take the manufacturer; you tell him that he is making too much profit, and then the price of raw material goes up the next day. Are you going to deny him a profit on his goods? No, because the man would say, "I will not make anything."

By the Chairman:

Q. Let me interject a thought in there. Assuming that the Board did make an order fixing the prices at which the manufacturer is going to produce the goods, and then the conditions immediately changed, would it not then be in order for the manufacturer to make an application to the Board to review the facts?—A. Yes.

By Hon. Mr. Fielding:

Q. And where there are fluctuations in the basis of raw material you might come to some arrangement? Remember, I am not trying to oppose the view, but I am trying to find something in favour of it.

Mr. Nesbitt: All these Boards have stopped short of fixing prices.

Mr. McCoig: I believe if we had a tariff commission touring the country, they would be running in opposition to just what the Committee is trying to do. If the tariff is changed, that will invalidate the whole thing.

Mr. Trowern: It is only in these trade-marked articles, that the average manufacturer wants a fixed price. He gets permission from the department to get his trade-mark, and if the Government gave a man a trade-mark on an article, and he started to use that to the disadvantage of the public, or for any one else, don't you think that the Government should have the right to say "You play fair now; or we will take that trade-mark away from you?"

By Mr. Davis:

Q. Or take off these customs duties?—A. Personally, I am not a politician, at all, so I am not interested only in the question of the tariff, but I think, gentlemen, that the whole question of tariff and everything else, could properly come under such a Board as I have suggested.

Mr. Nesbitt: I am afraid that you will be balked on the tariff.

Hon. Mr. Fielding: I don't think you had better import the tariff into your scheme.

Q. You would expect the commission to prevent a reduction of prices?—A. No, I should have it both ways.

Q. On the contracts sales you would stop that. If the shredded wheat was fixed at twelve and a half cents and a man was cutting it down to ten cents, the commission would have to stop that?—A. No, I would not go that far.

Witness discharged.

The Committee adjourned until 11 a.m., Wednesday.

[Mr. Edward M. Trowern.]

WEDNESDAY, June 25, 1919.

The Special Committee appointed to inquire into the price of Foodstuffs and other necessaries of living, met at 11 o'clock a.m., the Chairman, Mr. Nicholson, presiding.

Members present:—Messrs. Davidson, Davis, Douglas (Strathcona), Euler, Fielding (Hon.), Hocken, McCoig, Nesbitt, Nicholson (Chairman, Algoma), Reid, Mackenzie), Sinclair (Queens, P.E.I.), Stevens (Vice-Chairman), Sutherland and Vien.

Mr. NESBITT: Before you commence the business of the Committee I would like to make a correction, if you do not mind, Mr. Chairman. I see in the "Journal" a report that Mr. McLean in his examination yesterday stated that his company's business was done on 12.5 per cent on the turnover or a quarter of a cent per pound. The latter part of it is allright, but the first profit is absolutely false, he said one and two-fifth cents in place of 12·5 on the turnover. If these people that report here cannot report somewhere around the truth, I think it would be a good thing if they were not to report at all.

Mr. REID: It is a typographical error I understand.

The CHAIRMAN: It looks that way.

Mr. NESBITT: That may be an excuse, however my correction will show whether the newspapers are honest; if they are they will correct that.

Mr. SUTHERLAND: There is another part of the report in the "Citizen" that Mr. Nesbitt might well take exception to. Mr. Stevens was proceeding to question a witness when Mr. Nesbitt is reported to have said "I take off my hat to any institution which can make that profit." I did not understand him to make that remark at all. I understood him to say that he took off his hat to any institution that could do business on a profit of a quarter of a cent a pound.

The CHAIRMAN: That was his statement.

Mr. NESBITT: That is what I stated, but I do not care anything about that, the newspapers are nothing to me, but I would like them to tell the truth about the evidence that comes before this Committee.

Mr. SUTHERLAND: When we were discussing this feature of it, you remember, last week, when Mr. Payne was giving evidence that I took exception to his going on with his statement. Now the papers, the Toronto "Daily Star," and a number of other Toronto papers have made comments on it, and they go on to point out that exception was taken to his statement that a new life is stirring the common people and then they deliberately omit the very thing that I took exception to "and in the exercise of power that resides in numbers we shall see great changes demanded by an aroused democracy" that was the time I interrupted the witness, and yet the papers have deliberately omitted the feature of his prepared article to which I took exception. I mention this to show the unfairness which is being displayed by the press in connection with these reports.

Mr. T. H. REIDER, called, sworn and examined.

By Mr. Pringle:

Q. You are Secretary of the Ames-Holden-McCready Company?—A. President.

Q. The Ames-Holden-McCready Company were a combination of the old Ames-Holden business and the McCready business?—A. Yes.

Q. Which had been in existence for a very large number of years?—A. Yes, both of them.

Q. They were both very old established firms, which carried on the manufacture of boots and shoes in Montreal for a great many years?—A.—Yes.

Q. The new company, or the present company, was incorporated in 1910, I think? —A. Yes.

Q. In 1910, and it took over the business of the Ames-Holden Company, Limited, and the James McCready Company, Limited, one of which was established in 1853, and the other in 1870?—A. Yes.

Q. Now your factories are situated where?—A. Montreal and St. Hyacinthe, Quebec.

Q. And you have a capital stock authorized of five million dollars, subscribed, from the statement I am reading from, which says $3,500,000?—A. Common stock.

Q. And you have preferred stock of $5,000,000 and subscribed $2,500,000?— A. Yes.

Q. And the $3,500,000 common stock is paid up, and the $2,500,000 preferred is paid up?—A. Yes.

Q. Now, I do not like to reflect in any way on your business, but you do not seem to have made a great deal of money for your shareholders?—A. No sir.

Q. Now your better days, I hope, are to come?—A. I hope so.

Q. You have not paid all your dividends on the preferred?—A. No, sir.

Q. What dividends are in arrear on the preferred stock?—A. As on 1st July, 5 years.

Q. Is that a statement you have here?—A. I might say our annual meeting takes place to-morrow, and I brought with me a few copies of the actual report as it will be presented to the meeting to-morrow (documents handed in and distributed), you see this is dated to-morrow, June 26th.

Q. And you are anticipating your shareholders a bit by giving it to us to-day?— A. I am giving this as a special privilege to the members of this committee.

Q. Now you say that your arrears on the preferred stock extend back to a period of 5 years?—A. Five years as of 1st July, 1919.

Q. And what would they amount to?—A. $875,000.

Q. Now have you paid any dividend on your common stock?—A. No sir.

Q. What is the trouble with you?—A. I wish the committee could tell us.

Q. You have not been able to make sufficient money to pay these dividends?— A. No, sir.

Q. Now, I see however, there is some hope for the preferred shareholders. You have declared a dividend of one and three-quarters on preferred shares payable July 2 to shareholders of record on June 12, 1919.—A. Yes.

Q. Is that the first dividend you have paid for some time on your preferred?— A. It will be the first one for 5 years.

Q. In regard to this report of the Directors which, I think, may be filed for the use of the committee, your net profits after deductions for interest, reserve, bad debts and depreciation are stated at $323,321.26, and your surplus account now stands at $830,729.93.—A. Yes.

Q. Your sales for the year amounted to $6,229,274.38 compared with $4,879,259.36 for the previous year, or an increase of 27.67 per cent.—A. The selling prices of leather footwear were greatly increased throughout the year, accounting for approximately 15 per cent of the increase for all sales. Included in these sales for the year is $658,672.74 to the Canadian Government.

Q. I do not intend to read all this; we will get the more important features of it. Your total current assets are $2,908,868.29, while the total current liabilities are $568,527.09, making a net working capital of $2,340,341.20. The price of your raw

[Mr. T. H. Reider.]

material has advanced very much, has it not, in the past two years; that is your leather?—A. Yes, sir, very considerably.

Q. Can you give us approximately the advance in leather during the last two years?—A. I am sorry I cannot do that. I have only recently been appointed president of this company, and I would be a very poor witness to give you that.

Q. But you have a general knowledge?—A. I have the general knowledge of it.

Q. Can you give us an idea of your profit on boots at the present time? You make, of course, a large number of different grades of boots?—A. Yes, sir.

Q. But if you could give us a general idea of the cost and profit, I think that is what the Committee would like to have?—A. I have a schedule showing the total sales for seven years, and our profits on them.

Q. It is very thoughtful of you to have prepared this in such a very concise way. These statements will be put in and consequently I will not read them. But your profit on sales, that is your percentage of profits on sales in 1913 was 5·06. In 1919 it was 5·19?—A. Yes, sir.

Q. So that there has not been any very great increase in the percentage of profits on your sales?—A. There have been very great differences from one year to the other. The lowest profit you will see is 1·02, as against the highest 6·23.

Q. 1918 seems to have been your best year, and you had 6·23 that year?—A. Yes, sir.

Q. In the statement you also show net profits applicable to dividends?—A. This is the way to put it; these profits are applicable to dividends after all other charges are provided for.

Q. That no doubt gives to one who considers the matter a very fair idea of the profit that you are obtaining on your product; but to get down, if we can—I do not know whether we can or not—to the average profit on the average line of goods that you sell, is there any way of arriving at that?—A. I cannot give you that information intelligently.

Q. What has been the advance in these staple lines during the last two years of boots?—A. I would prefer not to give that because it is not intelligent. I did not come prepared to give that information.

Q. In your business is there any such thing as an understanding, or combination or agreement between the different boot and shoe manufacturers establishing a price at which your product is to be put on the market?—A. Absolutely none.

Q. It is a free, open competitive market?—A. Absolutely.

Q. And there is no combination existing between the manufacturers of boots and shoes in the Dominion of Canada?—A. I do know about that, sir, and there is not.

Q. You can speak positively in regard to that?—A. Yes, sir.

Q. I think it goes without saying—I do not wish to waste time—that the statements which you have submitted are correct statements, and they do not show that you have been making any undue profit?—A. I am sorry to say.

Q. No doubt you yould much prefer to be able to say to your shareholders that you were earning good dividends for them?—A. Yes, sir.

Q. But you have not been in that position? It is true that you possibly have earned a fair percentage on your stock during the last two or three years, but you have evidently considered it was better business to strengthen your reserve so that you would be enabled to carry on your business more successfully?—A. Exactly.

Q. That is the position I take from the statements you have submitted?—A Exactly.

Q. Your common shareholders have never received a dollar?—A. No, sir.

Q. Your preferred shareholders have received nothing for five years, but they are going to get a nice little surprise perhaps to-day?—A. To-morrow.

[Mr. T. H. Reider.]

Q. A nice little surprise to-morrow in the $1\frac{3}{4}$ per cent which you are now enabled to pass on to them. You have not only had during the last two or three years the difficulty of the high cost of material to contend with, but you have had a difficulty in even getting the material?—A. Yes, sir.

Q. There is no question about that?—A. At the present time very particular difficulty.

Q. In regard to obtaining material?—A. Yes, sir.

Q. I suppose that owing to that, your policy has been, knowing the difficulties in regard to the leather market, to carry as much stock as you possibly could to protect your industry. I do not know what your stock is at the present time, but a year ago or so you evidently had a fairly large stock on hand?—A. Yes, one year ago; we have not now.

Q. And you are experiencing difficulty in getting it?—A. Yes, sir.

Q. I am not familiar with the leather market but I understand that the market is fairly high at the present time?—A. Exceptionally high, very very high. It is difficult to get supplies at that.

Q. I do not know whether you can speak for the manufacturers of boots and shoes in general. If you can, I would like you to do so, and if you cannot, tell us candidly that you cannot. Do you know the prices charged by your fellow manufacturers of boots and shoes in the Province of Quebec, in the class of product that they turn out?—A. I could know that only by meeting them in their sales; I do not know it otherwise.

Q. I would take it that that would be the only way?—A. Yes, meeting in competition.

Q. Your salesmen meeting theirs? From any knowledge you have gained in that way, and I should think that that was about as good a way as possible of getting the information, do you find any undue prices being charged by the leading manufacturers of boots and shoes in the Province of Quebec?—A. My answer to that is that competition is extremely keen in leather footwear.

Q. Competition is extremely keen?—A. Yes.

Q. Consequently that would regulate and prevent any abnormal prices for footwear?—A. Yes.

Q. There is an impression in this country—and I must say it is shared by a great many people—that the retail price for boots and shoes has become very excessive?—A. Yes.

Q. There has been an advance unquestionably of pretty nearly a hundred per cent in the high grades of boots and shoes?—A. Easily that.

Q. Has there been that advance by the wholesale manufacturer of boots and shoes?—A. I would like to file with you the copy of the Boot and Shoe Journal dated June 16, which deals rather exhaustively with that, and I think very accurately, because it is the admitted boot and shoe trade journal.

Q. You have no doubt read the article?—A. Yes.

Q. As president of this company you would have a very good idea whether the article is a fair one?—A. I think so.

Q. This article says:—

> "The wholesale prices here given are taken from the wholesalers' list of June 9, but may be up since that date"——

That is speaking of this year, I imagine.

> "The retailers' prices are an approximate average, which may vary with different dealers in different localities."
>
> "Men's G.M.C.F. Bluebell Goodyear: Wholesale price 1914, $3; retail price 1914, $4; wholesale price 1919, $5.75; retail price 1919, $8."

[Mr. T. H. Reider.]

We will run through the lists first and compare the percentage of profit charged in 1919 and that charged in other years.

	1914. Wholesale Price.	1914. Retail Price.	1919. Wholesale Price.	1919. Retail Price.
Men's G.M.C. f. Blu. Bal., Goodyear..	$3 00	$4 00	$5 75	$8 00
Men's Tan Cf. Blu. Bal., Goodyear..	3 35	4 50	6 15	8 50
Men's Dong. Cf. Blu. Bal., Goodyear	2 90	4 00	5 85	8 00
Men's Box Kip, Standard Screw..	2 00	2 75	3 50	5 00
Men's Tan Grain Blu., Standard Screw..	2 25	3 00	3 75	5 00
Men's Tan Kip Blu., pegged..	2 65	3 50	3 85	5 25
Men's Grain Blu., pegged, plain toe..	2 70	4 00	3 75	5 00
Women's Dong. Blu. Bal., Pat. Tip, M.S.. ..	1 65	2 00	3 50	5 00

I am afraid the ladies did not see many five-dollar shoes round in the windows this winter?—A. No.

Q. How do you account for that?—A. Because they want high shoes.

By Mr. Reid:

Q. Where is that retail price obtained, Ottawa?—A. It is obtained pretty generally.

Q. All over Canada?—A. Yes.

Q. Does it obtain in the West?—A. Yes, even more in the West—more profit because they pay the freight on the goods up there.

By the Chairman:

Q. The retail price would be a little higher?—A. The retail prices are f.o.b. the factory.

By Mr. Reid:

Q. Do you set the retail price at your factory?—A. No, sir. The retailer sets his own price and his own profit.

Q. How are you giving the retail prices here?—A. I am not giving them. I am giving the Boot and Shoe Journal reports which are quite accurate, and this is arrived at by a general survey of the boot and shoe trade in the country.

Mr. Pringle: Perhaps we had better get these figures on the record and examine generally in regard to it.

	1914. Wholesale Price.	1914. Retail Price.	1919. Wholesale Price.	1919. Retail Price.
Women's Pebble Blu. Bal., Tip, Standard Screw..	1 55	2 00	2 95	4 00
Ladies' Dongola Bal., M.S., plain..	1 55	2 00	2 85	3 90
Boys' Box Kip Blu. Bal., Standard Screw.. ..	1 75	2 50	3 15	4 50
Boys' Tan Grain Blu., Standard Screw...	1 65	2 00	2 85	3 90
Boys' and Men's Grain Blu., Standard Screw..	1 55	2 00	2 95	4 00
Boys' Gunmetal Cf. Blu. Bal., Goodyear..	2 65	3 50	4 20	6 00

	1913. Wholesale Price.	1913. Retail Price.	1918. Wholesale Price.	1918. Retail Price.	1919. Wholesale Price.	1919. Retail Price.
Men's Goodyear Welts, Gunmetal side Blu..	$3 00	$4 00	$4 25	$6 00	$4 60	$6 50
Men's Black Calf Gunmetal side Blu..	3 40	4 50	4 75	6 50	5 60	7 50
Men's Coloured Calf Gunmetal side Blu.	3 75	5 00	6 25	8 50	6 15	8 50
Men's Mennonite Grain Blu., Standard Screw, plain toe..	2 00	2 75	3 35	5 00	3 80	5 00
Men's Mennonite Grain Blu., Standard Screw, Tip..	2 25	3 00	3 60	5 00	4 00	5 00
Women's Dongola Blu., M.S., Slip Sole, Pat. Tip..	1 80	2 50	3 00	4 00	3 60	5 00
Women's M.S. Gunmetal Blu., and Tips.	1 60	2 15	2 25	3 00	2 50	4 00

By Mr. Pringle:

Q. There is nothing here that I can see of a higher grade of ladies' shoes. I am informed—I do not know how true it is—that our lady friends have great diffi-

[Mr. T. H. Reider.]

culty now in getting a pair of shoes for less than fourteen or fifteen dollars?—A. The sky is the limit for ladies' shoes to-day.

Q. How do you account for that?—A. The styles of shoes they demand.

Q. But the cost is not in any way approximate to the figures of fourteen dollars and sixteen dollars, which the ladies are compelled to pay in the retail stores in this country at the present time for high shoes. The cost of that shoe would not be more than four or five dollars, would it?—A. Certainly it would.

Q. What would it be, Mr. Reider? Take your best quality of ladies' shoes, and go as high as you like in the top.—A. I can't do that, Mr. Pringle. We sell shoes at ten dollars and a half to the retail trade.

By Mr. Devlin:

Q. What kind of shoe?—A. Ladies' high kid shoe.

Q. What would be your charge for a buck shoe, for a white kid shoe or boot?—A. The ladies' white kid shoe, that is the kind I had reference to. It would be ten dollars and a half. That is the highest grade shoe we make.

Q. Are there higher grade shoes made than that?—A. Yes, sir.

Q. What would they cost?—A. I cannot tell you.

Mr. PRINGLE: Anything the retailer can get for it.

By Hon. Mr. Fielding:

Q. All that the traffic will bear?—A. You must consider that in selling these shoes the varying tastes of the ladies must be considered. The probability is that the ladies would be willing to buy the shoe this month, and next month they would not look at it at all.

Q. On account of change of fashions?—A. On account of the change of fads.

By Mr. McCoig:

Q. Would it be a good idea for the manufacturers to standardize shoes so that this extra cost would not occur?—A. They would have to standardize women's ideals as well.

Q. Wouldn't that be a good way to go about it to change those ideals?

By Mr. Pringle:

Q. This schedule of the cost of manufacturing and retail prices, which has gone on the records, this covers the standard lines?—A. Yes, sir.

Q. Take the men's G.M. Cf. Blu. Bal. Goodyear. That is an excellent boot, isn't it?—A. It is a staple largely used boot.

Q. Is it one of the highest grade men's boots manufactured in Canada?—A. Yes, I would say it is.

Q. You can see here in this article in the Shoe and Leather Journal, that they give the price as eight dollars for that boot, the retail price, in 1919. Personally, I have not this knowledge but I have been informed that for that class of boot there has been a charge in Ottawa of from ten to fourteen dollars.—A. Yes, there are manufacturers whose grade of workmanship and selection of materials might reach very much higher than the ordinary range.

Q. You think there are manufacturers in Canada, who, for that class of boot, make a higher grade of boot on which the retailer would get a higher price. You think that eight dollars is a standard price that the retailer obtains for the boot that you describe?—A. Yes.

Q. I think it is a matter of common knowledge that fourteen dollars has been charged at the present time for a high grade man's boot?—A. Imported.

Q. Imported, yes.—A. Perhaps so. They ought to pay that price if they want to import them.

[Mr. T. H. Reider.]

Q. The Florsheim?—A. It is twenty dollars a pair for them, and they should pay it. They can buy just as good boots in Canada if they thought that they could.

Q. I have noticed that the Florsheim shoe is one of the highest grade shoes. The price runs from fourteen dollars to twenty dollars. It is manufactured in Chicago. —A. Yes, sir.

Q. That is a luxury which the people can avoid by getting just as good goods in Canada?—A. They can get just as serviceable an article as they want. They want some minor refinement, and like the idea of paying twenty dollars for shoes. If it affords them any satisfaction, they can pay it.

Q. I suppose there are dealers who cater to people who want exclusive ideas in shoes and who are willing to pay high prices for getting them.—A. Exactly.

Q. You say that if the public want an absolutely serviceable good grade boot, they can get it here in Canada at a retail price of eight dollars?—A. Yes, sir.

Hon. Mr. Fielding: What would they sell at before the war?

Mr. Pringle: They would sell at four dollars in 1914, and now it is eight dollars. It has advanced one hundred per cent.

The Chairman: What boot?

By Mr. Pringle:

Q. Men's G.M. Cf. Blu. Bal. Goodyear. The highest wholesale price in 1914 was three dollars, and the retail price four dollars. The wholesale price in 1919 was five dollars and seventy-five cents and the retail price eight dollars. It thus appears that the retailer in 1914 made a dollar on each shoe and in 1919 he made two dollars and a quarter in the same shoe, the price of which had risen from three dollars to five dollars and seventy-five cents in the meantime wholesale. Therefore, he has had an increased percentage of profit.—A. Yes, sir.

Q. A large increase?—A. Yes, sir.

By Mr. Nesbitt:

Q. What is the percentage?—A. It would work out at thirty-three and a third per cent in 1914 for the boot obtained at three dollars and sold at four dollars. In 1919 he sold the boot obtained at five dollars and seventy-five cents for eight dollars, an increase of nearly forty per cent.

Q. Did this reach the retailer at this price or go to the wholesaler first?—A. All our product reaches the retailer direct from us.

Q. Is that an unreasonable spread between the cost to the retailer and the cost to the man who has got to wear the boot? I mean the two dollars and twenty-five cent spread which is the spread now between the cost of five dollars and seventy-five cents and the retail price of eight dollars.—A. I am scarcely qualified to express an opinion. The retailer's expenses are much higher to-day than they ever were. Retailers could give you that evidence.

By Mr. McCoig:

Q. A statement was made in the Senate by the Minister of Labour that shoes costing from six to seven dollars were retailed at twelve dollars, what would you say about that?—A. There may be instances of very freakish styles where some dealer has a dozen pairs, and who runs a great risk of not being able to dispose of them at all. There may be some instances, but not as a general run of things would it be like that.

Q. Maybe the opinion of the Minister of Labour was incorrect?—A. It is not the general case at all.

Q. A retailer who recently sold me a pair of shoes told me they had notice that there would be another advance.—A. Certainly, we advanced our prices on the first of June, we advanced them again on the sixteenth of June, and we will advance them again in another two weeks. We were absolutely compelled to do it.

[Mr. T. H. Reider.]

By Mr. Stevens:

Q. Is that increase due to an increase of the cost of leather?—A. It is due to an increase in the cost of all our supplies, including labour.

Q. Could you get as much evidence as you can regarding the leather market as it relates to this matter, Mr. Pringle?

By Mr. Pringle:

Q. Where do you get the leather from?—A. Canadian tanners very largely.

Q. I do not suppose you know where they got their hides from?—A. I know where they got them from in the first place.

Q. Where was that?—A. From the cows' backs.

Q. I know, but were they from Canada or some American country?—A. I cannot tell you that. I do not know where our tanners get their hides from.

Q. Are the tanners advancing prices to you?—A. Decidedly so.

Q. What advances have taken place within the last six months in leathers?—A. Within the last three months the prices of calf skins have nearly doubled. This is the first one you are talking about. You cannot get materials or prices even at the present time.

Q. I don't suppose you know enough about the tanning business to tell us what advance has been taking place in the different extracts. Tannin for one?—A. No.

Q. I understand, accurately or inaccurately, that there has been an experiment made in Canada with a by-product from spruce, and that the spruce extract has enabled the tanner to tan just as good a leather and at a very much less expense than formerly. Do you know anything about it?—A. No, sir, I do not.

Q. I understand one tanner has adopted it, and he has been able as a consequence to take a contract with the French Government at lower prices than other tanners and that that would decrease the cost of leather?—A. I do not know, sir.

By Mr. Stevens:

Q. Could we get a list of the comparative prices of leather that you used for the years 1914, 1915, 1916, 1917, and the present prices?—A. I cannot give that, but I will be glad to furnish it to the committee.

By Mr. Pringle:

Q. Will you furnish a list of prices paid by you from before the war up to the present time?—A. I will be glad to furnish that, sir.

The Chairman: Also the percentage increase in the cost of labour.

By Mr. Pringle:

Q. You no doubt have all your costs very well systematized, and you might give us a statement showing increases in all your materials and labour during the last four or five years?—A. I will be glad to do that, sir.

By Mr. Sutherland:

Q. Were you using Canadian leather before the war?—A. Yes.

By Mr. Reid:

Q. Have large purchases of leather been made in Canada by English buyers?—A. Yes sir. During the months of January and February the surplus of leather has been taken up and shipped out by English buyers.

Q. Is it so that previous to that they placed large orders with Canadian boot and shoe manufacturers?—A. Not to my knowledge.

You have no knowledge of that?—A. No.

Q. Do you find any waste in hides that you get from the brand being marked on it?—A. Yes. They are bought at slightly lower prices on account of the brand.

Q. How much would you discount the hide on account of the brand?—A. It varies. Sometimes it is one cent and sometimes two cents a pound on the finished hide. It would amount to one per cent.

Q. How much on the total? What would the hide weigh?—A. Thirty or forty pounds a side.

By the Chairman:

Q. That is sole leather?—A. Sole leather. The quality of leather during the war has gradually become inferior. That is the grade of leather we get to-day. We buy a standard grade of calf skins, for instance, and the quality is not as good as it was before the war.

By Mr. Reid:

Q. How do you account for that?—A. I have not in a general way anything to account for it. I presume that tanning supplies are not easily obtainable, and that the tanner has not been able to get his old standard supplies. The quality is not up to what it was.

Q. I presume the calf grows just as good a hide as before the war?—A. I presume so.

Q. The part of the hide where the brand iron is applied, you use that, don't you?—A. It can be used only in particular parts of the heel.

Q. In stuffing?—A. Yes.

By Mr. Devlin:

Q. In the sole?—A. Anywhere it is not noticeable. It goes into the heel. It is of very little value. There is more waste anyway than can be used.

By Mr. Reid:

Q. It is better than paper?—A. Yes.

Q. We find paper in the heels of shoes. I don't say in your shoes.—A. Yes, sir, you do. Were it not for the paper, prices would be higher than they are.

By the Chairman:

Q. You acknowledge you use paper?—A. We do, in heels. You will find it in eighty per cent of your heels, in the upper lifts.

By Mr. Sutherland:

Q. As good as leather?—A. No, it is not as good. You will find paper in eighty per cent of all the shoes used in Canada.

By Mr. Devlin:

Q. How many branches have you got?—A. Six, sir.

Q. All wholesale?—A. We are selling to retailers only.

Q. And none of them are retail branches?—A. No, sir, we have no retail stores of our own.

Q. How much have you been able to put aside to reserve fund in the last two years?—A. We added to our reserve in the year ending April 30, just past, three hundred and twenty three thousand dollars.

Q. Is that over and above what you expended in the building of branches?—A. We do not expend anything in the building of branches. Do you mean the operating of branches?

[Mr. T. H. Reider.]

Q. Don't you own branches?—A. We own some of them. We lease others.

Q. In the case of those you own, you had to pay some time or other for them.

Mr. PRINGLE: Mr. Devlin, you were not in when Mr. Reider went into the whole history of the Ames Holden and the Holden McCready Company. They had certain factories and buildings, and all were consolidated in the Ames, Holden and McCready Company. Unfortunately, they have made no money. An evidence of that is that in five years there have been arrears on the preferred stock. They have accumulated a little surplus, as shown by the last statement, and which for business reasons they consider it more prudent to use in the business than to distribute among the shareholders.

By Mr. Devlin:

Q. What I cannot get into my head is why they should make no money. I have known the James McCready Company very intimately for something like thirty-five years. They certainly did make money and spent a great deal of money. The old Ames Company also made money.—A. Yes, sir.

Q. Now, from the moment of the amalgamation, did you cease to make money, other than this small percentage on your sales?—A. Our statement gives you the actual fact, sir. It shows, if you will read it, no profit applicable to dividends, and the amounts for depreciation previously deducted, and also the amounts for bad debts previously written off.

By Mr. Stevens:

Q. What do your bad debts amount to yearly?—A. Around fifty thousand dollars a year.

Q. What percentage of the turnover?—A. Less than one per cent.

By Mr. Reid:

Q. How do you arrive at the depreciation?—A. By applying a percentage of a fixed amount to the property and to the machinery.

Q. What machinery and what percentages?—A. I have not that in detail, but we have a plant amounting to actually two million two hundred and thirty nine thousand dollars.

Q. I want to get what percentage you apply on depreciation of machinery and building?—A. I will have to give you the particulars. We took one hundred thousand dollars as the depreciation on two million two hundred and thirty-nine thousand dollars worth of plant. That would be about two per cent.

Q. Naturally it would be more on the machinery than on the building?

Q. In your depreciation did you apply the same principle from year to year.

By Mr. Davis:

Q. Did you say, one hundred thousand dollars on two million dollars?—A. Yes.

Q. That is one-twentieth, or five per cent?—A. Yes, sir, I was wrong on that, I am sorry.

By Mr. Devlin:

Q. Your net profits have been one million three hundred and thirty-two thousand six hundred and fifty-three dollars?—A. Yes.

Q. And that is what you call not making money?—A. Exactly. On a thirty-five million dollar business.

Q. What was the original paid up capital at the time of the amalgamation?—A. Do you mean of the new company? Six million dollars, of which two and a half million dollars was preferred and three and a half million dollars common.

[Mr. T. H. Reider.]

Q. In what year was the amalgamation?—A. In 1910.

Q. Give me the three years before that statement? On six million dollars capital you made one million three hundred and thirty thousand six hundred and fifty-three dollars and eighty-one cents?—A. Yes, sir. In a period of six years from 1913 to 1919.

Mr. NESBITT: You did not get rich anyway.

By Mr. Stevens:

Q. You used some of that to redeem your bonds?—A. Not in this statement. Not a nickel.

Q. You did not redeem any?—A. We did, but not in this statement. I do not consider that money used to retire bonds should be charged against the profits of the company?

Q. I simply asked a question. I think it is the proper thing to do.

By Mr. Devlin:

Q. In connection with that six million dollars capital, does that represent actual cash paid?—A. I cannot give you that information because I do not know it. I think I know what you are driving at.

Q. Never mind what I am driving at if you cannot give the information, you might not know what I am driving at.

Mr. REID: I think it is important that we should have this information Mr. Devlin is asking for.

By Mr. Stevens:

Q. What is the three million eight hundred and twenty-five thousand dollars shown here for good will and patents. That is a pretty large sum, is it not, Mr. Reider? —A. That is a matter for the shareholders whether they want to consider it so or not.

Mr. STEVENS: That is quite true. However, I do not think the comment is out of place that it seems to be a very large sum.

By Mr. Pringle:

Q. It seems to be the desire, Mr. Reider, that you give definite information with regard to the amount paid for the original common stock as issued, and the preferred stock as issued. I suppose you can give that to us?—A. That statement gives it as well as I can give it.

Q. When it went to the Ames, Holden and McCready Company, instead of getting cash, they got preferred and common stock for their assets?—A. Yes.

By Mr. Davis:

Q. I heard a manufacturer say the other day that the factories of Canada were in a position to supply the trade of Canada in ten months' operations. Is that a fact? —A. I will answer that by pointing out to you the condition of the trade for this spring delivery. Goods which have been ordered in March and April were delivered in the month of June.

Q. That may be owing to the lack of supplies of leather that you spoke of. What I want to know is, is the total equipment of the factories of Canada sufficient to supply the trade of Canada in ten months? I have heard it said with regard to American factory development that it was great enough to supply the demand of the United States in nine months' operations?—A. I am not qualified to say that, but I should think there is quite sufficient capacity to supply all Canadian needs.

Q. With ten months' operations?—A. Yes, I should think there would be.

Q. It is the object to get outside trade, of course, in order to operate the year round?—A. Yes.

[Mr. T. H. Reider.]

Q. That is desirable in the national interest?—A. Yes, sir.

Q. With regard to the financing that has been done by the Government of foreign business, is that affecting the price at the present time?—A. I do not think any leather footwear has been supplied under that credit. In fact, I am sure. Yes, on second thought a little of it has gone. Very little, though.

Q. Have you any orders under that?—A. We have an order for Belgium from the Hudson Bay Company which I understand is financed under that credit.

Q. What amount, may I ask?—A. Four hundred thousand dollars.

Q. How is that likely to affect the price in Canada, and what class of goods is exported? Are these cheaper classes of goods?—A. They are not the cheaper classes. In the cheaper classes of goods we have plenty on hand in this country. The demand for leather shoes is for the high grade class in Canada. There is no dearth of the cheaper and medium grades.

Q. It is in the cheaper class of goods that you are getting a foreign market?—A. No, the medium grades.

Q. Not any of the cheaper class?—A. No sir.

Q. What class of leathers are used for these boots? Calf skins?—A. Calf skins go to a very high price at the present time. They are not cheap. They are a high grade. I meant side leather by medium grade.

Q. Cow hides?—A. Yes, splits.

By the Chairman:

Q. I want to ask Mr. Reider if he can give the committee information as to what is paid the manufacturer for this boot (producing boot), and what it sells for to-day to the retailer?—A. I could not do that, sir. I am not enough of a shoe man to tell you the values of shoes to that point.

By Mr. Pringle:

Q. Is that Men's G.M.C.F. Blu. Bal. Goodyear?—A. No.

Q. Is it the Men's Dongola here, or is it the Box Kip, shown here. Let us go over the lists. Is it the Men's Goodyear Welts, with Gun-metal side Blu., or is it this Men's Black Calf Gun-metal side Blucher?—A. Yes, that is it.

Q. In 1919 the wholesale price for that is shown as $6.15 The wholesale price in 1918 for it would be $6.25, and the retail price both in 1918 and 1919 would be $8.50. This is strange. The price seems to have dropped. This is the only instance where it is lower in 1919. There must be an error?—A. It does seem so.

Q. The retail price seems to be the same, $8.50 in both cases?—A. Yes.

By the Chairman:

Q. Will you take the brand and furnish information as to what this company is selling this shoe for to-day? Here is the brand,—B480 N 49068?—A. Yes sir.

Q. At what price do you sell it to the retailer?—A. I will tell you this afternoon. The bottom is calf and the uppers are gun-metal.

By Mr. Vien:

Q. Are these prices the net price to retailer, or do they have a discount?—A. Net, without discount.

Q. I do not suppose we could find out what this cost is unless we got the invoice?—A. All I can give you is the present price.

By Hon. Mr. Fielding:

Q. Mr. Reider, can you give us aproximately the proportion of the home industry in boots and shoes, and the imported industry? Have you had occasion to look into it?—A. I could not tell you that intelligently. The imports are growing less.

[Mr. T. H. Reider.]

Q. Would it be fair to say that ninety per cent or more of the boots used in Canada are supplied by the home industry?—A. I doubt if it is ninety per cent. The price of leather shoes in the United States is extremely high at the present time, so that importations are less than they are ordinarily.

By Mr. Hocken:

Q. Are they higher than in Canada?—A. I do not know. They are very high.

By Mr. McCoig:

Q. I am told that there is a great deal of smuggling of American shoes into Canada along the border. How do you account for that smuggling if the prices in the United States are so very high?—A. It may be that wives of members of Parliament may find themselves able to smuggle it across. The ordinary man's wife cannot do it. The amount of goods smuggled into Canada is very small.

Hon. Mr. Fielding: In suggesting that the wives of members of Parliament are specially addicted to this smuggling, this would naturally apply only to those living on the boundary line. It does not hit the rest of us.

By Mr. Stevens:

Q. What about the average workman's shoe? Do you turn out any standard brand in large quantities of a common ordinary workman's shoe?—A. We make a complete range of shoes.

Q. Is there any brand you produce in these ordinary shoes?—A. I could not give you that information.

Q. Could you file a list of shoes and factory sale prices?—A. I will have to have clearly what you want.

Q. This list you have, is it an American or a Canadian list?—A. It is Canadian.

Q. It is accurate?—A. As accurate as you can get any general information.

By Mr. Pringle:

Q. It has just been suggested to me in regard to the royalty paid to the United Shoe Machinery Company, is there a royalty paid to them on their patented machinery? —A. Yes, sir.

Q. Is that a royalty paid for a pair of shoes manufactured or on what basis is it paid?—A. Both, per pairs and sometimes on stitches, so much on the stitching.

Q. Can you tell us about how much that would increase the cost of a pair of shoes?—A. No, I could not.

Q. Can you get us that information?—A. Yes, sir.

Q. Can you tell us in a general way if this is considered a reasonable royalty that the United Shoe Machinery Company are charging?—A. I would say so in consideration of the services they render.

Q. You consider it reasonable. Can you tell us what it is?—A. I would not want to.

Q. You would prefer to file a statement?—A. Yes.

Q. You have lately taken it over, and are not as familiar with details as one of your foremen would be? I wish you would file a statement showing exactly the amounts paid the United Shoe Machinery Company in royalties on a pair of boots. —A. The average pair of boots?

Mr. Pringle: Yes.

Mr. Hocken: Is the United Shoe Machinery Company a combine?

Mr. Pringle: My recollection of it is that they have got certain patented machinery, stitching machinery and so forth, and they charge all the shoe manufacturers not only in Canada but in America a certain royalty on this machinery. They do not sell the machinery outright.

The WITNESS: In some instances they do.

By Mr. Pringle:

Q. In many instances they do not?—A. In most instances they do not.

Q. They retain the ownership of the machine, and many manufacturers pay a royalty on each pair of boots, and sometimes on every stitch, that is, on the number of stitches made.—A. Is that right on the number of stitches, Mr. Detweiler? He has much more practical knowledge of that than I have.

By Hon. Mr. Fielding:

Q. You have your special Belgian order. Have you been doing an export trade all along?—A. Not generally, but we have some export business now.

Q. And you are looking forward to the export trade?—A. We are working as hard as we can to establish an export connection. At the present time the European market is quite ready to take leather shoes, England, France, Belgium, Roumania, New Zealand, Australia——

Q. South America?—A. We have not tried to do any business there.

By Mr. Reid:

Q. I notice here in this sheet called exhibit No. 1, dated, June 24, 1919, that in the year 1914, twenty thousand dollars were set apart for depreciation. I see also that in 1915 there is an amount of one hundred and one thousand nine hundred and eighty-two dollars and thirty-five cents. In the following year, in 1916, there was set aside for depreciation fifty-four thousand seven hundred and nine dollars and nineteen cents. You will notice a great difference. In nineteen hundred and seventeen the amount is two hundred and thirty-seven thousand five hundred and forty-nine dollars and seventy-five cents. In 1918 it is eighty-two thousand one hundred and fifty-five dollars and ninety-seven cents. I would like to ask why this exceedingly large amount for depreciation is set aside in 1917.—A. We only set aside depreciations when we have profits to take them out of.

Q. Granted, sir, but it seems large.—A. Not when you do not take them out previously. We did not take them out because we did not have any profits to take them out of.

Q. Here is an amount of six hundred and seventeen thousand dollars in seven years, an average of one hundred thousand dollars a year.—A. That is not a high depreciation out of two million dollars in plant and machinery. I do not think it is enough, not nearly enough.

By Mr. Vien:

Q. It has a bearing on the expenditures and profits. What is your salary?—A. Have I got to say?

Q. Well, we would like to have that information.—A. Twenty thousand dollars a year.

Q. Since what time?—A. Since May first.

Q. How much is paid to the General Manager?—A. He is the same person.

By Mr. Pringle:

Q. I believe you left an important position to accept this position as General Manager of the Ames-Holden-McCready Company?—A. Yes.

By Mr. Reid:

Q. In 1917—this Committee should get information as to why this exceedingly large amount is set aside for depreciation.—A. Because the depreciation actually

[Mr. T. H. Reider.]

occurred and that depreciation was largely made up of a depreciation on lasts, patterns, and dies, which in the previous years had not been a depreciation because the profits had not permitted it.

By Hon. Mr. Fielding:

Q. The depreciation occurred but you had nothing to provide for it?—A. Yes.

Q. So that the depreciation of this year covered several years?—A. Units of articles disappeared, were destroyed, or went out of use.

By Mr. Stevens:

Q. If the style goes out, I suppose the last is useless?—A. Yes; but if you have not a profit, you cannot depreciate it.

Q. Your machinery would depreciate very considerably?—A. It depreciates by wearing out, but that is not the only way. It also depreciates by obsolescence. A new machine more suitable for a work is brought out and the older one is thrown away. Any one following the boot and shoe industry in the last few years will notice that.

By Mr. Reid:

Q. Was this depreciation passed by the Finance Department in connection with the information they needed to collect the war tax?—A. As far as I know, yes. We do not have any war tax, but it has been passed.

By Mr. Hocken:

Q. I would like to ask a question largely for information. Suppose that the boot and shoe men could be induced to specialize, one plant making men's shoes, another ladies' shoes, and another plant children's shoes. Would there be any economy in cost of production that way, and would it be possible to do that?—A. It would be an economy if it could be handled that way, but as long as the United Shoe Machinery Company makes it easy to establish a boot and shoe man in the manufacture of boots and shoes it would be hard to do that. There are one hundred and twenty-six boot and shoe manufacturers in Canada.

Q. Can a man working on these shoes have a larger output by working on one class of shoes?—A. Naturally.

Q. If a plant were to specialize in men's shoes they would produce a larger number of shoes?—A. Obviously.

Q. Are there plants making only one class of shoes?—A. Yes, there are. That is, one grade of shoes.

Q. Are there factories making only women's shoes?—A. Yes, sir, that is being carried on as far as possible at the present time.

By Mr. Vien:

Q. How do prices compare in the same grade of shoes in the United States and Canada?—A. I cannot give you that information. It would be very difficult to get that.

Q. You must be *au courant* with what shoes sell for in the United States?—A. They are high in some cities there, as high as in the cities of this country.

Q. You don't think they sell as high in Canada?—A. At the present moment prices are erratic and you are liable to find any condition.

Q. The standard grade of shoes, do you think they sell for as high a price in the United States as in Canada?—A. I would not say so generally.

Q. What is the difference?—A. It would be a rough guess, if anything. I cannot tell you that.

Q. Who could?—A. I don't know.

[Mr. T. H. Reider.]

Q. You say you did not compare the prices with which the same grades of shoes sell in the United States and in Canada. You did not compare them?—A. No.

Q. You have not a present knowledge of the prevailing prices of the same grades of shoes in the United States and in Canada?—A. No, sir.

Q. You do not know how you could get along if you had no protective tariff?—A. I would not say. I have not studied it.

Q. What is the duty protecting your industry at the present time?—A. Twenty-seven and a half per cent plus seven and a half per cent, but the latter has been removed.

Q. Twenty-seven and a half remains?—A. Yes, sir.

By Mr. Euler:

Q. In your foreign sales you are in competition with the United States?—A. Yes, sir, I presume so. I do not know. We got the business at a very close price. We must be in competition with the world.

Q. If you had access to the American market could you compete with the American manufacturers?—A. If we want to specialize thoroughly I suppose we could. If we were once in that position, we might.

Q. If they pulled down the tariff wall against Canadian boots and shoes?—A. I do not think the Canadians are inferior to Americans anywhere.

Q. Are boots and shoes free in the United States?—A. Leather is.

By Mr. Hocken:

Q. Are you selling to Belgium lower than you are selling in Canada?—A. Yes, sir, we are selling at practically the factory cost.

By the Chairman:

Q. And the reason for that is?—A. When we took the order we wanted some work for our factories during the slack months of June, July and August. Those are our slack months in ordinary times.

Q. Is there any basic reason why shoes can be sold on an export order cheaper than to the retail trade of Canada?—A. Certainly there is. You can sell forty-five thousand dollars on an order and get your money f.o.b. the ship side, and that is a great difference to peddling the boots in lots of two or three pairs all over the country from Edmonton to Halifax.

By Hon. Mr. Fielding:

Q. It is a question of the quantity of the order?—A. Certainly, and the terms of payment. It doesn't cost any more to get a four hundred and fifty thousand dollar order than forty-five dollar order.

By the Chairman:

Q. The cost of selling and distribution makes a difference?—A. The distribution and the desire to build up an export business.

By Mr. Hocken:

Q. Is there a cost of distribution in Belgium when it arrives there?—A. It is sold to the Belgian Government. Our payment comes through the Hudson Bay Company.

By Hon. Mr. Fielding:

Q. As agents of the Belgian Government?—A. I do not know.

Mr. STEVENS: The Hudson Bay Company were appointed the agents of the Belgian Government, I think.

[Mr. T. H. Reider.]

By Mr. Euler:

Q. That order was guaranteed by the Canadian Government's credit. Does that affect the price?—A. We would not sell any export business unless somebody guaranteed payment.

By Hon. Mr. Fielding:

Q. Would you have any access to these orders on Government account except through the Hudson Bay Company? Could you not have taken the order directly?—A. If we had been on the ground, probably.

Q. If the Hudson Bay Company are agents of the Belgian Government, could you?—A. I think they are.

Q. Is there any provision on these orders under the Government credit that there has to be the intervention of somebody else, or could the companies get it themselves?—A. We would, but we could not get the credit otherwise.

By Mr. Davis:

Q. In connection with your statement of costs you state you sell direct to the retailer. Could you put in the statement of costs what are your selling costs? You have a selling organization?—A. Exactly.

Q. It would be useful to the committee because of certain claims of the wholesale trade that they can distribute for the manufacturers cheaper than they can sell straight to the retail trade.

Mr. Pringle: Can you embody that in the statements you are preparing for us?—A. Are we obliged to give the selling costs?

By Mr. Stevens:

Q. You do not distribute through the wholesaler? Are you satisfied with your method of distribution?—A. I am not satisfied, but I will be soon. I think our system is the right one.

Q. We are told by some people that a very large profit goes to the intermediary, either to the wholesaler or the jobber or the agent, and in one case we found that the cost between manufacturer and consumer was ninety-seven per cent. It has occurred to my mind and the mind of some others that perhaps the cost of living could be much reduced by simplifying the method of distribution.—A. Our cost of distribution is around fifteen per cent.

Q. That brings it from the manufacturer to the retailer?—A. Yes, sir.

By Mr. Hocken:

Q. In your business have you got the wholesale house in the same way that the groceries have. Are there many wholesalers who are not manufacturers?—A. There are a great many wholesalers of boots and shoes who are not manufacturers. Nearly all the wholesalers are not manufacturers.

Q. Then the bulk of the sales are through the wholesale house to the retail man?—A. Yes, I should say so.

Q. Your system is to sell to the retailer?—A. Yes, sir.

By Mr. Vien:

Q. And yet you have to compete with the wholesale merchants?—A. Yes.

Q. So that you charge the retailer practically the same price that the wholesaler would charge in every case?—A. Competition regulates that pretty much.

Q. So that it does not affect the price of shoes very much except that it increases the profit to the manufacturer not having to share with the wholesale trade?—A. He can distribute for less money than the wholesale trade. It adds to his profit.

[Mr. T. H. Reider.]

Q. It does not affect the price of shoes to the retailer?—A. It should not.

The Hon. Mr. FIELDING: Anything which reduces the cost of distribution should reduce it ultimately to the consumer.

By Mr. Stevens:

Q. Mr. Vien points out that your system of distribution simply adds to your profits. Your statement of profits is such that if you put it that way you must consider that you have no profits. Therefore it is not having that effect?—A. Competition pretty much regulates the price in an article of that kind.

Q. Does our system put it in the retailer's hands at the lowest possible cost?—A. Consistent with the necessity of having a profit.

By Mr. Vien:

Q. It does not put it in the hands of the retailer at any lower cost than the wholesaler would put it there?—A. It depends on our ideas of profit.

Q. As a matter of cold fact you place it in the retailer's hands at about the same price as does the wholesale distributor?—A. The wholesale distributor puts it in the retailer's hands at the same price as we do.

Q. Instead of sharing with the wholesaler as does the manufacturer selling to the wholesaler you keep for yourself what part of the distribution costs you save by dealing directly with the retail trade?—A. If you reverse that you have it right. We fix our price to the retail trade to give us a profit, and if then the jobbers and wholesalers want to do business, naturally they must come somewhere near it. What happens to them is their business.

Q. They have to divide the profit between them whereas you do not divide it, but keep it all for yourself?—A. We make a profit, but if there is none left to the wholesaler, that is their business.

Q. Other manufacturers and wholesalers have to compete with you, and if they want to do business they have to divide between these manufacturers and the wholesale trade whatever spread there is between their cost and the retail price?—A. You have it right.

By the Chairman:

Q. What is the most economical way to distribute goods?—A. I think this is.

Q. I don't think so. It does not affect the retail price. It is only a case of sharing the spread between the cost to the manufacturer and the retail trade. In their case it is not divided, whereas in the other case when the manufacturer sells to the wholesale trade, it is divided.

By Mr. Sutherland:

Q. You have travelling salesmen the same as the wholesale houses, have you not?—A. Exactly. We perform the same service as the wholesalers.

By Mr. Euler:

Q. Is that practice generally followed?—A. We are the only company who do that. We have a series of branches through the country and we distribute to the retail trade. Mr. Detweiler is a manufacturer in a smaller way and sells to retailers.

Q. Have some firms their retail stores?—A. Very few, if any.

Q. What about the Slaters?—A. The Slaters had a very few branches.

By Hon. Mr. Fielding:

Q. The Hart Company?—A. There is one in Montreal.

Mr. DAVIS: Before the witness is dimissed it would be well to view the list of the statements he is to give us. (List of statements required read.) In connection with this we should have the selling costs as distinguished from the manufacturing costs.

[Mr. T. H. Reider.]

By Mr. Stevens:

Q. How long does it take to complete a shoe from the time it is started until it is finished?—A. The regular routine is about twenty days.

Witness dismissed.

Mr. J. A. CÔTÉ, called, sworn and examined.

By Mr. Pringle:

Q. Where do you live?—A. St. Hyacinthe.

Q. What is the name of your company?—A. La Compagnie J. & N. Côté.

Q. You are engaged in the manufacture of boots and shoes?—A. Yes, sir.

Q. How many lines of boots and shoes do you manufacture?—A. We must make about four hundred and fifty lines.

Q. Are you an incorporated company?—A. Yes.

Q. Are you incorporated under the laws of the province of Quebec?—A. Yes, sir.

Q. Have you your last annual statement?—A. Yes, sir.

Q. Would you produce it? (Statement produced.) This is for 1918. I see you have this in both languages?—A. There are some words go better in French and some in English.

Q. Your capital I see would be sixty thousand dollars. Is that paid up?—A. Yes, sir, paid up.

Q. What is your authorized capital?—A. Ninety-nine thousand dollars.

Q. Was that paid up in cash?—A. Yes, sir. The sixty thousand dollars was.

Q. Your assets are cash in hand, $2,167.73; stock on hand, $204,925.59; buildings, $24,010.26; maintenance, $4,765.23; stock in process of manufacture, $9,895.10; insurance, $121.23; outstanding accounts, $63,391.01; material, machines and machinery and details, $9,180.13; fuel $2,380.06. As against that you have your capital of sixty thousand dollars, bills payable of seventy-eight thousand three hundred and seventy-eight dollars and seventy-three cents, accounts payable of forty-six thousand five hundred and twenty-two dollars and forty-two cents, a reserve of one hundred and twenty-five thousand dollars, profit and loss of seven thousand nine hundred and thirty-five dollars and nine cents, and dividends number twenty-six payable on December 1, 1919, three thousand dollars. Are you only paying five per cent?—A. Each six months. We pay ten per cent annually, payable half yearly.

Q. I do not know if the committee would be interested in getting details of the stock on hand. What were your profits for the year expiring October, 1, 1918? The end of your fiscal year is the last day of September?—A. Thirty-three thousand seven hundred and ninety-four dollars and eighty-nine cents.

Q. Are these your net profits?—A. Yes, sir.

Q. So that you have a profit—what do you make the percentage?—A. I take an average of six years. For some years we made more and some not so much.

Q. You have made an average, as I understand it, of four and three quarters per cent on your turnover during a period of six years, and you have made an average of thirteen per cent on your capital during that period. Now, in taking into consideration all the capital—I do not say you do it quite properly—you not only take into consideration your original paid up capital of sixty thousand dollars, but the reserve as well.—A. Yes, sir.

Q. So you say in 1918, your total capital amounted to one hundred and forty-five thousand dollars?—A. Yes, sir.

Q. When were you incorporated?—A. In 1903, I think.

[Mr. J. A. Côté.]

Q. So that you have been enabled during the period that you have been doing business to put away a reserve, and out of that reserve you have been able to capitalize eighty-five thousand dollars?—A. Yes, sir.

Q. That eighty-five thousand dollars, added to your sixty thousand dollars, now makes your capital one hundred and forty-five thousand dollars.—A. Yes, sir.

Q. And you have made an average of thirteen per cent on your capital during a period of six years?—A. Yes, sir.

Q. I suppose you have worked this out. Have not the largest amounts of your reserve come in the last two or three years? Go back in these statements, and we will follow up these reserves.—A. You will see by these figures the profit of each year?

Q. Have you been paying ten per cent right along for the last six years?—A. Well, I cannot say we have paid ten per cent for the last six years. It is somewhere about five or six years. I am not sure of the exact number of years. Before that we paid eight per cent.

Q. For the year ending September 30, 1918, your net profits were thirty-three thousand seven hundred and ninety-four dollars and eighty-nine cents. Your net profits for the year ending on the last day of September, 1917, was nineteen thousand and twelve dollars and eighty-nine cents. The net profits for the previous year, 1916, were twenty-two thousand four hundred and sixty dollars, and for the year ending on September 30, 1915, they were eleven thousand five hundred and fifty-one dollars and ninety-one cents.. The net profit for the year ending September, 1914, was six thousand five hundred and sixty-five dollars and ninety cents. That was a bad year.—A. Yes.

Q. And in 1913, your net profits were twenty thousand one hundred and eight dollars and fifteen cents, or a total net profit during a period of six years of one hundred and thirteen thousand four hundred and forty one dollars and thirty-four cents upon a turnover of two million, three hundred and seventy-eight thousand, two hundred and sixty-nine dollars and three cents. A. Yes, sir. (Statement filed.)

Q. Can you give an annual statement for the three preceding years?—A. Yes, here they are. (Statements handed in.)

Q. In a general way your profits had been going up since 1914?—A. Yes, sir.

Q. And going up very substantially?—A. Yes, sir.

Q. And on your capital invested, including your reserves, you have been making approximately twenty per cent?—A. Not quite. It is not that much. Yes, that is it for last year, approximately.

Q. Your price must have been increasing on your goods during the last year or two? I mean, your selling price?—A. I suppose that it has. We had covered ourselves with leather.

Q. You covered yourselves with leather. That was a very wise precaution, Mr. Côté. You saw into the future. Your vision was good?—A. We thought the prices would advance. So we covered ourselves with leather for the whole season.

Q. You are not giving to the man who wears your boot the advantage of your having got leather at a low price?—A. No, we had to advance with the price of leather.

Q. I won't argue about that. Nearly all business men consider that a proper principle. You take the replacement value, that is to say, when you send boots out of the factory, you put a value on them according to the value of the leather at the time those boots go out?—A. Sometimes. We check them with the manufacturers' prices as well.

Q. It is a competitive market?—A. Sometimes we have to reduce the prices on some lines on account of them being higher than others are selling at.

Q. Your profits jumped in one year from nineteen thousand and twelve dollars to thirty-three thousand seven hundred and ninety-four dollars.

The CHAIRMAN: Can you get the difference in the turnover?

Mr. PRINGLE: The turnover was less in the last year, and the profits very much greater. That is why I am bringing that out.

By Mr. Pringle:

Q. Your profits were increased by fourteen thousand seven hundred and eighty-two dollars in 1918?—A. Yes, sir.

Q. And your turnover decreased by quite a considerable amount. To put it in figures your turnover in 1917 was four hundred and forty-six thousand and eight hundred dollars, and in 1918, your turnover was four hundred and three thousand five hundred and fifty-nine dollars and eighty-four cents. Why did you get that very large increase in net profits in 1918?—A. In 1918, or at the end of 1917, we had contracts with the Government for French boots.

Q. And you did not make much money?—A. We made more on the last contract than on others on account of the cancellation. We were lucky enough not to have made very much. Our contracts were not made for many kinds of leather. Except on rubber leather our contracts were not made. When I came to Ottawa about the cancellation, we were offered one dollar a pair for the shoes not yet made. We did not make the price ourselves. We had to accept what was given. Therefore we made some money on the last contract, more than on any of the others on account of the cancellation.

Q. You made money because your contract was cancelled?—A. We made only five thousand pair, and there were twenty thousand pair cancelled. We had a dollar a pair.

Q. You made a good bargain with the Government. You got the contract cancelled on which you had a very small margin of profit and it gave you a dollar a pair?—A. Yes, I could not refuse it. I think we made on that cancellation alone ten or twelve thousand dollars.

Q. I suppose, Mr. Côté, you made something on the advance in the prices of leather if you were well stocked?—A. Certainly we must have made some.

Q. You were sitting here while we were going into the schedule of comparative prices, wholesale and retail, in 1914 and 1918?—A. I did not understand that. I could understand some, but not much.

By the Chairman:

Q. (Producing boot.) Did you manufacture that boot?—A. Yes.

Q. Can you take the brand of that boot and give us the price you sold it at?—A. Not very easily. I am not familiar with the quality.

Q. Take the number of the brand and send us a statement?—A. I will send you the listed price. That is not our first quality. It is one of our cheap shoes.

By Mr. Pringle:

Q. Is that a solid leather heel?—A. Yes, only in pieces.

By Mr. Vien:

Q. How much material goes into a boot of that kind?—A. I could not make that out. I could send the exact price.

Q. The exact cost to you and the selling price?—A. I will send it.

By Mr. Pringle:

Q. Do you sell direct to the retail trade or to the wholesaler?—A. We sell to one jobber in each province.

Q. And that jobber deals with the retail trade?—A. We sell to the retail trade too. We have six or seven travellers.

[Mr. J. A. Côté.]

By the Chairman:

Q. Mr. Côté, will you give us a statement of your selling costs to the wholesaler, and your selling costs in goods sold to the retailers?—A. I cannot do that exactly now, but we can send it to you.

Q. Do you sell at the same price to both?—A. No, sir. The jobber gets the lower price, about ten per cent lower, and sometimes twelve per cent.

By Mr. Vien:

Q. You allow ten or twelve per cent for his cost of distribution?—A. Yes, sir.

By Mr. Hocken:

Q. Does he sell to the retailer and the jobber in the same city?—A. Some.

By Hon. Mr. Fielding:

Q. And to the retailer in the same town?—A. Yes. We sell to Mr. Robinson in Montreal and we have some retail customers in Montreal as well.

By Mr. Pringle:

Q. You pursue the policy of selling to anybody and everybody you can?—A. Sometimes we have an understanding with the jobbers in the city.

By Mr. Vien:

Q. When you sell to the retailer in the city where the jobber is, do you allow a commission to the jobber for the sales?—A. No, sir.

By Hon. Mr. Fielding:

Q. You pay each year a dividend?—A. We paid 5 per cent every six months.

Q. From the beginning?—A. I cannot tell exactly. We have paid 5 per cent half-yearly for the last five years.

Q. Each year when you were accumulating and building up this reserve, and putting some money away, you were paying dividends besides that. You had dividends, and money to lay by in reserve as well?—A. Yes.

Q. And later on you counted it as capital?—A. We had to.

Q. You paid dividends as well as piled up reserves? You had a good business?—A. Taking the average, it shows we made 4¾ per cent on the turnover. That is not much.

Hon. Mr. FIELDING: That is not excessive.

Mr. VIEN: An average of 13 per cent on the paid up capital.

By Mr. Davis:

Q. Did you use the U. S. Machinery Company's machinery?—A. Yes.

Q. Was there any charge for it?—A. There are many charges. It depends on the kind of machine and the kind of work.

Q. Does the U. S. Machinery Company keep the machines in order?—A. Yes, sir.

Q. Do they do repairs and give you parts?—A. Yes, sir.

Q. Is that covered by the royalty?—A. Yes, sir.

Witness discharged.

The Committee then adjourned at 1.30 to meet in Room 318 at 3.30 o'clock in the afternoon.

The Committee resumed at 3.30 p.m.

Mr. Nicholson, Chairman, presiding.

Mr. T. H. Reider, recalled.

By Mr. Pringle:

Mr. Reider, I neglected to ask you this morning in regard to certain Government contracts. Can you tell us the amount of the Government contracts handled by you during the war?—A. I can, sir.

Q. Have you got a statement of them?—A. Yes, sir.

Q. Does that show the net profit?—A. These particular orders do show that.

Q. Will you give them to the committee?—A. I have not got the profits separately for the year nineteen hundred and fifteen, but our sales war orders in nineteen fifteen was $189,474.69.

In nineteen hundred and sixteen the sales were $1,381,025.87, on which we made a net profit of two and a half per cent.

In nineteen hundred and seventeen our sales were $1,094,111.80, on which the net profit was two per cent.

In nineteen hundred and eighteen the sales were $69,985.56, on which the profits were 4·7 per cent.

In nineteen hundred and seventeen, the sales were $658,702.74, on which the profit was four per cent.

The total sales from nineteen hundred and sixteen to nineteen hundred and nineteen were $3,203,905.97, with a net profit of $86,044.35, or an average of 2·69 per cent.

Q. The total profit of all war orders as I understand it—— A. (Interrupting): Excepting the year nineteen hundred and fifteen, which I have not separated.

Q. (Continuing)——Was $86,044.35?—A. Yes, sir.

Q. On a total of $3,203,905.97?—A. Yes.

Q. The average from nineteen hundred and sixteen to nineteen hundred and nineteen was 2·69 per cent?—A. Exactly.

Q. Now, is there any further information, Mr. Reider, that you think you would like to give to this committee?—A. On that percentage, the percentage of 2·69, applied to the $4.89 which was the price of the war boots.

Q. Would that mean per boot?—A. It would be 13·14 per boot.

Q. 13·14 per pair of boots?—A. Yes.

Q. Is that a reasonable profit?—A. It is not, in my estimation.

Q. Not in your opinion?—A. No.

I have the information of this special boot which you asked for this morning. I had our sales manager on the line. Our price for the boot which is marked N-49068, in March and April of this year was $5.60 net to the retail dealer.

By the Chairman:

Q. Five dollars and sixty cents?—A. Yes.

By Mr. Pringle:

Q. Is that delivered, or f.o.b. your factory?—A. F.o.b. in all our branches.

By the Chairman:

Q. Have you a branch in Ottawa?—A. No, we have in Montreal.

Q. Then it would be f.o.b. Montreal?—A. Yes.

Q. And the carrying charges would be added?—A. Yes.

Q. Would you add anything for cases?—A. No.

Q. You do not add anything for cases?—A. No. Hold on a minute, I don't think we do in the East; we do in the West.

Q. That is an important item?—A. It is a very small matter.

Q. Well, it looks as high as——A. (Interrupting): There is no charge. The present price for that same shoe is six dollars and fifteen cents since the sixteenth of June.

Q. Six dollars and fifteen cents?—A. Yes.

Q. And in March and April it was five dollars and sixty cents?—A. Yes, net, without any cash discount off that.

Q. You give a cash discount?—A. No cash discount, net thirty days.

Q. And the carrying charges added?—A. Added.

By Mr. Pringle:

Q. According to that statement which appeared in the Shoe Journal, the retail price of that shoe would be about eight dollars and a half?—A. I do not know what it would retail at. I don't want to say that.

That is all the information which I have.

Mr. Pringle: I don't think there is anything further to ask this witness.

The Chairman: Is there anything any member of the committee wishes to ask Mr. Reider.

Witness discharged.

Mr. Noah B. Detwiler, called, sworn and examined.

By Mr. Pringle:

Q. Mr. Detwiler, where are you carrying on business?—A. In Kitchener.

Q. What is the name of your company?—A. The Hydro-City Shoe Manufacturing Company.

Q. What is your full name?—A. Noah B. Detwiler.

Q. You say you are carrying on business at Kitchener, and you say the name of your company is the Hydro——?—A. (Interrupting): City Shoe Manufacturers, Limited.

Q. You are an incorporated company?—A. Yes, sir.

Q. Ontario corporation or Dominion?—A. Ontario.

Q. Have you got your last annual statement?—A. Yes, sir (handing document to counsel).

Q. When were you incorporated, Mr. Detwiler? In what year were you incorporated?—A. In eighteen hundred and ninety.

Q. So you have been doing business for about twenty-nine years?—Yes, sir. I beg your pardon. It is nineteen hundred.

Q. Perhaps you meant nineteen hundred?—A. Yes, it is nineteen hundred.

Q. So you have been doing business for about nineteen years?—A. Yes, sir.

Q. How large on establishment have you got?—A. Just a small concern.

Q. How many employees?—A. Fifty-six, about fifty-six.

Q. What is your total turnover?—A. About a hundred and seventy thousand dollars a year.

Q. Have you got a statement showing—Oh yes, this shows—you have a statement here showing your assets and liabilities?—A. Yes.

Q. You have real estate, seven thousand and seventy-five dollars; plant, fifteen thousand five hundred; lasts and dies, fifty-seven twenty-five; office fixtures, three hundred dollars?—A. Yes.

Q. Making a total of twenty-eight thousand three hundred dollars?—A. Yes.

Q. Then your inventory, which consists of goods finished and in process, leather and machinery supplies, merchandise supplies, etc., amount to fifty-one thousand seven hundred and fifty dollars and nineteen cents, the two larger items in that being goods finished and in process, twenty three thousand forty-eight dollars and seven cents, and upper leather, fifteen thousand two hundred and seventy-one dollars and ninety-eight cents?—A. Yes.

Q. Your selling expenses for last year were thirteen hundred and thirty-nine dollars and fifty cents?—A. No, excuse me. That is orders on hand for which we had expended the money for selling. That is an inventory of money expended.

By Mr. Nesbitt:

Q. Prepaid selling expenses?—A. Yes, prepaid selling expenses.

By Mr. Pringle:

Q. Bills receivable, fifteen hundred and fifteen dollars; ledger balances, thirteen thousand seven hundred and eighty dollars and twenty-seven cents; cash seven thousand two hundred and eighty-six dollars; bank, one hundred and twenty-eight dollars and fifty-eight cents. That comprises your assets.

Your liabilities are: Capital stock, forty thousand dollars; reserve for depreciation, seven thousand and forty-five dollars and eighteen cents; reserve for bad debts, forty-two hundred dollars; surplus, ten thousand nine hundred and twenty-seven dollars and sixty-nine cents; bills payable, fourteen thousand one hundred and fifty-three dollars and fifty-six cents; ledger balance, nineteen thousand nine hundred and sixty dollars and forty-seven cents; royalties, a hundred and twelve dollars; and wages due, seven hundred dollars; collection account, a hundred and twenty-seven dollars and fifty cents; making a total of the ninety-seven thousand two hundred and twenty-six dollars and forty cents.

What dividends have you been paying?—A. Since nineteen hundred and thirteen we have not quite averaged six per cent. We have paid five per cent; we have paid ten per cent; then there were two years, in nineteen hundred and fifteen and nineteen hundred and sixteen, I think, we did not pay any; in nineteen hundred and seventeen we paid twelve per cent; in nineteen hundred and eighteen, twelve per cent; in nineteen hundred and nineteen, six per cent. It does not quite average six per cent for the seven years.

Q. What were your net earnings last year?—A. Four thousand four hundred and ninety-six dollars.

Q. Four thousand four hundred and ninety-six dollars and fifteen cents?—A. Yes.

Q. What were your gross earnings?

The Chairman: Is that the surplus?

Mr. Pringle: No, the net earnings.

Mr. Detwiler: The gross earnings according to the way they are made up here were fifteen thousand——

By Mr. Pringle:

Q. I mean the gross earnings. However, it does not matter very materially. I imagine we could work it out from this statement.—A. Yes, I think so. It depends—here are the gross, before the sales come off, and here (indicating) before the expenses come off. There (indicating) are the "Sales off" and there (indicating) are the "General Expenses off."

Q. The statement is made out evidently with the object of showing your net profit?—A. Yes.

Q. And your net profit was $4,496.15, out of which you paid a dividend of $2,400, and you carried to surplus, $2,096.15?—A. Yes.

Q. Now, Mr. Detwiler, we had this morning some evidence in regard to the United Shoe Company; are you familiar with their royalty charges?—A. Well, I am, for our line of goods.

Q. Let us take your line of goods, now what are the charges?—A. There are certain machines upon which we pay a stated royalty and then in addition to that we pay a certain amount per pair of shoes made.

Q. Now will you give us an idea of what the machines are, what the fixed royalty is, and then the royalty per pair of shoes?—A. I do not know whether I can do that off hand. There are some upon which we pay $5 per month and there are some upon which I think we pay more than that, and then we pay usually a half a cent per pair in addition to that.

Q. Can you tell us what the additional cost in a pair of boots would be owing to these royalties?—A. Do you mean that if these royalties——

Q. (Interrupting.) If you had not to pay the royalty and had the machinery what would you save on the cost of boots?—A. It would not be very much.

Q. What would it be, 2 cents or would it be 3 or 5 cents?—A. From 3 to 4 cents a pair, I think.

By the Chairman:

Q. When you pay for the machine, do you have to pay for it outright, and pay a royalty or rent on the machine?—A. No, we only rent the machine.

By Mr. Stevens:

Q. They put the machine in your plant?—A. Yes.

By Mr. Pringle:

Q. And does that 4 cents cover all your charges in that connection?—A. No, I mean that the shoes made cost us that much more than they would if we owned the machine. Of course it is a disputed point; some few manufacturers contend that we are better off this way, but I differ from that view, although the difference is not very great.

By Mr. Euler:

Q. Is there any difference outside the fact that they make it unnecessary for a manufacturer to have a large capital? Is there any other advantage in it?—A. I do not think so; it is a disputed point, some say it would be better for us the other way.

By Mr. Pringle:

Q. Your idea is that if you owned the machine out and out you would be better off, and other manufacturers take the ground that they would rather pay a royalty than put the money into the machinery?—A. Yes.

Mr. Pringle: Mr. Detwiler, will you stand aside for a few minutes in order that some members of the Committee may ask Mr. Reider some more questions.

Mr. Detwiler, retired.

Mr. Reider, recalled.

By Mr. Pringle:

Q. Do you usually, in your business, handle any rubber goods?—A. We distribute rubber goods.

Q. Can you give us an idea of the price of rubber goods prior to the war and at the present time?—A. They are up about 25 per cent.

By the Chairman:

Q. There is an advance though at the present time?—A. Over 1914.

Q. Yes, there has been an advance from 1914 to 1919?—A. Yes, rubber footwear is what you are asking about?

Q. That would cover what range?—A. The whole range.

Q. In all rubber shoes?—A. Rubber shoes. It might be a little more than that—I cannot give you the exact figure; it is not less than 25 and may be 27½ per cent.

Q. What is the situation with regard to the rubber trade to-day? Is the price of rubber goods advancing?—A. Yes, it is, on rubber goods, practically all rubber goods have advanced during the war.

Q. But is it not true that the rubber goods have not advanced anything like to the same extent as leather?—A. No, they have not, not nearly.

Q. They have been advancing, but not as much. A. No, they have not advanced as much.

Q. The point that some members of the committee wished to have brought out was in regard to that position, because some members of the committee have information that at certain places in Canada at least, rubber boots have advanced to the consumer equally as much as leather footwear has. Take for instance Gold Seal rubber boots that the farmer, the bushman or outdoor man, will wear. A. It has not gone up to the retailer more than 25 per cent I should say. Anyway the Gold Seal, I may say, is an American product.

Q. Of course, you know what I mean, goods of the same standard as the Gold Seal which the Canadian farmer and lumberman buys. A. With regard to the Gold Seal there is not $10,000 worth of them brought into this country in any year.

Q. I understand that, but when I use the term Gold Seal I mean it is the cheapest rubber that competes with that quality. A. Our price for the Canadian commodity is pretty much the same over the whole range; the advance in labour has been more but I say on the general the average has been from 25 to 27½ per cent, in that neighbourhood.

Q. From your knowledge of the rubber business and of the royalties, the committee's reason for asking you to give this evidence is to ascertain from your own knowledge of this line of goods whether you can see any reason why there should be a greater advance than 25 per cent to the consuming public?—A. These are the advances that the rubber manufacturers charge to the retailer.

By Mr. Douglas:

Q. You mean that is the advance to the wholesaler?—A. That is the price to the retailer, which is the same whether sold by the manufacturer or by the wholesaler.

By Mr. Pringle:

Q. Is there a fixed price for these goods?—A. Pretty much a fixed price, yes.

By Mr. Douglas:

Q. Is there any competition?—A. Certainly there is.

Q. What competition is there? Competition in variety but not in price. There is competition in variety and in their quality?—A. There is competition in variety and in their quality.

Q. But not in price?—A. Usually not, no.

By Mr. Pringle:

Q. How is that arranged, or is it a matter of arrangement?—A. I am not in the rubber company.

[Mr. T. H. Reider.]

By the Chairman:

Q. How many companies manufacture this class of goods in Canada; the number is limited is it not?—A. No, there is the Canadian Consolidated Rubber Company, that company has 6 factories.

Q. That is in one organization?—A. As one organization and then there are 4 more.

Q. That is five organizations manufacturing rubber goods in this country?—A. Yes.

By Mr. Nesbitt:

Q. They are all strong companies?—A. Yes.

By Mr. Pringle:

Q. Do they all sell at uniform prices?—A. Practically, yes.

By Mr. Douglas:

Q. Is there not absolute uniformity, is there not an agreement?—A. There is nothing absolute about it, more than a desire on the part of each of them to do it.

By Hon. Mr. Fielding:

Q. How does it happen that they all come to tumble upon these exact figures, they are all alike I understand you to say?—A. I can explain that very shortly, the largest company fixes these prices.

Q. And the others follow them?—A. They do it by choice.

Q. There is no agreement between them?—A. There is no agreement.

By Mr. Pringle:

Q. Are any of these companies connected with the American Companies?—A. The Canadian Consolidated Rubber Company is.

Q. With what rubber company is that connected?—A. With the United States Rubber Company.

By Mr. Euler:

Q. In what way is it connected?—A. By stock ownership.

Q. That is the United States Rubber Company owns the stock of the Consolidated Rubber Company?—A. Practically all of it.

By Mr. Pringle:

Q. The United States Rubber Company has been doing a pretty good business I should judge by the figures I have before me. Their earnings prior to the period pre-war period was $6,641,777, and their earnings last year were $16,700,242 an advance of about ten million dollars. So you say that company controls the Consolidated Rubber Company of Canada?—A. Yes.

By Mr. Euler:

Q. How does the price of crude rubber compare now with the price of crude rubber before the war, is it higher or lower?—A. The price 1910 was about $3.10 a pound, to-day it is about 39 cents a pound, there have been some fluctuations between those figures but it has been constantly downward since 1910.

By Hon. Mr. Fielding:

Q. Prior to that there had been a very rapid advance for a series of years?—A. Yes, the supply was not sufficient to meet the demand.

[Mr. T. H. Reider.]

Q. Where does it come from?—A. It comes from Sumatra in the East Indies, but the planted rubber is now coming into demand and the supply is not sufficient to take care of it and the price of crude rubber has constantly fallen throughout the period of the war.

By the Chairman:

Q. What would be the increase in the cost of the finished product—A. Everything else but the crude rubber has gone up; the cotton is a larger factor in the rubber footwear business to-day than the rubber itself. Cotton has gone up 3 to 4 prices, above pre-war prices, and labour has gone up, lead, pigments and everything else, practically, that enters into the manufacture of rubber footwear except the rubber itself has gone up.

By Mr. Euler:

Q. What is the proportion of the cost of making a rubber shoe; the proportion of labour and what is the proportion of material?—A. Labour would be about 25 per cent of its cost.

Q. Would the crude rubber be a very substantial part of the cost?—A. Crude rubber would be probably 40 per cent of its cost, to-day it would not be more than 35 or 30 per cent.

Q. Having regard to these facts do you consider that the cost of producing rubber goods now is as great or greater than it was before the war?—A. It is greater.

By Mr. Pringle:

Q. Is the cost greater to the extent of 25 per cent, which, you say, has been the advance in price?—A. I would not be prepared to say as to that; it might not be quite that much greater, but the cost of distribution too which enters into the selling price has increased materially.

By Hon. Mr. Fielding:

Q. What you say in regard to that is that with respect to 40 per cent of the cost of producing a rubber overshoe there has been a constant falling, and in respect to the remaining 60 per cent there has been constant advance in the cost?—A. Yes.

Q. That is the situation?—A. Yes.

Q. And the advance on the 60 per cent would more than balance the slight saving in the cost of the crude rubber?—A. Yes.

By Mr. Douglas:

Q. Have you any knowledge of any factor which would account for the difference in the cost of the manufactured rubber goods in Canada and in the United States?—A. Not except that the duties enter into it, I mean the duties on the raw material.

Q. The duty on cotton and on other ingredients?—A. Yes, Canada produces only wire nails, wooden boxes and cartons, those are the only things that we produce that go into the cost of the rubber goods, so that everything else is imported, but whether imported or made in this country the same is true.

By Hon. Mr. Fielding:

Q. Is that not true of the United States largely?—A. No, they produce their leads and pigments.

Q. Do we not produce the leads?—A. No.

By Mr. Pringle:

Q. So far as the actual manufacturing cost is concerned, there is not much difference?—A. Except as to duties, there would not be much difference.

[Mr. T. H. Reider.]

Mr. N. B. DETWILER'S examination resumed.

By Mr. Pringle:

Q. The statement which you produce is a statement from your accountants, Messrs. Scully and Scully, of Kitchener, Ontario?—A. Yes, sir, and it is accompanied by a letter stating that they submit the abstract statements prepared by them from the books of the company.

Q. You have been able to put aside a little reserve. How much is the reserve as at this date? Your present surplus is $10,928.69?—A. Yes, sir.

Q. Part of that, $2,096.15, was during last year?—A. Yes, sir.

Q. Have you any statement showing the price of your goods to the retailer?—A. I sent one to the committee.

Q. You have not got one with you?—A. No, I sent one down a week or two ago at the request of the committee.

Q. How do your prices compare with the prices of the Ames, Holden, McCready Company?—A. Ours are a little higher than theirs for the reason that we make all leather goods. We use no substitutes whatever.

Q. You do not put any paper in the heels, or paper in the shanks?—A. No. I am not saying that the material they use is not just as good.

Q. Was the statement which you say you sent addressed to the secretary of the committee or to the chairman?—A. I cannot say as to that; I sent it to the department that sent the request.

Q. You say your price is a little higher because your goods are a little better than those of Ames, Holden, McCready Company?—A. They are making goods equally as good as ours, but ours are all solid while theirs is not guaranteed for that.

Q. So far as you say, they are not solid leather?—A. They have some substitutes which they may say are quite as good as leather.

Q. You have a material which looks very much like leather, but which is made of paper?—A. We have none.

Q. They have it in the trade?—A. Oh, yes.

Q. What do you call it?—A. Some call it leatheroid.

Q. Some call it brown paper and some call it leatheroid?—A. Yes, sir.

Q. But it has an appearance very much like leather?—A. Yes, sir.

Q. And the ordinary purchaser going into a store, if he saw this, would not be able to tell it from leather?—A. No, and for some purposes it answers very well.

Q. Anyway it wears out very quickly and the customer will have to buy another pair of boots, and that is very good for the manufacturers?—A. The same as leather.

Q You say your price is a little higher because you think your boots are of a little better quality. You cannot tell us what your prices are to the retailer, or do you sell direct to the retailer?—A. Oh, yes, sir, I can give you the present prices. Have you any particular shoe in mind?

Q. Here is a shoe (hands witness shoe), is that one of yours?—A. No, sir, that is not ours.

Q. Do you make as good a boot as that?--A. I think so.

Q. Do you make as poor a boot as that?—A. I don't think so.

Q. This is evidently made by another company. You do not make that class of boot?—A. Yes, sir.

Q. Do you make that class of boot?—A. Yes, sir.

Q. What would that class of boot cost the retailer?—A. Last year, $4.25. It is higher now.

Q. This is an all-leather boot, at least it has that appearance. What would that boot retail for?—A. I cannot tell you.

[Mr. N. A. Detwiler.]

APPENDIX No. 7

Q. What would be a fair retail price?—A. Well, I am hardly in a position to state that for the reason that I do not know their expenses or conditions.

Q. You say that that boot would cost the retailer $4.25?

By Hon. Mr. Fielding:

Q. Not that boot; one of that class, the one you make?—A. Yes, sir, the one we make.

By Mr. Nesbitt:

Q. You say it cost that last year?—A. Up to the first of June.

Q. What does it cost now?—A. I have not figured that fully, but I think it would be about fifty cents more.

By Mr. Pringle:

Q. You make a boot of that class, although you consider your boot to be a better boot than that?—A. I cannot say as to that. You cannot see what is in there, whether it is all leather. It may be all leather. If it is, I do not say ours would be better.

By Mr. Nesbitt:

Q. If it is all leather, you say yours would not be better?—A. Not necessarily.

By Mr. Pringle:

Q. Would $6 be an unreasonable price for that shoe the way the market is to-day?—A. I don't think so.

By Mr. Douglas:

Q. Who makes that shoe?—A. The Greb Shoe Company, Kitchener.

Q. Competitors of yours?—A. Yes, sir.

By Mr. Pringle:

Q. Take your higher grade shoes. Take, for instance, men's G.M.C.F. Blu. Bal. Goodyear?—A. We make no Goodyear.

Q. Look over that list (hands witness list) and see what class you do make?—A. The fifth article, and the third from the last.

Q. The fifth article; that is men's tan grain blu. standard screw?—A. Yes, sir.

Q. What do you sell that to the retailer for?—A. About $4.35.

Q. I see the wholesale price in 1919 is given in this journal at $3.37?—A. I think that refers to a cheaper made-up shoe because you cannot buy that class of shoe, solid leather, at anything like that price, neither from us nor any other that make that quality.

Q. You sell that shoe at $4.35?—A. $4.35.

Q. Do you know what the retail price of that shoe is?—A. I have no idea.

Q. The retail price given here is $5. That is given for a shoe that is worth $3.75. The third article on the list is boys' tan grain blu. standard screw. What do you sell that for to the trade?—A. $3.35.

Q. The price given in this journal is $3.15, and you sell it at $3.35?—A. Yes, sir.

Q. That shoe used to sell at about $1.75 before the war?—A. That quality, but our quality was always higher than that.

Q. What did your shoes sell for before the war?—A. I do not think we have sold that shoe for less than $2.25 since 1912.

Q. So the advance has been about a dollar a pair?—A. Yes, sir.

Q. Are there any other shoes on that list which you manufacture?—A. The fourth article.

[Mr. N. A. Detwiler.]

Q. Boys' Box Kip Blu. Bal. Standard Screw. That is $3.15?—A. We sell that for $3.50.

Q. You price is higher than the prices quoted in this journal?—A. Yes, sir.

Q. But you say in your opinion it is a better quality shoe?—A. I think these are Quebec shoe prices.

Q. Why are the Quebec prices so much lower than Ontario?—A. They use cheaper grades; that is certain houses, not all of them. Some shoes are made down there as good as anywhere else, but some there make a quality of shoe that we do not make in the west at all, cheaper upper leather and cheaper lower leather.

By Mr. Sutherland:

Q. What are the wages there?—A. I cannot say as to wages now. They used to be very much lower in Quebec, but I do not think there is much difference now.

Q. I suppose the Unions control that all over Canada?—A. Yes.

By Mr. Douglas:

Q. Who are your competitors?—A. The Greb Shoe Company, Valentine and Martin, the Williams Shoe Company, and W. B. Hamilton, of Toronto. That is speaking now of solid shoes. Even these are not all solid but they also make solid shoes.

Q. Your firm and the firms you mention have been getting higher prices steadily for ten years than Quebec, than any of these others?—A. We always have.

Q. You have made no bones about that?—A. No, sir.

Q. You admit it?—A. We may not have as good a margin as they have, even then, but we consider the all solid leather shoe is the cheapest shoe for the trade even now, because any substitute for the shoe, the proportion in the year of cost is so little that the difference in wear does not compensate for the other.

By Mr. Pringle:

Q. I suppose your desire is to establish a good record for your shoes?—A. That is what it is.

Q. Can you give us the cost of manufacturing a pair of these shoes?—A. Not definitely offhand.

Q. Could you file a statement? You keep a complete cost record?—A. Yes, sir.

Q. Do you know from memory, without going through your cost sheets, and record, what your profit is?—A. That represents about a turnover of 50,000 pairs.

Q. This represents a turnover of 50,000 pairs and your net profit was $4,496.15, a little over eight cents a pair?—A. I am ashamed to say it.

Q. 8·9, so you think that is a correct statement?—A. That is a correct statement.

Q. An absolutely correct statement?—A. Absolutely.

Q. So that your profit on a pair of shoes would be less than nine cents?—A. We have been less than ten cents all along.

By Mr. Douglas:

Q. Do you make many boys' shoes?—A. Yes.

Q. Naturally the cost of making boys' shoes is higher than the cost of making men's —A. Proportionately, yes.

Q. Take the average all round?—A. The average all round would be nine cents.

Q. The chances are that on $4.25 men's shoe you make more than nine cents?—A. We would have to, because on the smaller shoes we would not make as much as that.

By Mr. Vien:

Q. Are you President of that concern?—A. Yes.

Q. What salary does the company pay to the President?—A. $2,400.

[Mr. N. A. Detwiler.]

By Hon. Mr. Fielding:

Q. I do not think anybody can accuse you of extravagance?—A. I thought it was rather a joke to appear here.

By Mr. Pringle:

Q. I am afraid the retailer has got a little the best of you. You make about nine cents on your shoe and the retailer makes about $1.75?—A. Well, of course, he has his expenses.

Mr. PRINGLE: We could not tell what his net profits are, because he deals in all kinds of goods.

By Mr. Vien:

Q. Do you consider the tariff protects you considerably, or to any extent?—A. Not in our quality of shoes.

Q. It does not?—A. No.

Q. So that the tariff could be dispensed with and you would be left in about the same condition?—A. Yes, so far as we are concerned. Of course, that involves a larger question than that.

Q. But, in so far as your line of shoes is concerned, you do not care to have any protection?—A. No.

By Mr. Pringle:

Q. Do you think the consumer would get the shoe cheaper if the tariff were removed?—A. No, he could not.

By Mr. Vien:

Q. There is no competition from the American line of manufacturers?—A. Not in our quality of shoe. There might be if the tariff were removed, but as it is there is not. If the tariff were removed they could not get them any cheaper for that quality of shoe.

By Mr. Douglas:

Q. What have you to say about the leather situation in regard to the raw material? Do you get that material in Canada?—A. Yes.

Q. What is the price you are paying for the ordinary stock you use in that $4.35 shoe?—A. That price was up to 41 cents in 1917, and it got back to 37 cents, and now it is 47 cents a foot.

Q. A square foot is about a pound?—A. Yes. I am not sure about that.

Q. Can you tell us offhand just what proportion of the leather cost enters into that $4.35 shoe? What does it cost you for raw material? That is the leather without the canvas or findings?—A. I would not like to say that offhand.

Q. Is there a square foot of leather in it?—A. There are three square feet in the upper only, and then you have got the counter covering and the sole and the insole and the heel, and there are lots of things I do not just think of.

Q. What price was that stock in 1914?—A. I think it was 31 cents practically.

Q. The difference in raw material now is very little different from what it was in 1914?—A. Oh, yes, about 15 cents a foot.

Q. You said it went back to 31 cents?—A. It did for a short time only.

Q. Now it is up to 45?—A. Yes. Box-calf which we used to buy for 22 cents before the war—I do not know whether it ran up in 1914 or not, but we used to buy it for 22 cents, and I do not think you could get it for 85 to-day.

Q. That is Canadian box-calf?—A. Yes, and the quality is not nearly so good, because we cannot get the same leather now.

[Mr. N. A. Detwiler.]

Q. Have you any difficulty in getting stock?—A. Considerable difficulty.

Q. How do you account for that?—A. I do not know. I think the leather must have gone to England largely, and is still going.

By Mr. Hocken:

Q. Do you specialize on a few grades, or do you make a wide range?—A. We make a range of about 60 kinds.

Q. What do you say as to lowering the cost of production if the different factories specialize?—A. It would make a little difference, of course.

Q. But not very much?—A. No; only when you specialize everything, then pretty soon you will have a small number of large industries, a few employers and a great mass of employees, and you will not simplify your problems any in my estimation.

By Mr. Euler:

Q. You think they woud be trustified—made combines?—A. Yes.

By Mr. Douglas:

Q. That is the case in the United States?—A. Yes.

Q. And yet you have competition in the States in your line of goods?—A. Yes, we have competition, but I think on the whole it has a tendency to cause more uneasiness than if there were more employers and smaller concerns. I am speaking in a national way.

By Mr. Hocken:

Q. As an economic fact, if it is possible to decrease the cost of production, is that not desirable?—A. That is desirable, but if the consumer does not get the production any cheaper then, which may be a question, I do not know. It is creating other problems which may counterbalance that.

Q. Your argument is that by specializing you create trusts?—A. Yes. You have large industries and few employers, and nearly everybody would be an employer, and you would have an unrest.

Q. The most advanced school of socialists claim that is the correct thing.

Mr. NESBITT: He does not claim to be a socialist.

By Mr. Pringle:

Q. Somebody started to get from you the cost of a pair of boots, what proportion was material and what proportion labour?—A. About 17½ per cent in our lines, but in some lines it is much more.

Q. 17½ per cent?—A. Yes, I think that is it offhand, I may be wrong at that.

By Mr. Fielding:

Q. With the finer goods it would be larger?—A. Very much more.

By Mr. Pringle:

Q. And the balance of material?—A. If it is any information, I think the labour is about double on our line of shoes what it was in 1912.

Q. Not the proportion, but the cost of it?—A. The cost per pair.

Q. A pair costs more?—A. Yes.

Q. But the proportion between labour and material would not be affected by that statement?—A. No.

By Mr. Douglas:

Q. Have you any views as to the raw supply of leather in Canada? Do you think that there is free competition in the tanning business in this country?—A. I do not know much about the tanning business.

[Mr. N. A. Detwiler.]

Q. You buy from tanners?—A. Yes, I know the hides are cleaned up. You can hardly get any.

Q. You never have to import leather?—A. No, practically not. We have imported our kid leather but that has gone so high that we are practically out of that.

Q. You are not making kid gloves?—A. Not now.

Q. With regard to the United Shoe Machinery Company, what do you have to pay them?—A. First the royalty on the machine per month, and then half a cent for a certain operation. It may figure three cents a pair on our class of shoes. I think it comes to that made up.

Q. Would that be about an average that the United Shoe Machinery Company get over the business of Canada?—A. You could not take it that way for the reason that it depends so much on what you have their machines for. We used to do hand lashing until the last three years. Now we have their lashing outfit, and now our royalties are very much more than they were before. You could not get a very good idea that way, because if you take Goodyear shoes it would be very much higher.

Q. It would be more than 3 cents a pair?—A. Yes, considerably.

By Mr. Nesbitt:

Q. Are there manufacturers of leather in Canada?—A. Yes.

By Mr. Douglas:

Q. Who are they?—A. Davis Leather Company of Newmarket, Davis & Son, Kingston, H. B. Johnston & Company, Toronto, and King Brothers of Whitby, Duclos and Payan of Ste. Hyacinthe, and then there is a number of others in Montreal.

Q. Is there not a large number around Muskoka?—A. Those are sole leather tanneries.

By Mr. Euler:

Q. You said the export of leather to the United States had been stopped?—A. Well, I was referring to the United States War Board for war contracts. They said they made their freight facilities too badly there to ship the hides over from Chicago, and they have tanned here and sent them back, and that was cut off, and after that the tanning company went into sole leather.

Q. That is the War Trade Board?—A. Yes.

By Mr. Davis:

Q. If the United Shoe Machinery Company sold their machines would it have the effect of increasing or decreasing the cost of shoes?—A. That is a matter of opinion. Some manufacturers think it would increase it and some think it would decrease it.

Q. What are the arguments either way?—A. Well, their argument is that the service they give and the facilities we have with their offices in the different shoe centres, we are better off than if it were an open field competition.

Q. Do they, through their system of doing business, facilitate competition; that is, is it easier for a man to get into the shoe manufacturing business under the existing system of machinery?—A. Yes, it is easier, because a man can start without much capital.

By Mr. Pringle:

Q. He gets more machinery in, and it is better for the United Shoe Manufacturers?—A. Yes. Their annual balance sheets show particularly big profits.

Witness discharged.

[Mr. N. A. Detwiler.]

Mr. JEREMIAH A. SULLIVAN, called sworn and examined.

By Mr. Pringle:

Q. Mr. Sullivan, you are connected with what company?—A. E. T. Wright & Company, of St. Thomas, Ontario.

Q. Are you an incorporated company?—A. Yes, as a branch of an American corporation.

Q. Where is the parent company?—A. Rockland, Mass.

Q. The company is incorporated in the Province of Ontario as a subsidiary company?—A. It is a branch of the American factory.

Q. It is a branch of the American factory, but you are incorporated here?—A. No, we are not a Canadian corporation.

Q. These are two businesses kept distinct and separate?—A. Yes, they are.

Q. Have you got any annual statements of the Canadian branch?—A. I have all of them, since we have been in business.

Q. Will you produce them?—A. Yes.

Q. Since what time?—A. April, nineteen hundred and twelve is the latest one.

Q. Now, you produce statements of the E. T. Wright & Company, St. Thomas Factory, from nineteen hundred and twelve down to October twenty-third, nineteen hundred and eighteen. The end of your fiscal year is October, nineteen hundred and eighteen?—A. We take a balance twice a year, we have the spring and fall trade, and after each season we close our books and strike a balance. That (indicating) is the last season which was closed. Our statement for the season since that will be ready in about three weeks. Our auditors will commence work on that next week.

Q. Take the last statement, because I do not believe we will have time to go through all of them. I see this bears the notation "Herbert F. French & Company, Certified Public Accountants, 166 Essex Street, Boston." This is dated December third, nineteen hundred and eighteen, and contains the following information:—

Pages one and two, statements of conditions as of a season ending October twenty-eighth, nineteen eighteen, which is said not to contain merchandise bought for the new season's business, or any liability on account of same.

Pages three and four, balance sheet October twenty-third, nineteen eighteen which does contain the new season's merchandise and liability on account of same.

Page five, manufacturing account, February 8, nineteen eighteen, to October 23, nineteen eighteen.

Page six, profit and loss account for the same period.

Page seven, surplus account, for the same period.

Page eight, note receivable October 23, nineteen eighteen.

Page nine, suspense account receivable, October 23, nineteen eighteen, showing the amount as stated by the ledger account, less the amount reserved for loss, and the estimated value of each account.

Pages ten and eleven, condensed summary of merchandise inventory as of the season ended October 23, nineteen eighteen.

Page twelve, drafts payable October 23, nineteen eighteen.

Page thirteen, upper section, upper materials; schedule A lower section, lining, schedule B.

Page fourteen, upper section, bottom stock, schedule C.

Q. Is that the end of your fiscal year?—A. We do not strike our balance in that way. We strike our report in a different way, for the two seasons, fall and spring.

Mr. PRINGLE: On the following pages we show the schedule entering into the different manufacturing accounts for the past season. Then we follow down for the different sections, manufacturing, expense, condensed manufacturing and profit and loss account, showing each estimate for the past two seasons, condensed manufacturing and profit and loss account, showing the cost per pair of shoes, for the past two seasons, comparative statement of manufacturing expense for the past two seasons, and on page twenty, the salesmen's credit.

Those are the assets which were balanced on November 15, nineteen eighteen, and found to be correct. This balance was reconciled with the balance of October 23, nineteen eighteen, and found correct as of that date. The balance on deposit in the Imperial Bank of Canada was verified with the bank pass book after making reconciliation for outstanding cheques as of October 23, nineteen eighteen. This balance was further supported by cashier's certificate received from said bank.

The notes receivable—customers, were examined and were either found on hand or out for collection at the date of our examination.

We also found that payments had been made on two of these notes and new notes taken for the balance of the account, details of which are found on page eight of this report.

Now, here is a great deal of detail.

Mr. Nesbitt: That is the auditor's statement?

Mr. Pringle: Yes, the auditor's report.

By Mr. Nesbitt:

Q. Who was the auditor?—A. French and Company of Boston.

By Mr. Pringle:

Q. I think we will get to the manufacturing account. Here it is on page five. This gives your manufacturing account from February 8, nineteen hundred and eighteen, to October 23, nineteen hundred and eighteen. The gross shipments, regular goods, one hundred and forty-eight thousand six hundred and eighteen dollars and thirty cents; less returns and allowances seven thousand and thirty-eight dollars and twenty-two cents; net, one hundred and forty-one thousand five hundred and eight dollars and eight cents.

Then you have gross shipments ladies' shoes, sale of stock shoes, sales of job shoes, less the sales to the Regina Stock department. Have you a branch in Regina?—A. We have a warehouse there.

Q. Then there are the sales, manufactured goods, purchases, cost of product, upper stock, linings and trimmings, bottom stock, bindings, cases, cartons, and labels, labour, royalty—that is, I suppose, to the United Shoe Company—two thousand and thirty dollars and twenty-six cents; manufacturing expense, twenty-one thousand eight hundred and twenty-three dollars and eight cents; balance, gross gain to profit and loss account, twelve thousand eight hundred and sixteen dollars and sixty-one cents.

Now, your gross account for manufacturing during that period was twelve thousand eight hunderd and sixteen dollars and sixty-one cents, your purchasing discount, one thousand eight hundred and thirteen dollars and forty-one cents, interest received on deposits, eighty-six dollars and forty-five cents, interest received from customers, four hundred and seventy-six dollars and fifty-three cents, received from bad debts charged off, twenty-six dollars and nine cents, gain on reserve for suspense accounts, eight hundred and ninety-two dollars and twenty-two cents, uncalled for wages, two dollars and seventy-three cents, cash over, nine dollars and fifty cents.

Where does this give us the actual manufacturing cost?—We have to get the quantity produced.?—A. Right here it is (indicating).

Q. Could you give us the average cost per pair.

Mr. Douglas: We can figure that out?—A. I think it gives it there, you can figure it up.

[Mr. J. A. Sullivan.]

By Mr. Pringle:

Q. Let us get at your assets and liabilities and see what you have been doing. Let us take your assets and liabilities statements of the Company for the season ended October 23rd, nineteen eighteen, including the assets and liabilities that this factory own; Cash, seventy-three dollars and eighty-two cents, Imperial Bank of Canada, eighteen thousand three hundred and fourteen dollars and twenty-eight cents, accounts receivable, thirty-four thousand five hundred and fourteen dollars and seventy-four cents, purchase ledger debit balances, two thousand and seventy-eight dollars and seventy-two cents, suspense accounts receivable, merchandise inventory, advance purchases (new season), pay roll, machinery, plant fixtures, prepaid insurance, prepaid duty, drafts payable, (verified by correspondence) salesman, accrued taxes, (city) accrued royalty, accrued rent, accrued expense, accrued labour.

I don't see where you show your net profits for that period?—A. The profit and loss acount is right here (indicating page six.)

Q. Now, I see your balance, net gain to surplus account, two hundred and thirty-three dollars and ninety-nine cents. You don't mean to tell me that you only made two hundred and thirty-three dollars and ninety-nine cents?—A. That is right.

Q. What was the matter? Too much competition?—A. No, indeed.

Q. What was it?—A. No, not competition.

Q. Was it cost of material?—A. Cost of material, cost of labour, and lack of volume. I would say that lack of volume would be the principal thing with us.

Q. Have you got a large establishment there?—A. We employ about one hundred hands now. That is twenty-five more than we ever had for the last four or five years, during the war.

Q. You told us that this statement shown on page six, of this (I must say very complete) audit, only shows your net account to be two hundred and thirty-three dollars and ninety-nine cents.—A. That is right.

Q. Now, let us go back a year and see if this last year was just a bad year.

By Mr. Davis:

Q. I notice that you have here the cost of your shoes per pair.—That is for the different items.

Mr. Davis: For the information of the committee I may say that starting with schedule "A" here are the cost of their shoes, cost of material, cloth, leather and vamps, trimmings, 1·7372?—A. What date is that?

Q. The eighth of February nineteen eighteen.

The Chairman: The year immediately preceding this one, (exhibit five).

Mr. Davis: The cost of buttons, cloth, eyelet facings, top facings, heel pads, hooks and eyelets, laces, leather linings, straps, tongue linings, tongues, inside back stays, trimmings, total ·3121.

Schedule "C", cost of bottom stock; counters, heels, innersoles, top lifts, outer-soles, shanks, taps, box toes, welting, trimmings, total 1·4325.

Schedule "D", cost of findings; cutting room, stitching room, lasting, sole leather room, making room, finishing room, treeing room, total ·1278.

Schedule "E", cost of cases, cartons, etc.; cartons, cases, labels, nails, twine, tissue paper, cement, and wrapping paper, total ·0765.

Schedule "F" cost of labour; cutting room, stitching room, sole leather room, lasting room, making room, finishing room, treeing room, shipping room, total ·8482.

Schedule "G" gives the cost of manufacturing. Advertising for help, bags, bank exchange charges, freight, cartage and express, heat, light and power, employers' liability insurance, fire insurance, expense labour, management salaries, office salaries, interest on loans, cutting room parts, finishing room parts, lasting and making room parts, sole leather room parts, stitching room parts, dressing room parts, rent, postage, office supplies, sundry manufacturing expense, telephone and telegraph, water, war tax, machinery supplies, bottom stamps, and taxes. The total cost is $19,732.46, the cost per pair 6714 number of pairs to 29,407, and it shows the cost at $5.20. It is all worked out here to four points of decimals.

By Mr. Douglas:

Q. You make one line of shoes?—A. Just men's fine shoes and women's fine shoes.

Q. Is that cost of manufacturing based on the men's or on the average of the whole?—A. On the total.

By Mr. Pringle:

Q. Now would you show me, we have already got in the net profits for that period that I was dealing with; will you show us what the net profits were for the preceding six months' period?—A. The period ending February, 1918?

Q. Yes. You did make a net profit there of $11,346.40; now will you give me the six months' period preceding that of the 12th of May, 1917?—A. I can give you that without looking at it, $14,187.63.

Q. Profit?—A. Yes, and for the season before that, $17,586.66.

Q. And for the season preceding that?—A. There was a loss of $1,011.07.

Q. And the season preceding that?—A. If you wish I can give you the result from the time we started in business in 1912, our losses totalled $47,743.34.

Q. And what were the total gains?—A. The total gains since 1916 were $43,354.68.

By Mr. Douglas:

Q. You have pretty nearly cleaned up your losses?—A. We are gaining all the time.

By Mr. Pringle:

Q. Since 1916 up till the present year you evidently have not been in business for your health?—A. We have hopes for the future.

Q. You established your business, you have been getting on your feet, but up to the present time you are still minus to the extent of some $3,388?—A. Yes.

Q. Now it seems to me that all your profits have been made during the last two years?—A. Since 1916.

Q. How do you account for that, Mr. Sullivan?—A. There was a larger volume of business in each season, and I should say that along in 1915 and 1916 there was a raising of prices, and of course that helped out a great deal.

Q. There was a larger volume of business, and owing to the higher prices you were better able to make a profit?—A. To make a profit.

Q. I have no doubt your statement shows the exact amount of capital invested in Canada, but you can give it roughly?—A. At present it is about $115,000 to $120,000.

Q. Well, while the last six months' period you have given us doesn't show any profit at all the three previous periods of six months each would show a very handsome return on that investment; they would show a very high percentage, take, for instance, the period which shows $14,187.63 net profit. That, from the returns received would give you on your capital more than 28 per cent take these two periods, or take any two periods that would make a year, I do not care which ones you take?—A. Take these two ending December 28, 1916, and May, 1917, that is $31,774.29.

Q. Now that is your net profit on a capitalization of $120,000; what percentage do you make that?—A. About 25 per cent.

Q. What was the turnover, can you tell me, in that period?—A. I should say the year would average a little over $200,000.

[Mr. J. A. Sullivan.]

Q. Your turnover would only be about $200,000 I should have thought it was bigger?—A. Probably it was better, say $225,000, I cannot tell you from memory.

By Mr. Vien:

Q. Couldn't you give us the turnover since 1915 down to 1919?—A. From April 22, 1915, from that on?

Q. Yes.—A. For the season ending December, 1915, $76,273.07; May 30, 1916, $112,477.30; season ending December, 1916, $190,290.24; May, 1917, $136,249.56; season February, 1918, $189,755.06; season October, 1918, $186,456.82, making a total of $891,501.99.

By Mr. Stevens:

Q. For three years?—A. That is for three years, yes.

By Mr. Pringle:

Q. I notice that in each of your very complete statements Mr. Sullivan, you have a comparative statement showing the manufacturing expenses for the past season?—A. Yes.

Q. So that you are always in touch with the increase of the cost to yourself and you know what your margin of profit is, do you endeavour to get a price based on at the cost, or have you simply got to get the best market price you can?—A. We figure on an average of from 8 to 10 per cent, an average of 8 per cent.

By Mr. Vien:

Q. On the turnover?—A. Yes.

By Mr. Pringle:

Q. You average from 8 to 10 per cent, now there is no doubt you have been making for the last three years very much more than that although in the preceding years when you were getting your business established you were making quite a heavy loss.

By Mr. Nesbitt:

Q. What was the profit in those years, on the total sales?—A. Well, take our first profit December 28, 1916, and the turnover for the year would be $302,000, and the profit was $17,586.66.

Q. You make up your statement for a six months' season?—A. Sometimes it runs a little more than that. For instance the business of the season just finished ran from October up to about the middle of May.

By Mr. Douglas:

Q. As a rule your fall deliveries are much less than your spring deliveries?—A. It usually runs that way. The orders for winter delivery are usually small.

By Mr. Pringle:

Q. Give us your profits for the two periods?—A. Roughly, $302,000 turnover.

Q. And your profit?—A. $17,586.66.

Q. That is between five and six per cent profit on your turnover, and that is one of your best periods?—A. That was the highest period.

Q. Will you tell me how the cost of the manufacture of these shoes in Canada compares with the cost of manufacture in your parent plant in the United States?—A. You mean the labor cost?

Q. The whole cost, the material cost, the labour cost?—A. Well, I cannot tell you, but I can tell you that some of their prices are about the same as ours and some 35 cents or 40 cents less, so their cost must run about the same.

[Mr. J. A. Sullivan.]

Q. You consider that the costs run about the same, and so far as you know the prices charged are very much the same, with some lines that run 30 cents or 40 cents under the Canadian price?—A. That is right.

Q. How much capital has the parent company?—A. I think it is capitalized at about $500,000.

Q. Are they one of the large manufactures in the United States?—A. Well, they are one of the large manufacturers of fine shoes.

Q. And their plant is at Rockland, Mass.?—A. Yes.

Q. You hope to show the parent company some profit some day?—A. Well, they have been pretty good sports for five or six years, although when we started they said they did not expect to make any money for five years.

Q. It takes you time to get your goods established?—A. The war came on and knocked business skyhigh for men's fine shoes.

By Mr. Douglas:

Q. And yet you made money?—A. That was through the rise in prices.

Q. Why should that make any difference?—A. We take advantage of the rise in prices, of course. There is a certain amount of raw material bought and if prices are rising continually, we would base our prices on the rising cost.

Q. You get most of your material from the United States?—A. No, most of them from Canada.

Mr. PRINGLE: They have taken the replacement value, just as the others did.

By the Chairman:

Q. What amount of stock do you usually carry?—A. I will have to give you the last inventory. Do you want upper leather or all materials?

Q. All materials that you carry for manufacturing purposes?—A. The merchandise inventory was $51,513.

Q. That was the stock according to the last inventory?—A. Yes.

By Mr. Vien:

Q. Is that an increase or a decrease from the previous inventory?—A. Practically the same.

Q. How does it compare with 1913 or 1914?—A. They would run very little different every season.

By Mr. Pringle:

Q. What would you say your royalties run?—A. They cost between six or seven cents, cost one per cent.

By Mr. Stevens:

Q. Between one and one and half per cent?—A. Yes, sir.

By Mr. Douglas:

Q. What does it cost to sell your goods?—A. Six per cent commission.

Q. It is on a commission basis?—A. Yes.

By Mr. Stevens:

Q. I see that your labour costs vary between 17·26 and 14·81 in the year. What would occasion that variation?—A. Is that up or down?

Q. Down?—A. The chances are that it must be volume.

Q. In the year 1917, from May till December 16, your labour represented 17·26 per cent. From December 28, 1916 to May 12, 1917, your labour represented 14·81. There is a substantial drop there. Was that owing to lower wages or to better efficiency?—A. Efficiency and volume.

[Mr. J. A. Sullivan.]

Q. The larger volume was in the higher rate, $190,000 as against $136,000?—A. Does it give the length of the seasons?

Q. Yes, May to December and December to May?—A. A couple of months make quite a bit of difference. In the period of eight months just ended our overhead expenses would be much higher, light, heat, power, etc.

Q. There is a marked difference?—A. If we get 300 or 400 pairs, and we figure on 300 pairs, we are getting money on our labour.

Q. The higher rate shows a larger volume. The time is a little longer, but I should say the volume would be about the same. It is not important, but it is rather surprising to see the labour drop three per cent?—A. That was 1917. There is two months difference.

By Mr. Douglas:

Q. Do you sell to the wholesaler or to the retailer?—A. Direct to the retailer.

Q. Through your own salesmen?—A. Yes.

Q. Does that represent all your selling cost?—A. No, advertising.

By Mr. Pringle:

Q. Advertising is put in the cost sheets?—A. Advertising goes into selling expenses.

Q. But that is included in the cost sheets?—A. Yes, that goes into our costs.

By Mr. Reid:

Q. Have you many travellers on the road?—A. Oh, yes, we sell only through travellers.

By Mr. Pringle:

Q. Have any of these travellers any other lines?—A. We have four men, but they handle other lines.

By Mr. Vien:

Q. How many lines of shoes do you manufacture?—A. Two, men's and women's fine shoes.

Q. Only one grade?—A. We have three grades.

By Mr. Douglas:

Q. You are strictly a specialty house?—A. Specialty house, fine shoes.

Q. You have a large line of fine shoes, you specialize?—A. We give them anything they want in fine shoes.

By Mr. Vien:

Q. How do your prices range for men's shoes?—A. The calf shoe is $9 to the retail trade, the highest is $10.

Q. And for the women's shoes?—A. Women's I think are about $9.25. Women's are really a sideline at present.

Q. How do they range from $9.25?—A. From $9.25 to $9.50.

Q. How much does the pair of shoes that you sell for $9 cost you?—A. About $8.37 or $8.40. We figure on eight per cent profit, we figure that on paper.

Q. $8.37 or $8.40?—A. Yes.

Q. Can you tell us how much labour and how much material goes into them?

Mr. PRINGLE: That is all shown in the statement.

[Mr. J. A. Sullivan.]

By Mr. Vien:

Q. Do you know what the boot that you sell to the retailer at $9.00 would be sold at?—A. We figure they should sell at $13.50 or $14.00.

Q. Fifty per cent higher?—A. We figure fifty per cent. We are not retailers, but when we are pricing shoes we say we must have a shoe to price at so much.

Q. What is your organization in Canada? You are under the direction of the Rockland manufactory?—A. Yes, sir.

Q. Is your business in St. Thomas managed through a director or a manager? A. We have a manager.

Q. Is he a director?—A. He is not a director. He is not a member of the firm at all.

Q. How is he paid?—A. $2,600.

Q. You do not pay anything to the control office by way of salaries or indemnities or anything?—A. No, we will pay him some profits some day, if we make them.

Q. You have no copies of this?—A. I can get copies from our auditor if you wish them.

By Mr. Pringle:

Q. You will produce copies if we require them?—A. Yes.

By the Chairman:

Q. In your judgment could you sell your product as advantageously without travellers, if you simply sold by correspondence or by catalogue?—A. I never worked it out, but I do not believe we could. No, we could not.

By Mr. Reid:

Q. You could not if you adopted that system alone, but suppose all the manufacturers in your trade adopted the same system?—A. That is a thing that would have to be worked out. If no travellers called round, they would have to send orders by mail.

By Mr. Sutherland:

Q. It would give the old established firms a great advantage over the new firms? —A. Yes.

By Mr. Vien:

Q. Do you sell on the American market?—A. No.

Q. Why not?—A. We have an American house selling over there.

By Mr. Pringle:

Q. What is your idea in regard to this United Shoe Manufacturing Company? Is it more expensive to the manufacturer to pay them a royalty, or to own the machinery out and out?—A. I should say paying a royalty would be cheaper.

Q. Cheaper than having to purchase the plant out and out?—A. Yes.

By Mr. Sutherland:

Q. How are you affected by the tariff?

Mr. Pringle: Judging by his evidence, it does not make much difference. They are selling in the United States the same as here.

Mr. Sutherland: They are manufacturing both places. They might not be manufacturing here if there were no tariff.

Witness: No, certainly not. If the tariff were off to-morrow, we would not be manufacturing at all.

By Mr. Nesbitt:

Q. As a matter of fact the manufacturing costs would be less over there?—A. Yes. That is why the American manufacturers could come in here and undersell the Canadian.

By Mr. Vien:

Q. Do they sell at the same price on the American market as you sell here?—A. They are about the same.

Q. But in normal times?—A. Their prices are quite a bit lower in normal times.

Q. How much?—A. I suppose they have been a dollar a pair under perhaps.

By Mr. Douglas:

Q. How do you account for that?—A. Through their volume, I have always accounted for it. Their volume is bigger. The last quotations we had on American calf, it was about the same, or five cents a foot more than Canadians were called upon to pay. In other words, American calf would be pretty near half the duty less.

Q. The cost of your raw materials in normal times was much less there than on this side?—A. Yes.

By the Chairman:

Q. Did you use Canadian materials on the other side?—A. Yes, except some of our finer calf and kid. We have to buy the kid.

Q. Is the kid manufactured in the United States?—A. Yes.

By Mr. Vien:

Q. You do not pay any duty on it?—A. Fifteen per cent.

Q. Why don't you cater for the American market as well?—A. Our people over there have been making shoes for forty some odd years, and naturally they are making shoes a little better than we are, who are making shoes for six years. While we make a fine shoe, when you put the two together there is quite a difference, but to a man who does not know shoes, he would not see much difference in the shoes.

Q. You have a hundred million people to cater to there and only six or eight million here?—A. Yes.

Witness discharged.

Mr. Cecil Morrison, recalled.

By Mr. Pringle:

Q. You are manager of the Standard Bread Company?—A. Yes.

Q. Is that an incorporated company?—A. No, a partnership.

Q. Are you the senior partner?—A. At present I am. The other partner is overseas.

Q. There are just two of you in the business?—A. Yes.

Q. Somebody told me you were the people who brought down the price of bread and enabled us to get our bread at a reasonable price in Ottawa. What about that?—A. I do not know. I know bread is run on a very close margin.

Q. How is it sold?—A. A 24-ounce loaf—a pound and a half.

Q. What do you charge for that?—A. Ten cents wholesale, eleven cents to the public. It retails to the public for eleven cents.

Q. But you supply it to the grocer at ten cents?—A. Yes.

Q. And they in turn sell it at eleven cents?—A. Yes.

[Mr. Cecil Morrison.]

Q. What is your margin of profit on that loaf of bread at ten cents and at eleven cents?—A. Taking the whole thing, about fifty-fifty, we sell our output half wholesale and half retail, and we have ·43 of a cent on each loaf of bread.

By Mr. Nesbitt:

Q. You do not deliver?—A. We do it both ways—about fifty-fifty.

By Mr. Vien:

Q. You are taking the average?—A. Yes.

By Mr. Pringle:

Q. You speak of ·43? Is that on the bread delivered to the grocer?—A. That is taking the whole output. I just have it here for four months. I have another statement.

Q. What are you paying for flour?—A. Eleven dollars a barrel.

Q. That is the fixed price?—A. Yes. This is for February, March, April and May.

Q. What is your output?—A. About between forty-five and fifty thousand of those loaves a week.

Q. I see you wrap them up in waxed paraffin paper as it is called.—A. Yes.

Q. For a long time the Food Controller would not let you do that?—A. No, it was against the law.

Q. Your customers appreciate it?—A. Yes, and they demand it as a matter of fact, and for your information I may tell you that since that wrapper went on, we have made practically nothing on bread. It has taken our whole profit.

Q. The baker was quite willing to discard that wrapper?—A. Yes.

Q. The customer wanted it?—A. Yes.

Q. The housewives wanted it?—A. Yes.

Q. As a matter of fact, it does keep your bread in better condition?—A. Well, I do not know.

Q. There is a difference of opinion in regard to that? Some people say that coming in this condition it is kept more sanitary?—A. There are arguments both ways.

By Mr. Nesbitt:

Q. It is for cleanliness?—A. Yes. Some say bread has to be absolutely cold or it is spoiled. If there is any moisture left in it, it makes it soggy.

Q. Why do you put this waxed paper on if it curtails your margin of profit and it is not necessary to do it?—A. Well, our opposition do it, and we have got to do it if we are going to sell bread.

Q. Flour and ingredients used, 71 per cent, manufacturing expenses 7·4, delivery expense 13 per cent?—A. You might compare that with the last year's statement. It is going up all the time.

Q. Overhead expenses 4·4, net profit 4·2, and then you say that on each loaf of bread you make ·43 of a cent?—A. Yes, not quite half a cent. That was for the four months. Now take the month of May, we have no profit at all.

Q. You cannot stand for that?—A. I just want to tell you that unless you can bring the price of flour down, the people are going to have to pay more for the bread. Here is the copy of the statement we have to furnish the Cost of Living Department, this is for the month of May.

Q. Total cost of flour, ingredients, baking, delivery, management of office, one-twelfth yearly fixed charges, etc., total $19,765. How sold, retail, wholesale, weight of standard loaf in ounces 24, retail price per loaf 11 cents." (Reading from statement). Where is your profit shown there?—A. You can arrive at that. It is very

[Mr. Cecil Morrison.]

close. There is our cost $19,765 in the month of May, and our sales are there. That corresponds within three dollars of our actual sales.

Q. Are all the bakers' prices the same?—A. Yes, practically.

Q. What is Slinn-Shouldis' price?—A. Same price.

Q. As a matter of fact you have made a few cents in the month of May?—A. Forty-five is all I can figure, that is all we made in the month of May. That wrapper takes all our profit.

Q. What does it cost you?—A. Half a cent a loaf.

Q. Why do you not discard it?—A. Cannot do it; I wish we could.

Q. Half a cent a loaf could be saved, and you could give the consumer bread at the same price and give yourself a fair profit?—A. The public demand it.

By Mr. Nesbitt:

Q. Could you not make two prices, one with the wrapper and one without?—A. We would sell so little with the wrapper that it would not pay, and it would be confusing. You have either to rip it off or leave it on.

By Mr. Douglas:

Q. That is your experience?—A. Yes.

Q. You ought to have about 7½ per cent for your bread?—A. We should have. We are faced with another increase in the wages of drivers and our bakers. We faced practically 50 per cent increase in the bakers the first of May, and they did not actually get that 50 per cent increase in money, but they got shorter hours.

Q. What do you pay bakers now?—A. $22 to $30 a week, average about $25.

Q. You were giving them much less than that before?—A. Yes, they worked longer hours before. We have to pay them time and a half for overtime.

Q. Do not your men work all night?—A. No, they work nine hour shifts.

Q. Do you have to pay extra for night work?—A. No.

By Mr. Pringle:

Q. Where is your bakery?—A. In the west end of the city, just outside of Hintonburg.

By Mr. Douglas:

Q. You do business with the grocery stores—what proportion of your business is that?—A. About half, fifty-fifty.

By Mr. Stevens:

Q. What difference in price would a reduction in the price of flour make?—A. A reduction of 90 cents makes half a cent difference.

Q. On a barrel of flour?—A. Yes. We get about 175 or 180 loaves out of a barrel of flour. I figure if we could get ten dollar flour, we would not need to increase the price of bread.

By the Chairman:

Q. And the price to-day is 11 cents?—A. Yes, we could still make a comfortable margin on that basis.

By Mr. Douglas:

Q. Do you buy high grade flour?—A. I use Lake of the Woods.

[Mr. Cecil Morrison.]

By the Chairman:

Q. It is the standard grade?—A. Yes.

Q. How does the standard grade flour compare with the Lake of the Woods Harvest Queen?—A. I think it is not quite so good.

Q. Not quite so good as the Harvest Queen?—A. No.

Q. Could you compare Harvest Queen with Five Roses?—A. Harvest Queen has gone off the market. I was kind of young in the game, and I am not prepared to say whether the yield is the same.

Q. The reason I asked that question was that I have been making a very large quantity of bread and they tell me they can actually get more bread out of standard flour than they can get out of Harvest Queen, and more out of Harvest Queen than they can get out of Five Roses?—A. No, I think you can get more out of Five Roses.

By Mr. Douglas:

Q. There are very few bakers who use a high grade entirely?—A. There were, before the war.

By the Chairman:

Q. What kind would you use, Harvest Queen or Strong Bakers?—A. No. We use practically Harvest Queen all the time. It is a little easier to handle. The other is too strong. That is what the bakers say.

By Mr. Douglas:

Q. The secret of making bread is in putting in all the moisture you can get into it?—A. Well I don't know about that. You cannot get more than the flour will absorb.

By the Chairman:

Q. You say a reduction of ninety cents a barrel will give a reduction of one-half cent a loaf on bread?—A. Yes.

Q. And flour at eleven dollars a barrel makes a net cost—what are you selling bread for now?—A. Eleven cents, it should be twelve.

By Mr. Pringle:

Q. You have just handed me an article from—A. (Interrupting): W. H. Lynn, who is in charge of the Bakery Section of the Food Board.

Q. He said that the cost is 11.153 cents?—A. In Montreal.

By Mr. Stevens:

Q. What do you pay for your flour?—A. Eleven dollars.

Q. Eleven dollars a barrel?—A. Yes.

Q. Delivered to the bakery?—A. No. That is f.o.b. siding, net 30 days. You can get it for ten dollars and ninety cents if you pay spot for it at the siding.

Q. Have you always had these terms?—A. Since the last change in the price of flour.

Q. They used to deliver flour—A. (Interrupting) they always charged you five cents. The Milling Company has this thing down pretty fine. If it goes into the warehouse, they charge you something, and if they draw it out, they charge you so much a bag.

By Mr. Douglas:

Q. Is there any competition in flour?—A. It is very keen.

Q. What do you mean? Do you mean the difference in the price?—A. No.

[Mr. Cecil Morrison.]

Q. Just the difference of quality?—A. No. When I said that, I meant they are all after your business.

Q. The price is the same?—A. Yes, the price is the same.

Q. That did not always apply, before the fixing of the prices?—A. No. They were not so tight before.

By Mr. Stevens:

Q. You pay eleven dollars, net thirty days?—A. Yes, f.o.b. siding.

Q. Now can you remember the terms you paid say two years ago, or a year and a half ago?—A. Mr. Shouldis, can you tell us that?

Mr. A. H. SHOULDIS: They sold it at so much a barrel.

Mr. MORRISON: How was that done? How did they use to sell flour before the Food Board took it over.

Mr. SHOULDIS: They sold it at so much a barrel and you got so much discount. If you paid before the tenth of the month, you got one per cent off.

Mr. MORRISON: Now you have to pay it in seven days.

Mr. SHOULDIS: Yes, if you want anything off.

By Mr. Stevens:

Q. Did they deliver it to you?—A. No, they always charged five cents a bag.

Mr. SHOULDIS: For delivery there was always a little charge, sometimes two and a half, sometimes five and it has been as high as seven and eight.

By Mr. Stevens:

Q. What are they charging you now?—A. Five cents a bag; ten cents a barrel. That is not much more than cost now.

By Mr. Sutherland:

Q. Do you have much difficulty in getting a loaf of a pound and a half? Is it not liable to weigh a little more or a little less?—A. No, we have machines that cut it off.

Q. Then does this wrapper not enable you to retain the size of the loaf? Does it not prevent evaporation?—A. I don't know. Some people claim they can get a little off. I never could do it.

Q. That wrapper on there tends to prevent evaporation?—A. You should let your loaf get cold before you wrap it. I think you ought to leave it five or six hours before you put the wrappers on.

By Mr. Douglas:

Q. What is the weight of that loaf (indicating)?—A. Twenty-four ounces, sir.

Mr. NESBITT: It looks all right.

Mr. MORRISON: Yes, and it tastes all right.

The witness discharged.

Mr. ALBERT H. SHOULDIS, called, sworn and examined.

By Mr. Pringle:

Q. I take it, that probably you turn out more bread than any other baker in Ottawa?—A. No, I am one of the small ones.

Q. I thought you were one of the large ones?—A. No.

[Mr. Cecil Morrison.]

Q. Who are the large ones?—A. The Slinn-Shouldis Company. I think there was a mistake made, I think you intended to have my brother here.

Q. Your brother's firm is the largest baker in Ottawa?—A. Yes.

Q. Beyond question?—A. Yes, sir.

Q. I thought you were a member of the firm?—A. They do five or six times the business that I do.

Q. You have heard the evidence given by the previous witness. What have you got to say in regard to it? Do you think there is any margin of profit to the bakers with flour at its present price, on the prices you are selling to the public?—A. We are a little behind in our books, but the last month we finished up we were six hundred dollars behind.

Q. What is your output?—A. Well, we have about eighteen hundred double loaves a night. That would be about thirty-six—of course some are half of that size. It would average about thirty-six—

Q. (Interrupting): Thousand a month?—A. About thirty-six—

By the Chairman:

Q. (Interrupting): Hundred a day?—A. No. It would be about three thousand and something of the pieces in a day. Our last month, May's flour, was nine hundred and eighty-six bags, I think that is what we used.

By Mr. Pringle:

Q. So the last month you really ran behind?—A. Yes, I have run behind for the last year. I have not paid any Income Tax for the last two years, due to others either keeping the price down or allowing it to come down, and they don't want any War Tax, or excess Profit Tax, and they say they would sooner give it to the people.

Mr. Douglas: That is a very good plan.

Mr. Shouldis: It is for them. Only some of us——

By Mr. Pringle:

Q. You can't afford it?—A. We cannot afford it.

By Mr. Nesbitt:

Q. Are you money out of pocket?—A. The business will have to close if we don't stop running behind.

Q. You are depreciating your assets?—A. Yes.

Q. Do you charge the business a sufficient amount for your own earnings to make that up?—A. I take a personal earning. I take thirty dollars a week, or thirty-two dollars, something like that.

By the Chairman:

Q. That is all the salary you take?—A. Yes, and if it is not enough I have to go back and charge something up to the firm. All I get out of it is twenty-two or twenty-four hundred dollars a year.

Q. You are actually going behind?—A. I am actually going behind these last two years. In last May we are out six hundred dollars.

By Mr. Douglas:

Q. Is it since the price of wheat was fixed that you have gone behind?—A. Practically.

Q. Prior to that you could make good buys in flour and keep your business going?—A. Yes; between three and four years ago if the war had not come along. I had

[Mr. A. H. Shouldis.]

just practically a year's flour bought. I bought it at eight and nine dollars while they were selling it at sixteen. This did me for a short time.

Q. Did you get deliveries?—A. Yes.

Q. So you made out all right that year?—A. Yes, only we kept the price down.

Q. You did not take advantage of the advance?—A. I was not by nature a Good Samaritan, but I was made one by others keeping down with me.

By the Chairman:

Q. How much flour do you handle as a rule?—A. In the cooler weather we carry perhaps a car or two cars, and so on. We can run a couple of cars in, but in warm weather we do not like to have so much in.

By Mr. Douglas:

Q. When you spoke about a year's supply of flour, you are speaking of delivery at so much per month?—A. Sometimes it might run a month or two over.

Q. You could finance that on a warehouse receipt with the bank?—A. Surely. We could carry it ourselves, and until this f.o.b. on track, we never bothered with any warehouse receipts. That is the first time I was ever up against it. We got two or three cars, f.o.b. on track, and we had to go to the bank and have it handled there.

Q. From the viewpoint of the consumer, what would be your judgment as to the fixing of the price of wheat?—A. I think it is wrong.

Q. From the viewpoint of the consumer?—A. Yes.

Q. Why?—A. Wheat on the open market is cheaper, and when it is cheaper there is some competition, but when you fix the price of wheat, why—you see, as soon as you put the price on wheat, flour went up five cents a barrel right away, as soon as you fixed it first. When we bought wheat in the elevators, to cover that, you paid five cents more than it was previously. That is my judgment.

By Mr. Nesbitt:

Q. Five cents a barrel?—A. Yes.

Mr. Nesbitt: It went up more than that.

The Chairman: I don't like to correct the witness, but——

Mr. Shouldis: Correct me if I am wrong, certainly. I am only speaking from memory.

Q. The facts of the flour situation was this (and I am speaking from business experiences, that the wheat price had gone higher than two dollars and twenty-six cents,—there was a time just prior to the fixing of the wheat prices, when flour had gone as high as thirteen dollars and sixty-five cents, I think, f.o.b. Fort William, and that was due to the rapid jump up in price of wheat. When wheat was fixed, it was really fixed down, and it stabilized the price?—A. What I had reference to was the first wheat they bought for the British Government.

Mr. Nesbitt: Yes, they bought thirty-five million bushels.

Mr. Shouldis: Yes, and it jumped up five cents. I had to pay more for flour immediately afterwards. I was getting it at eight, and the next barrel was at nine.

I am very sorry I have no more information, but I generally leave these things to my book-keeper, and he is behind. I was trying to figure up a few things, but when I was in the middle of it I had to stop.

Witness discharged.

Committee adjourned.

OTTAWA, Thursday June 26, 1919.

The Special Committee appointed to inquire into the cost of foodstuffs and other necessaries of living met in Room 318, at three o'clock p.m., the Chairman, Mr. G. B. Nicholson, presiding.

Members present.—Messieurs Davidson, Davis, Douglas (Strathcona), Euler, Fielding (Hon.), Hocken, Nesbitt, Nicholson (Chairman), Reid (Mackenzie), Sinclair (Queens, P.E.I.), Vien.

Mr. ERNEST LETELLLIER called, sworn and examined.

By Mr. Pringle:

Q. Are you a shoe dealer in the city of Ottawa?—A. Yes, sir.

Q. Where is your store?—A. 36 Rideau street.

Q. You are one of the largest retail dealers in the city?—A. Not one of the largest, but doing a fair business.

Q. What class of boots and shoes do you handle?—A. High class shoes.

Q. Men's and women's?—A. Men's, women's and children's.

Q. What make of shoes do you handle?—A. Hart's, E. T. Wright's of St. Thomas, and J. & T. Bell.

Q. Ames, Holden's?—A. No. J. & T. Bell's especially.

Q. Bell and Wright make a higher grade of shoes, do they?—A. Yes, a higher grade of shoes, and for our trade we need that.

Q. Do you handle men's G.M., C.F., Blu., Bal. Goodyears?—A. Yes.

Q. I have got before me a list on the prices which I took from the Shoe and Leather Journal. This statement shows the wholesale price is five dollars and seventy-five cents to-day for this shoe, and the retail price is eight dollars. What would you say as to a high grade shoe of that character?—A. We would sell that shoe at about eight dollars and twenty-five cents.

Q. Can you buy that shoe to-day for five dollars and seventy-five cents?—A. No, not at the prices we paid three months ago. We could not buy it at five dollars and seventy-five cents.

Q. What would be the price to-day of that shoe?—A. It would be sold to us at about six dollars and a half.

Q. What would you sell that shoe for?—A. We would pay six dollars and a half for it, and we would get nine dollars and a half.

Q. That is, you would want a profit of three dollars on that shoe?—A. Yes.

Q. That is you would make fifty per cent on the cost price.—A. It would be about thirty-three per cent.

By Mr. Douglas:

Q. You get fifty per cent profit on the cost price which would be thirty-three and a third per cent less than the selling price?—A. Yes.

By Mr. Pringle:

Q. You say you charge nine dollars and a half for that shoe. That is not quite fifty per cent.—A. No, when it comes to nine dollars and seventy-five cents or nine dollars and a quarter we charge ten dollars or nine dollars to make a straight price. If

[Mr. E. Letellier.]

it comes to ten dollars and a quarter, after adding fifty per cent to the cost price for our retail price, we would sell at ten dollars, and make it a popular price.

Q. As I make it you would be adding about forty per cent?—A. About that. It depends on the line. It runs from twenty-five per cent on children's shoes up. On staple lines the profit isn't so much. We need fifty per cent on other lines. It averages about forty per cent.

Q. You say you figure to have your average profit about forty per cent?—A. Yes, sir.

Q. And out of that forty per cent you have to take care of all overhead expenses?—A. Yes.

Q. Can you give an idea of the volume of business during the last year?—A. Yes.

By Mr. Douglas:

Q. Did you bring any invoices with you?—A. No, but I have this book which shows an inventory since we started business in 1914. The capital we had then is shown, and the capital we have to-day. That is what we give to the bank.

Q. You have nothing to show the invoice price of the goods?—A. No.

Q. You have this in your store?—A. Oh, yes. Last year we made fifty-one thousand eight hundred and two dollars. That is what we sold.

By Mr. Pringle:

Q. That includes the cost of your goods?—A. That is the total turnover. The net profit on that was two thousand six hundred and nineteen dollars. The expenses were ten thousand eight hundred and fifty-two dollars. We made a net profit of five per cent on the total amount of the business.

Q. The percentage of expenses would be a little over twenty per cent?—A. Practically twenty per cent. Our capital in 1917 was sixteen thousand dollars, and the surplus on the year 1918 was nineteen thousand five hundred and seventy-seven dollars.

Q. Is that in addition to the capital?—A. No, that includes it.

By Mr. Douglas:

Q. That is not capital?—A. No, that is investment.

By Mr. Pringle:

Q. They have a surplus of three thousand seven hundred and fifty-seven dollars?—A. Yes.

By Mr. Nesbitt:

Q. You had nineteen thousand dollar investment, and you made two thousand six hundred and nineteen dollars?—A. Yes.

By Mr. Pringle:

Q. You had an investment of nineteen thousand five hundred and seventy-seven dollars, and on that you made twenty six hundred and nineteen dollars?—A. Yes.

By Mr. Douglas:

Q. Are you in a partnership business?—A. Yes.

Q. Where do you do business?—A. 36 Rideau.

By Mr. Pringle:

Q. What rent do you pay?—A. Twenty-four hundred dollars a year.

Mr. PRINGLE: And your total expenses were ten thousand eight hundred and fifty-two dollars.

[Mr. E. Letellier.]

APPENDIX No. 7

By Mr. Douglas:

Q. Can you give us roughly what makes up that ten thousand eight hundred and fifty-two dollars? First, rent, twenty-four hundred dollars?—A. Yes.

Q. How many people do you keep?—A. Six clerks, two partners and four clerks.

Q. What do you draw for yourselves?—A. This year twenty-four hundred dollars for each.

Q. That would be forty-eight hundred dollars for yourselves? What do you pay your men?—A. We have one at eighteen dollars a week.

Q. That would be nine hundred and fifty dollars.—A. I have another one at twenty dollars a week, and two girls at ten dollars each.

By Mr. Pringle:

Q. Who are the partners? Are they two brothers?—A. No, my brother-in-law and myself.

Q. You each draw twenty-four hundred dollars, and that is deducted before you draw the net profit?—A. That is our salary.

By Mr. Nesbitt:

Q. These people do a turnover of fifty-one thousand eight hundred and two dollars? —A. We started in business in 1914, and we had a twenty-seven thousand turnover then. Our capital was eight thousand dollars when we started.

By Mr. Douglas:

Q. Is that what you started out with? Was there any cash in that?—A. We bought stock and we sold that stock, and we got inventories on them. We cleaned out that.

Q. You had really eight thousand dollars cash when you started?—A. Yes.

Q. When you spoke of the surplus you meant the actual money you invested, and the amount of the stock provided it was worth a hundred cents on the dollar?—A. Yes.

By the Chairman:

Q. Are you putting the profits in the business?—A. Yes.

By Mr. Douglas:

Q. What ratio of percentage of profit did you put on your goods. Take an ordinary workingman's shoe, for instance?—A. We do not carry any working shoes. All are welt shoes.

Q. What is the cheapest welt shoe you can buy?—A. In the fall it is four dollars and eighty cents.

Q. What you bought at that price then, is it delivered yet?—A. No. We bought for last spring delivery at four dollars and twenty cents. That will be sold this year at six dollars and a half.

Q. You know exactly that it cost you four dollars and twenty cents. Have you any regular profit?

Mr. PRINGLE: He has told us he has a profit of from forty to fifty per cent.

By Mr. Douglas:

Q. What would you get for that four dollar and twenty cent shoe?—A. If you put fifty per cent on it, that would be an addition of two dollars and ten cents, or six dollars and thirty cents. We would not sell it at that price, but we would either make it six dollars or six dollars and a half.

Q. The chances are that you will say six dollars and a half?—A. If it is a staple line, we will sell it for six dollars.

Q. But your usual rate of profit is fifty per cent?—A. Yes.

[Mr. E. Letellier.]

Q. Do you put more than that on some of the shoes in your store?—A. It all depends, sometimes there is a shoe with a coloured top you can get seventy-five per cent profit on it. It all depends on whether we are buying shoes with light tops. We might sell six a pair, and then let the balance go at five dollars.

Q. You have certain lines of shoes which are worth more. Have you any stated method of marking that shoe. Take a fancy upper shoe. Would you put one hundred per cent on that?—A. Oh no. Other people are selling the shoe. We buy from the same factory. From the J. & T. Bell Company, from the Hart people, from E. T. Wright and others. All the people in the shoe business buy the same lines. We will not sell for eleven dollars when other people get ten dollars.

Q. What is the cheapest shoe you can buy from the Hart Shoe Company?—A. To-day their shoes are nine dollars and thirty cents wholesale. That was the price I paid two weeks ago. We have paid eight dollars and thirty cents for many of their shoes we have in stock, and we bought that shoe for spring delivery at seven dollars and ninety cents. We are selling at eleven dollars.

Q. That is eight dollars, practically. You do not make fifty per cent on that shoe?—A. that is a staple line. We have another line in the tan tops for which we get twelve dollars. We cannot buy that shoe to-day at nine dollars and eighty-five cents. If we repeat an order for that shoe we would have to sell the shoes for higher than we do. The shoes we sell at that price we do not mark.

Q. You never mark up after you put the price on?—A. We sell at the price on the box. When new shoes come in we have to get more money.

Q. What was your spring price on the Wright shoe?—A. It was six dollars and seventy-five cents.

Q. What did you get?—A. Eleven dollars.

Q. You get a good profit on the Wright shoe?—A. On some lines. We have a profit on the box. If it costs six dollars and seventy-five cents we sell at eleven dollars. That is practically fifty per cent.

Q. You do not take that into account when you sell it.—A. We look at the price on the box. If it costs six dollars and seventy-five cents we sell at eleven dollars. That is practically fifty per cent.

By Mr. Nesbitt:

Q. That is more than fifty per cent. It is about sixty per cent.—A. We have shoes from six dollars and seventy-five cents to seven dollars and twenty-five cents. We sell them all at eleven dollars a pair.

Q. This Wright shoe ranges from six dollars and seventy-five cents to seven dollars and twenty-five cents?—A. Yes, we get eleven dollars for all their shoes. There are some we sell at ten dollars a pair. We sold their shoes five months ago at ten dollars. Then the price went up.

Q. You make over sixty per cent on shoes you buy from the Wrights'.—A. Not all the shoes.

Q. You might not in all cases, but you make an average of nearly sixty per cent.—A. There are black shoes we sell at nine dollars and a half. They cost us six dollars and a half.

By Mr. Douglas:

Q. You sell as low as nine dollars and a half?—A. On some shoes we do. The black shoes from Wright would be cheaper than the tan.

By Mr. Euler:

Q. You say that you won't sell at eleven dollars when other retail stores sell for ten dollars. How do you know that they are selling for ten dollars? Do you fix the

[Mr. E. Letellier.]

price?—A. No., We fix our retail price at about fifty per cent over what the boots cost us.

Q. All these stores buy the same line of shoes? Do you mean that you fix the price at a certain figure and other shoe stores at a higher figure?—A. If we buy a shoe for six dollars and seventy-five cents and sell at eleven dollars, and find out that another man is selling at ten dollars, and a man comes in and tells us this, if he is a good customer, we might cut one dollar off that shoe.

By Mr. Pringle:

Q. Have you an understanding in the trade to fix the price?—A. No, not at all.

Q. You govern your prices according to the charge by Mr. Masson, Gale and other shoe men?—A. We do not govern our prices by them at all.

Q. You see if the customer will stand fifty per cent? If he will, all right. If he stands sixty per cent, all right.—A. We won't charge him more than eleven dollars.

Q. You don't go much over sixty per cent?—A. You can see by the figures that we make that it could not be anything more than fifty per cent.

Q. Your turnover for the expenses is not very large. Here you have a turnover of fifty-one thousand eight hundred and two dollars, and in order to get that you pay out ten thousand eight hundred and fifty-two dollars.

The CHAIRMAN: That is 20.94 per cent.

By Mr. Pringle:

Q. That is a small turnover for that cost.—A. We have not been in business very long.

Q. You are not doing very badly. You are able to draw twenty-four hundred dollars for yourself. Your brother-in-law can draw that also. You are able to pay your rent and all your salaries, and to put away twenty-six hundred and nineteen dollars, and tack that on to surplus. Your reserve increased by the amount of twenty-six hundred and nineteen dollars during last year?—A. Yes.

Q. That isn't bad.—A. Supposing we wanted to sell our store, we could not get one hundred per cent on our goods.

Q. I don't know about that. If what witnesses tell us is true it seems that prices are going up. I think you could get one hundred cents on the dollar on the stock put in your store.—A. There is a lot of the stock we would give at fifty per cent. We cannot sell it at the cost it was to us three years ago. Everything is taken on the cost in the inventory.

By the Chairman:

Q. In taking the inventory annually, don't you ever put it below cost?—A. We put it at exactly what is marked on the boxes. If four dollars and a half is marked on the box we put it at that.

Mr. NESBITT: Why does he find it necessary to keep six people to do this business?

By Mr. Pringle:

Q. Why is it necessary to have six people?—A. If people would wait for us, we could do the business with less help. Where we are we have the strangest trade. We are next to the Stewart Furniture store. We will be an hour waiting for customers, and then they all come in at once. If we cannot serve them they go out as fast as they come in, and so we have to be there to serve them, or we would not make a turnover of fifty-two thousand dollars.

Q. You cannot let anybody escape.—A. No.

Q. If you can make sixty per cent profit on any chap, don't let him go?—A. Sometimes we only get twenty five per cent.

[Mr. E. Letellier.]

By Mr. Euler:

Q. Take another of these lines. Take an advertised shoe. Does the manufacturer make an effort to have the retailer sell at a fixed retail price?—A. No, that is left entirely to the retailer.

Q. None of the manufacturers stamp a retail shoe like the Douglas people do with their product?—A. They used to do it. The Slaters' did it once.

By Mr. Douglas:

Q. They are all afraid to do it now?—A. Yes. We have shoes stamped at six dollars which would cost us eight dollars and ninety cents now. We bought at four dollars and fifteen cents. That is Dr. Reid's cushion sole from J. & T. Bell. His place is in Montreal on Inspector street.

By Mr. Pringle:

Q. I think you are doing pretty well. You are getting along all right.—A. I don't think we have done anything wrong.

By Mr. Douglas:

Q. What about the rent? Twenty-four hundred dollars seems high. How large is your shop.—A. It is ninety feet deep.

Q. What is the frontage?—A. It has a twenty-foot frontage.

Q. How many floors?—A. One floor.

Q. Two hundred dollars a month you pay?—A. Yes.

Q. Do you get the heating?—A. I heat it myself.

Q. Taxes?—A. I pay one hundred and eighteen dollars in business taxes. That is the only tax.

Q. Is that the general rental?—A. Yes.

Q. Over and above that, you provide the fittings and fixtures.—A. Yes.

Q. Shelving?—A. Yes, we took it bare.

Q. That is an awful rent.—A. We figure that we are paying about the cheapest rent around there. Two blocks further down Rideau they are paying the same rent, in a gent's furnishing store. In the corner place three hundred dollars a month for a place something like ours, only smaller. We got our lease for two hundred dollars a month three years ago.

Q. Have you any particular line of shoes that you have an exclusive sale for?—A. We buy the best shoes we can in Canada.

Q. Do you handle American shoes?—A. One line, but not enough to say anything about. We buy the best shoes we can get in Canada, and we consider them just as good as American shoes the way the duty is now. We buy American shoes and pay the duty, and then we cannot sell them at a fair price. Of course, there are some fine shoes which can be sold.

By Mr. Pringle.

Q. I like to hear you speak well of Canadian shoes?—A. We cannot do anything else. We deal in them.

By Mr. Douglas:

Q. What is your ratio of profit on women's shoes?—A. The same profit as on men's.

Q. In other words, you sell them at not more than fifty or sixty per cent profit.—A. No more.

Q. What is the highest priced woman's shoe you have?—A. The highest priced woman's shoe in a coloured kid would cost about eight dollars at the highest price.

[Mr. E. Letellier.]

We bought one pair which cost us twelve dollars, but we only bought one lot of those. But for those shoes for which we paid eight dollars a pair we get twelve dollars.

Q. Have you sixteen dollar shoes?—A. We have one line at eighteen dollars. It cost us twelve dollars and sixty-five cents. We bought it from Kelly, Rochester. We only ordered one lot.

By Mr. Pringle:

Q. Is one of your troubles that customers want the very highest priced shoes?—A. They want good shoes. There are a lot of them want better shoes than we have. We cannot handle them, and we send them up town if they want anything better. They carry American shoes more than we do.

Q. Do you meet many people who find your shoes are not dear enough for them?—A. There are a lot of them who say our shoes are very cheap.

Q. You pass them further up Sparks street?—A. Yes. A lot of them go up there, but a lot of them come down as well. Those that come down make up for those who go up.

By Mr. Euler:

Q. Is it a matter of wanting something higher in price? Would not those people take your shoes if you were to ask a higher price?—A. When a woman wants something—you know. If we have what they want they will pay any price for it.

Q. Has the price anything to do with what they choose? If you have an eighteen dollar shoe and you quote it at eight or nine dollars, would she take it?—A. No.

By Mr. Douglas:

Q. Why don't you mark your twelve dollar shoes up to sixteen dollars?—A. We are getting twelve dollars for it and could not get sixteen. We might sell a few pair for that.

By Mr. Pringle:

Q. You don't want more than sixty per cent out of your customers?—A. We do not want to take more than is fair. We figure business on that, and we are satisfied when we get that. Sometimes we get less, sometimes we get more. We are new in the business.

Q. I like your idea of keeping a large staff so that none will get out once they come in.—A. If you serve people well, they will come back.

Witness discharged.

Mr. Robert Masson, called, sworn and examined.

By Mr. Pringle:

Q. Mr. Masson, you have been in the shoe business in Ottawa for quite a few years?—A. Thirty-four years.

Q. And your establishment is situated on Sparks street?—A. Yes.

Q. A very central portion of Sparks street, between Elgin and Metcalf?—A. Yes.

Q. On the south side of the street?—A. Yes.

Q. You carry, I should say, possibly the largest stock in the city of Ottawa?—A. Yes.

Q. Could you give us an idea of just how much stock you carry?—A. I carry around thirty-five or thirty-six thousand dollars worth. It naturally varies.

Q. You deal in men's, ladies', and children's shoes?—A. Yes.

[Mr. E. Letellier.]

Q. You deal in high grade, medium——A. (Interrupting): No staples, principally in high grades. The best shoes I can buy.

Q. You do not handle a great many of the lower grades at all?—A. No.

Q. Nor the staples? You do not handle many staples?—A. No. No MacKays or anything like that.

Q. Have you any system in your business in regard to percentage of profit on the shoes?—A. No. I buy the shoes at their value. I go on values all together.

Q. You buy entirely on values altogether?—A. Yes.

Q. Have you no fixed percentage? For instance, if you get a shoe that costs you five dollars, do you add twenty-five per cent?—A. There is no special twenty-five per cent. We might put on forty or forty-five or fifty per cent. Some shoes are worth a great deal more than others, even costing us the same money.

Q. You have fixed your profits in that way?—A. No, not exactly. We might vary four, five or six per cent of the cost of the shoes.

Q. But your profits run from thirty to fifty per cent?—A. Yes, possibly a little more than that. Especially in the highest grade of shoes for which we have a special call.

By Mr. Nesbitt:

Q. What do you mean by "Special"?—A. You might have a little joint on your foot and not be able to get a shoe to fit it, and we would sell you a shoe that would fit that joint. That would be a special shoe.

By Mr. Reid:

Q. In other words you mean a bunion?—A. A bunion, yes. I did not want to use that word, I said a joint.

By Mr. Pringle:

Q. Have your percentages of profits been increasing during the last three or four years, or are they practically the same as you have had for ——A. (Interrupting): I think they are practically the same, but now the shoes cost very much more.

Q. I quite appreciate that. What I want to get at is the percentage of profit. Has that been running in the same way for the last eight or ten years?—A. I think it has been running about the same ever since I started.

Q. You have not increased the percentage of profit?—A. Oh, yes.

Q. You have increased the selling price of your shoes, because they cost a great deal more?—A. Yes.

Q. What has been the advance in the factory cost of shoes during the past two or three years, roughly speaking?—A. Well, I should judge about three years ago you paid six dollars for a shoe and that shoe would cost to-day anywhere from nine to ten dollars. I have not made any note of that at all, nor never studied it at all, in any way or form, so I cannot speak positively.

Q. So the advance has been around fifty per cent?—A. Yes the advance has been about fifty per cent.

Q. And is this increasing or do you see any signs of a decrease in the cost?—A. I think, when we go to the market next September, we will be knocked silly, with the high prices, they will be so much higher than they are to-day.

Q. I suppose you follow the condition pertaining to your business very closely?—A. I watch it very closely. I go to the market, and I go to the American market, and I make a study of it, and I speak with men who have authority.

Q. Will you please glance over this schedule on page three, of the Shoe and Leather Journal, dated June sixteenth, nineteen hundred and nineteen, and say if that schedule for prices for nineteen hundred and fourteen and nineteen hundred and

[Mr. Robt. Masson.]

nineteen is fairly correct?—A. Well, I think it is a little high. I think that "three dollars" and "five seventy-five" is pssibly a little high.

Q. Let us see what you are referring to?—A. This one here (indicating). There is a Blucher and a Goodyear Welt. It is a long time since I have bought a shoe at as low a price as that, and these prices may be right, but I think they are a little excessive in nineteen hundred and nineteen.

Q. Don't you think that the wholesale price of that shoe in nineteen hundred and nineteen is five dollars and seventy-five cents?—A. I could tell better if I had the two shoes to compare. Really, with figures like that, it is pretty hard to get it right. I do not know the man who manufactures that shoe, nor I do not know the shoe. You might have, say, four manufacturers all making a five dollar shoe and one of those shoes would be worth fifty cents more than the others.

Q. I see here for Men's Tan C.F. Blu. Bal. Goodyear shoe the price in nineteen hundred and fourteen, was three dollars and thirty-five cents while the wholesale price to-day would be six dollars and fifteen cents. What would you say about that?—A. That is practically a hundred per cent?

Q. It is practically a hundred per cent?—A. That is in five years?

Q. Yes.—A. Well, I will have to say the same thing as I said before in regard to this other.

Q. This says the shoes have advanced all along the line, anywhere from seventy-five to a hundred per cent.—A. Yes.

Q. You don't think there has been quite that advance?—A. Really, I don't think so, just off hand. I have not looked into it that closely. We have to deal with each day as we find it, and there is no use in going back and saying what it was three years ago. We have to deal with it from day to day.

Q. What have you to say as to what this paper says about the advances?—A. They might be absolutely correct, but I think they are perhaps a little high.

Q. You sell a high class American shoe as well as a high class Canadian shoe?—A. Yes.

Q. You have to ask a higher price for the American shoe than for the Canadian?—A. No, sir.

Q. Then you buy your American shoe just as cheaply as you do your Canadian shoe?—A. No, not exactly. You see there is something that the public don't generally know or realize about manufactured shoes in Canada. There is a duty on unmanufactured leather, that has to be figured on in Canada. The public don't generally think that. It is not as great as the manufactured shoe, but it is great enough to make considerable difference.

A few years ago there was a time when we could get better shoes made in the United States, pay the duty, bring them in, and sell them as cheaply as we could sell the same grade of shoe made in Canada. To-day, the Canadians have improved so much that we can practically buy in Canada, shoes (with the exception of some very high-grade stuff) that are equally as good as any shoes made in the United States. I think to-day, the seven dollar shoe in Canada is a better shoe than the five dollar shoe in the States, or the five dollars and a half shoe in the States, which would bring it down here at about the same money.

Q. You think there is a better value in a Canadian shoe at seven dollars, than in an American shoe at five fifty?—A. Yes.

By Mr. Douglas:

Q. What do you say as to the value of a Canadian seven dollar shoe, as against an American six fifty shoe?—A. That is another thing. It depends on the manufacturer. Do you know, gentlemen, it is astonishing the difference in the manufacturers. Some of them are absolutely conscientious, and put in the very best material they can. I have run across manufacturers who did not do that, and we avoid them. We can open a shoe up and find out all that is in it. The salesmen sell us the shoes and very often they don't know themselves exactly what material is in that shoe. I would just as soon take a seven-fifty shoe or an eight dollar shoe (we will take the eight dollar shoe for instance) made in Canada, because there is a continual change in the scale all the time, I would just as soon take that as the six-fifty shoe made in the States, that would cost to-day (let me see, the seven per cent is off) somewhere around eight dollars and fifty cents laid down.

By Mr. Pringle:

Q. You prefer the seven-fifty Canadian——A. (Interrupting) To the eight-fifty American shoe.

Q. Do you find many of your customers want the expensive Canadian shoes?—A. Yes, we have a few who are willing to pay as high as eighteen dollars.

Q. That is more particularly for ladies' shoes?—A. No. Both men's and ladies'. We get more for men's shoes than we do for ladies'.

By Mr. Reid:

Q. What grade of shoe is sold for eighteen dollars?—A. The A. E. Nettleton & Company, Syracuse, they are considered the highest grade maker of shoes in the country.

By Mr. Douglas:

Q. You find a demand for them in spite of the duty?—A. Yes, in spite of the duty we found a certain demand for the Nettleton shoe.

By Mr. Pringle:

Q. I suppose you have customers who have been wearing the Nettleton shoe for years and they want it, and are willing to pay the price?—A. Yes.

By Mr. Reid:

Q. (Exhibiting his own boot): What about this shoe here. Do you sell that?—A. You will have to take it off to let me see the number and the lining. They all look alike to me. They are like the old fashioned coon-song says. There (indicating his own boot), is a better boot than yours. Why, you have a Nettleton shoe. This is an F.H. width. I believe that is one of my shoes.

Q. Yes?—A. You will have to plead guilty to buying in a good store and buying a good shoe.

By Mr. Reid:

Q. I wanted to find out what you were selling that shoe for?—A. It is eighteen dollars to-day.

Q. What would it have been a year ago?—A. A year ago it was sixteen dollars.

Q. What does that cost you?—A. Fourteen dollars.

Q. What did it cost you a year ago?—A. A year ago, it would have cost me a couple of dollars less.

By Hon. Mr. Fielding:

Q. What are the features which account for the large difference which go to make up the higher prices?—A. In a shoe?

Q. Yes?—A. It is the same way in hats, take a Stetson hat or any of the other high grade hats, these firms have got a good reputation.

Q. In your shoes are you paying for the reputation or paying for the leather?—A. No. I will tell you a little statement that Mr. Nettleton said to me once. I have never met the gentleman but once, but I know he is a splendid fine man, and he told me, he

[Mr. Robt. Masson.]

said: "Mr. Masson, when you sell a Nettleton shoe, you can absolutely guarantee that it is the best that money can buy. The very best is in that shoe, as to leather, silk, threads, and everything else, and linings, and the cost of making the shoe generally, is the best that money can buy; after that you can guarantee the shoe."

Q. Would you be able to make that statement about the Canadian shoe?—A. I suppose if I asked the manufacturers they would tell us the same thing, but it is a fact that Mr. Nettleton made that statement to me.

Q. Would you pay for the reputation or for the material that is in that shoe?—A. We are buying and paying for absolutely the best they can produce, but the thing is this, if you go into a store and want a Nettleton shoe, I have to give it to you. I keep it because the public wants it. Naturally we are in business to do all the business we can and to oblige the public, and I think that service and efficiency is worth something a little over the ordinary staple article.

Q. The eighteen dollars is not "A little over"?—A. Over fourteen dollars.

Q. I am not speaking of your profits. I am speaking of the grade of shoes that people use which you sell and the ones at less money?—A. I honestly think that when a manufacturer in Canada is selling a shoe to retail for fifteen dollars he will tell you his shoe is not as good as the Nettleton shoe, selling for eighteen.

By Mr. Douglas:

Q. It is not as good?—A. No.

By Mr. Nesbitt:

Q. Years ago, Mr. Masson, there were a couple of men in Toronto, by the name of Robinson and Dack, who made a specialty of making a man's shoe. Many people came from New York and Buffalo and had their shoes made at Dack's or Robinson's, to my certain knowledge. Has that trade passed out of Canada?—A. You are speaking now of a custom made shoe. That is entirely different from a Goodyear Welt. Dack is the maker of a very high grade custom shoe. I doubt if any are made which are any better. But, I think to-day you will pay up to eighteen dollars for them.

Q. They were fourteen dollars last fall?—A. I think you will get a Goodyear Welt in them. Dack is a good maker. You can bank on him. I never had the pleasure of meeting the gentleman, but his reputation is good enough for me.

Q. What does this shoe cost you that you are selling for eighteen dollars?—A. Fourteen dollars.

By Mr. Pringle:

Q. You do not get as good a profit on other lines?—A. No.

By Mr. Douglas:

Q. But does it cost you that when you mark them at eighteen dollars?—A. Yes. You must understand the shoe business is different than many other lines of business. We can't buy fifty thousand dollars' worth of shoes to come in the spring, nor fifty thousand dollars' worth to come in the fall. We are buying all the time. The price is changing all the time. Take that shoe of Nettleton's. Since the twenty-eighth of April, they have changed that shoe—the price of that shoe four times.

By Hon. Mr. Fielding:

Q. Always upward?—A. Always upward, and will be going up for the next couple of years, so that I cannot tell you the price of that shoe exactly, but I would say to you now, buy your shoes now at 72 Sparks Street and you will save money.

By Mr. Douglas:

Q. Do you sell Dack's shoes?—A. No. He only sells to the trade.

By Mr. Nesbitt:

Q. He manufacturers to order?—A. Yes.

By Mr. Pringle:

Q. How large is your turnover?—A. I turned over one hundred and nineteen thousand, six hundred and fifty-two dollars last year.

By Mr. Nesbitt:

Q. A hundred and nineteen thousand dollars? What was your investment in the business?—A. I have——

Q. (Interrupting): Thirty-six thousand dollars stock? I have got that.—A. I have done considerable speculating outside. I am what you call "Land Poor." I keep all my business right there; I don't hide anything. Everything is in my own name, all my losses go into the thing, and it is pretty hard to pick it out.

Q. We don't want your speculations, we are all land poor?—A. My figures are all mixed in there as one business.

Q. You carry a stock on an average of $36,000?—A. Yes.

Q. Do you own the building?—A. No, sir, Devlin & Company.

By Mr. Pringle:

Q. You pay a substantial rent?—A. $5,500. That has increased in thirty years from $1,650.

By Mr. Nesbitt:

Q. What are your costs?—A. It costs me about 23 to 25 per cent.

By Mr. Pringle:

Q. What do you think your average gross profits would be on your sales, 50 per cent?—A. No, 36 and 40 per cent I think.

Q. That is on your turnover of $120,000?—A. We generally figure on about one-third.

By Mr. Nesbitt:

Q. That includes rent?—A. I put in everything that pertains to my business in the expenses.

Q. What was your net profit?—A. I made $8,950.

Q. You keep a number of employees?—A. About twelve.

By Mr. Pringle:

Q. You have a better chance of keeping them than Letellier?—A. If you want to give good service you have to have clerks to attend to the public.

Q. On busy nights people do not want to hang around the shop, and you have to have the necessary employees to serve?—A. I have a good business and I try to keep it, and if we can give the public the benefit we save on advertising.

Q. Do you know much about the trade generally in Ottawa?—A. I cannot say that I do. I think they are all like myself, struggling to make a living.

Q. Do you think there is keen competition among the trade, or is there a sort or tacit understanding in regard to prices?—A. There is nothing in any shape or form of an understanding; that is, so far as I know, and I think the others can bear that out. We have a little association that, I think, two or three people attend. I have attended it once, and they may have a talk, but we never figure a price. We buy from the manufacturers, and each man pays his price, and any money he makes is on the volume of business.

[Mr. Robt. Masson.]

By Mr. Douglas:

Q. Do you buy many American boots?—A. Not so many. We are not dealing so much with the American people as we did. But when dealing with the American people I used to buy sixty per cent of American shoes. But to-day we do not bother with the American shoe so much.

By Mr. Pringle:

Q. What would be your percentage to-day of American shoes, 45 per cent?—A. I hardly think it would be that much. As I say, at one time, I bought 60 per cent of American shoes. That was in the old days of the 25 per cent duty.

Q. Do you find that our Canadian manufacturers have been improving in the class of shoe that they are turning out?—A. Improving wonderfully.

By Mr. Nesbitt:

Q. Did the war tax have much effect on the importation of American shoes?—A. It did not with me; it might have with some of them. When I saw the fine shoes that people wanted, we still bought quite a few of them, and are buying them yet.

By Mr. Pringle:

Q. In your opinion, your profits are not unreasonable?—A. No. I think the retail man who attends to the public, and attends faithfully, is entitled to all he is getting when you figure out that at the end of every year there are odds and ends in the shoe business. You have to carry from men's four and a halfs to twelves, double widths, and women's double widths, up to size nine. Naturally I feel sorry for the one who wears nines, but we sell from ones to nines, double As. It means that if you are not a careful buyer you will have considerable loss in getting rid of your odds and ends. We have to be on the job all the time.

Q. According to the schedule taken from the Hide and Leather Journal, there seems to have been an advance in the wholesale prices anywhere from 50 to 100 per cent from 1914 to 1919. Has your advance been greater than the advance in the wholesale trade?—A. No, I think they just keep pretty much the same. There are lots of times when there is an advance that we do not touch the price of the shoes in stock at all. We do not watch the market and advance the price of shoes on sale that we bought at the lower price. We do not advance the price until the new shoes come in. Then we clean up the line. It would not do to have the same shoes at different prices.

By Mr. Douglas:

Q. You have been carrying on the same percentage of profits ever since you began business?—A. Practically the same.

Q. You did not increase it during the war?—A. No, we never took any advantage during the war.

By Mr. Nesbitt:

Q. If you increased your business to $200,000 a year how much could you reduce the price to the consumer?—A. I do not think I would try to reduce it any because if I increased it to $200,000 my overhead charges would increase.

Q. Not in proportion?—A. Perhaps not in proportion. We could do a little more business with the same expenses that we have, but not an awful lot more.

By Mr. Douglas:

Q. One of the main secrets of your success is the amount of stock you carry. You turn your stock over three times in the year?—A. I would not say it is all good buying, but good buying is a good thing in business, watching the buying and not having odds and ends. You cannot help having dead stock as a rule.

[Mr. Robt. Masson.]

Q. In carrying $35,000 of stock, do you think you have a capital of more than $35,000 invested?—A. I think possibly I have.

Q. You say it is mixed with speculative enterprise?—A. Yes, sir, lands that I would like to sell just now.

Q. You would not require $35,000 of actual capital to carry a stock of $35,000?—A. Oh, no.

Q. So you are probably over capitalized, so far as your business is concerned?—A. I do not think I am overcapitalized.

Q. Yet you do not know what money you are using in turning over that $119,000?—A. I have not made an account to anybody. I take stock at the end of the year. I am satisfied. I do not go into the details that I would have to go into if I was a company or if I had a partner.

By Mr. Nesbitt:

Q. Yet you have to take stock regularly?—A. Yes, sir.

Q. And bring down a balance?—A. Yes, sir.

Q. So you must have a pretty good idea of how much money you have invested.

By Mr. Reid (Interrupting):

Q. Do you do a strictly cash business?—A. No, a certain amount of credit. We have tried to do a strictly cash business but you cannot always do it.

Q. How did you find the credit business work out, had you losses?—A. There were a few. We know nearly every person who deals with us, and we do not make very many losses.

Witness discharged.

Mr. C. R. TEETZEL, called, sworn and examined.

By Mr. Pringle:

Q. You are the manager of the store which is being operated under the name of Gale & Company?—A. Yes, sir.

Q. You deal in men's, ladies' and children's shoes?—A. Yes, sir.

Q. And the higher grade of shoe?—A. Yes, sir.

Q. Do you carry any of the staple lines, the cheaper grade of men's shoes?—A. The cheapest shoe I have at the present time is $8.

Q. That is the selling price?—A. Yes, $8.

Q. That would be a Canadian shoe?—A. Yes, sir.

Q. What class of shoe would that be?—A. The one is a kid boot and the other is a calf skin boot with a heavy oiled sole and rubber heel.

Q. Whose manufacturer?—A. Ames, Holden and McCready.

Q. What would be the price of that shoe, the wholesale price?—A. $5, $5.04.

Q. And you sell them at $8?—A. Yes, sir.

Q. Practically 60 per cent advance on cost?—A. Yes, sir.

Q. What is your average of percentage of profit on your boots and shoes?—A. From 35 to 60. On ladies' novelty shoes it may run 65. It is not how much you pay for the shoe, but what it is worth, and with novelty shoes you have to clear them out.

Q. If they were left on your shelves you would have difficulty in getting rid of them?—A. Yes, I sold 20 pairs of shoes yesterday at $2 per pair. We put them out cheap.

Q. I suppose on these shoes you had to figure a loss ?—A. Every merchant each year has to figure on a loss on a certain portion of his stock, we have to keep our stock cleaned up.

[Mr. Robt Masson.]

Q. Are you making abnormal profits out of this business?—A. I have my report for last year, and the preceding year.

Q. Let us take 1918, because that is the latest report you have. Cash on hand, $533.90, petty cash, $33.12, making $557.02; accounts receivable $5,474.95, inventories, merchandise, $52,732.86, stationery, $100, furniture and fixtures less depreciation, $5,345.34, that makes a total of $58,178.20—no, that makes a total of $63,020.17. Liabilities, $40,459.88, accounts payable, $44,962, and then there are liabilities in connection with rent, etc., and your profit and loss was $95,189. Do you mean to tell us that is all you made on your business last year?—A. Yes.

Q. Well, now, I do not see your expenses, your store expenses, where is that shown?—A. On the next sheet.

Q. Profit and loss January 31, 1917, balance $3,091.89, January 31, 1919, rent, $5,000, depreciation on fixtures, 10 per cent on $5,939.26, $593.92, making a total of $8,685.81, and you carried forward that balance of $951.89 making $9,637.70; then there are certain credits, discounts on trading accounts, etc. Your sales were $85,595.20, then your disbursements which included advertising, delivery, donations?—A. What years have you there?

Q. 1918?—A. That is last year, yes.

Q. Wages, etc., $77,543.34, gross profit $8,051.86. Now what becomes of that $8,051.86? Your net profit you say is only $900 and something? Out of the gross profits you have to pay bank accommodation, interest, etc.?—A. Yes.

Q. You have no objections to putting this statement in?—A. The Government has that statement now; I have to return that to the Auditor it is his own copy.

Q. You have to return that to the Auditor?—A. Yes.

By Mr. Nesbitt:

Q. Supposing you had to get special shoes, ladies' high shoes, white kid, what would you have to pay for them?—A. I did not buy any last season because they were too high, the price of them was $10 and something in the United States and by the time I paid the duty and got them laid down here, I thought the people would not pay the price.

Q. There would be about 30 per cent duty?—A. 37½ per cent it was; although I think now I could have sold them if I had got them, the ladies' are paying the prices to-day to get a good article.

Q. An article like that what would you have to sell them for?—A. To pay that price for them I would have to get $20 for them, there would be 37½ per cent duty.

Q. And you would have to make a profit?—A. Yes.

By Mr. Pringle:

Q. They would cost you $14 laid down and you would then have to get a profit?—A. Yes.

By Mr. Nesbitt:

Q. Do you have many of these special orders?—A. Yes.

Q. You do not have any particular range or percentage of profit to add on?—A. When there is only one pair ordered the factory charges extra for making a single pair and we have to get a little bit more for a single pair, for instance if the shoes do not fit and your regular price is $15 you may have to keep them for possibly 2 years before you can make a sale of them. It is worth more to get the special shoes made, although we do not invite the trade, but if the people want them we have to get them made for them although we discourage this business all we can.

Q. What do you make on your ordinary shoes that you keep in stock?—A. On my children's shoes I make from 35 to 40 per cent.

Q. What was your cost of doing business last year? (No answer.)

[Mr. C. R. Teetzel.]

By Mr. Douglas:

Q. I see you have nothing shown for rent in this statement.

Mr. PRINGLE: Yes, it is shown there.

By Mr. Douglas:

Q. But it is not in the trading account; as I read this statement you lost money last year?—A. I have never made any money since I have been in the business.

Q. You carried forward $900, and you went up by that $951?—A. We have only been in business a short time and I have been trying to build up the business and hope to make a little money in time.

By Hon. Mr. Fielding:

Q. Of course you have allowed yourself a reasonable charge for your own services, so that what you mean is that you have made a living out of it, plus a small profit? —A. Yes. I am satisfied to get a start, I am a young man, and I hope to make profit out of the business some time.

Q. There is also a Montreal business of the same name?—A. It is George G. Gales down there, but we drop the George G.

Q. There are two separate stores?—A. Yes.

By Mr. Douglas:

Q. It must have cost you 25 to 30 per cent to do that business last year?—A. I think it does cost us that.

Q. Of course as far as the high cost of living is concerned I don't suppose it matters what the Gale Company's shoes cost them?—A. Not necessarily, it is not what you pay for an article, it is the value you get out of it, the satisfaction, it gives you.

By Mr. Pringle:

Q. Wright's shoes are made at St. Thomas, they are an American concern with a branch at St. Thomas and there are also shoes made by Hurley's?—A. I carry some of Hurley's shoes, made at Rockville, Massachusetts.

Q. And you carry some made by Florsham of Chicago?—A. Yes, I carry their shoes.

By Mr. Douglas:

Q. What proportion of your business is Canadian business and what proportion is American?—A. The Canadian business would run about 70 per cent.

Q. There is no possible way in which you can reduce the price according to this statement?—A. No, I cannot reduce the prices very well. As I have told you when I went into the business four years ago it was a losing proposition and I think I have done very well; you see it is difficult when you come into a store a stranger, and unknown, it takes time to get known.

Q. How do you find the volume of trade, is it increasing?—A. It is increasing.

By Mr. Nesbitt:

Q. I think you said $137,000 for two years?

By Mr. Pringle:

Q. How long have you been in the shoe business?—A. I have been in the shoe business 13 years.

Q. What would you say from your knowledge of the shoe business in the city of Ottawa; are the retail prices being charged reasonable under the circumstances?—A. I think they are.

Q. Under the circumstances of to-day?—A. Yes.

Q. Do you keep pretty close tab on the price of your competitors on business, I mean in the high grade shoes?—A. I never run around, to nose around and find what they are selling at or cut my prices with regard to anyone else.

Q. There is no understanding between the trade here as to the fixing of prices?—A. No, sir, none whatever.

Q. Do you see any chance of the price of shoes coming down within a reasonable period?—A. No, sir, shoes are going higher.

Q. Is there any further information you would like to give with regard to this business?—A. I will give you something here (producing invoices), here is a case of shoes I bought last March, No. 79, at $8.10, that was in March from the E. T. Wright Company, just to show what that shoe is worth to-day. This is what I ordered those shoes at in March, they were valued delivered $8.10 and here they are to-day $9.10.

By the Acting Chairman:

Q. There is $1 of a rise?—A. Yes.

By Mr. Pringle:

Q. We had the manager of the E. T. Wright Company here yesterday and he gave us the figures for the increase.

By Hon. Mr. Fielding:

Q. Do you buy from travellers, or buy direct?—A. From travellers, and I take trips myself sometimes when I get short, and buy from the factories.

Q. From the factories or wholesalers?—A. From the factories as a rule. The wholesale houses as a rule do not carry the line of goods we want.

By Mr. Douglas:

Q. You specified certain widths and certain trimmings?—A. Yes.

By Mr. Pringle:

Q. You have your name marked on them?—A. Yes.

By Mr. Douglas:

Q. Do you charge any more for them?—A. No. We are trying to build up our trade, and we carry our shoes in all sizes and widths.

Q. Take that shoe that costs $8.10; will you mark it on the basis of $9.10 when you get it in?—A. No.

Q. It costs you $9.10?—A. Yes.

Q. Have you got that shoe in—the one you bought in March?—A. Yes, I have got them in.

By Mr. Pringle:

Q. You have marked that on the basis of $8.10?—A. No, I sold it at $12.

Q. The other ones you will have to get more money for?—A. Yes. The way prices are jumping, it is no easy matter to get a price down to-day.

By Mr. Douglas:

Q. Do you think there is any justification for this rise in the price of manufactured goods?—A. The only way is to have increased production, and the only way you will get that is free trade. What this country wants is industries, money and people, and it will never progress until it gets those things.

Q. What have you to say as to the prices on the other side in the same line of goods?—A. They are high.

Q. What effect would a free trade policy have on that?—A. We would buy more American shoes, at least I would.

[Mr. C. R. Teetzel.]

Q. In spite of them being high?—A. With the duty removed?

Q. Yes?—A. With the duty removed you could buy them a good deal cheaper than you could buy the Canadian shoes.

Q. You say they are high over there?—A. Yes.

Q. But not as high as they are on this side?—A. No. On some lines they are higher and on some there is only a variation of a few cents.

By Mr. Pringle:

Q. That is between Canadian and American?—A. Yes.

Q. There is not a great variation in the price?—A. No. In the States they are experts at making shoes, they have been at it so long. They not only have their own country, but they have the whole world, and it is the output that counts.

Q. Is the Hart shoe as high a grade of shoes as we have in Canada?—A. Yes.

Q. How do they compare? Does the Hart Company goods compare with the Nettleton?—A. I think they are as good as the Nettleton. The Nettleton are good shoes, and they put a good deal more work on them. I used to sell them a few years ago, but I stopped, because I could not sell enough. If you buy 36 pairs of shoes and only sell seven or eight altogether it does not pay. If we keep them, we have to have the different widths.

Q. The trade demands all widths?—A. Yes.

Q. How does the Florsham shoe compare with the Nettleton?—A. They are not quite as good. They put a little more work on the Nettleton—more finish on them.

By Mr. Douglas:

Q. It does not affect the wearing quality?—A. No.

Q. It is a good deal in the name?—A. Yes.

By Mr. Davis:

Q. Do you import any shoes from the United States?—A. Oh, yes.

Q. About 30 per cent of the total?—A. Yes.

Q. How do they compare with our shoes?

The Acting CHAIRMAN: We have had all that.

—A. E. C. Wright has a Canadian plant and an American plant, and I can buy them cheaper in the American plant than in the Canadian plant, but as to the high grade shoes for ladies, the hand-made shoes that they do not make here—the trade demands them, and we have to get them.

Witness discharged.

Mr. A. J. STEPHENS, called, sworn and examined.

By Mr. Pringle:

Q. You are another Sparks Street man?—A. Yes.

Q. You have been in the business, you and your family, for a great many years?—A. Yes, 52 years.

Q. Possibly one of the oldest boot and shoe houses in the city?—A. Yes, about the oldest in Canada.

Q. Probably the largest in existence in Ottawa?—A. No doubt about that.

Q. And you have a large turnover?—A. Yes.

Q. What would your turnover be approximately?—A. Approximately about $105,000.

Q. You run very much the same as Masson?—A. Yes.

Q. And more than Gales?—A. Yes.

[Mr. C. R. Teetzel.]

Q. What percentage of gross profit do you get on your goods?—A. I figure from a third to perhaps 55 per cent.

Q. You are practically the same as the other witnesses who have been examined?—A. Yes. On children's shoes it is hard to get a profit. Parents are exacting and do not want to pay an enormous profit, and you cannot get a high price on children's and boys' shoes, and we have to figure them close.

Q. Do you figure children's shoes close?—A. Yes.

Q. I suppose you make them pay on the higher grades of shoes?—A. Yes, of course on some styles of shoes, where you cannot clean up on them, you have got to do it. It is very seldom you can take a line of shoes and sell it right up. There are always left-overs.

Q. Would your average profit run as high as you have told us?—A. Oh, no.

Q. While you may fix your price on the shoe at 30 to 50 per cent, owing to the fact that sometimes you have left-overs, etc., you do not average that?—A. Oh, no, no.

Q. I suppose on certain classes of ladies' shoes, which might be termed freak shoes, at times you have got to get a more substantial percentage of profit?—A. Yes.

Q. Because you run a risk of having those left on your hands?—A. Yes. Where the fashions have been very freaky latterly, it is a big, big risk.

Q. What percentage of your stock is Canadian manufacture and what percentage American?—A. Well, just on a guess, at present I should say it is about 90 per cent Canadian.

Q. What would be about the value of the stock carried by you?—A. Well, at the time I took stock, my stock was about $55,000, if I remember right, or $56,000.

Q. And 90 per cent of that would be Canadian manufacture?—A. Yes.

Q. We have had Mr. Masson's statement in regard to the improvement in the make of Canadian shoes. What have you to say in regard to that?—A. Well, I did not catch what he said about it, but my opinion is, as I put it, that the war made the Canadian shoe.

Q. You think the war made the Canadian shoe?—A. Yes. The improvement in the last four or five years has been remarkable.

Q. Can you get a Canadian shoe to-day of practically the same quality as the American?—A. Oh, yes, oh yes.

Q. You think you can?—A. Yes.

Q. We have some makers in Canada who you consider are making a high grade shoe?—A. Yes.

Q. Much better than they did a few years ago?—A. Yes. I brought a couple of samples here, if you want to see them. I brought them to give you an idea how shoes have advanced in price. These are all Canadian shoes. Mr. Douglas will know something about shoes.

Q. Well, we have not found it out yet. This shoe I have in my hand is a Slater Shoe?—A. Yes, George A. Slater, "Invictus," a mighty good shoe. I put his shoes against any shoe, the Nettleton, or any other.

Q. They have a good reputation. That shoe would cost to-day how much?—A. I have that here. I will show you what I have here in regard to that shoe. That has been a standard shoe with me for a great many years. Here is a letter which covers that shoe exactly. This letter reads:—

"GEO. A. SLATER LIMITED,
"ONTARIO STREET EAST,
"BENNETT AND AIRD AVENUES,
"MONTREAL, CANADA, June 19, 1919.

"A. J. STEPHENS & SON,
"Ottawa, Ont.

"DEAR SIRS,—We acknowledge receipt of yours of the 10th instant, containing order for 60 pairs men's glace kid bals.

[Mr. A. J. Stephens.]

"You have the price down, with single sole, at $7.65 less 5 per cent.

"The price of this shoe to-day with a mat top is $8.60 less 5 per cent in 24 pair lots or multiples thereof.

"The same shoe with slip sole is $8.80."

Now that is an advance in two or three weeks. In 1916 that shoe was invoiced at $4.20. Then they say—

"We regret that you did not place this line with our agent when he was in your city on May 27, as the prices were lower at that time.

"However, we should be pleased to put this order in process of making, providing you notify us at once, as we cannot hold these prices open. Furthermore, our capacity is pretty well filled up for the rest of this year, but you being an old customer we will take care of you on this order."

By the Chairman:

Q. In 1916 the price was $4.20, and they quote you a price of $8.80 here?—A. Yes.

By Mr. Douglas:

Q. Will they fill the order now at $8.80?—A. No, he states that he cannot hold these prices open. Here is a shoe made by the Marsden Shoe Company. That is a shoe I am not ashamed of. It costs $7.30. I sent an order for this shoe, a repeat order, on the 11th of this month, and that shoe cost $9.35.

Q. What do you sell it at?—A. That shoe I still sell at $11.

Q. But you will not sell it now at $11 after it has advanced to $9.35?—A. No.

Q. You sold it at $11 when you were able to buy at $7.30?—A. I will sell it at probably $14. Here is my order for this, in April, just a year ago. It was $7.30 just twelve months ago.

Q. Here is a Regal shoe?—A. Yes.

Q. That is an American company which established a factory in Canada?—A. Yes.

By Mr. Pringle:

Q. They did quite a large business in Canada before establishing their factory here?—A. Yes, they did, and when they saw that the field was good they opened a factory here.

Q. And that factory is in or near Toronto?—A. Yes. That shoe (indicating) costs me to-day seven dollars and ninety cents and sells at eleven dollars.

Q. What would that shoe cost you four years ago?—A. That shoe four years ago would have cost me four dollars.

Q. That shoe used to retail at six dollars?—A. Yes.

By Mr. Douglas:

Q. And one year ago?—A. I cannot tell you offhand, but it was six dollars a few years ago.

Q. Apparently the percentage of increase in manufacturing cost has raised the price during these past few years?—A. It has a great deal to do with it. It has been gradually going up.

Q. But, the big jump later?—A. (Interrupting): Yes, you see there (indicating) they will not even hold orders at that price. Now, that shoe (indicating) is manufactured by the N. A. Marsh Company of Quebec. I think I put a memorandum there.

[Mr. A. J. Stephens.]

By Mr. Pringle:

Q. "Cost four ninety last fall, delivered this spring, new price for fall delivery five fifty; now over six fifty"?—A. Yes, that is the cheapest goods that I could buy.

Q. Are you charging a greater per cent of profit to-day than four years ago?—A. No, Mr. Pringle, not a bit. In some cases, Mr. Pringle,—take that shoe there (indicating): that shoe costs me seven dollars and ninety cents and I am selling it at eleven dollars. That is barely four per cent.

Q. You had a better percentage when you could buy it for four dollars and sell it for six?—A. Yes.

Q. What do you get for that Slater shoe?—A. Now, eleven dollars.

Q. And when it costs eight dollars and eighty cents?—A. No. I will then have to get twelve fifty for it.

Q. That is the Invictus?—A. Yes.

Q. I remember when they were five dollars?—A. Yes, they used to be five dollars. They used to cost me three dollars and three and a half and I sold them at five.

Q. I remember when the standard price was five dollars for this Invictus shoe.—A. Yes. All these shoes (indicating) are a credit to our Canadian manufacturers. I did not pick out any particular stock. I picked it out promiscuously, but they are all a credit to our Canadian manufacturers.

Mr. NESBITT: They are good looking shoes. I don't think much of that one (indicating).

Mr. STEPHENS: That is for the young fellows.

Mr. PRINGLE: Those are just for the young sports.

Mr. STEPHENS: There (indicating) is a letter from the Regal Company. Mr. Scott handed this to me, showing their prices in the States and our price in Canada, and showing where they get off at in regard to the duty, and why it is cheaper to buy in Canada.

By Mr. Pringle:

Q. The Regal Shoe Company's prices in the States—I don't know how authentic this letter is?—A. It is from the manager of the company, and I think it would be authentic.

Q. There is practically no difference?—A. There is practically no difference, no.

Q. Between the prices they are selling their shoes in the States for and the prices in Canada?—A. No.

By Mr. Douglas:

Q. Do you handle any American shoes?—A. I did handle some lines of American shoes, but no more. The men's shoe business to-day is nearly one hundred per cent Canadian, barring a few Nettleton shoes, which some people think they have to have, but outside of that I have practically eliminated all American shoes from my business. Now take the Sorosis shoe—for quite a while they were a shoe very much in demand, but the salesmen do not come into this country any more and for two years I have not seen a salesman for the Sorosis shoe.

Q. What does that mean?—A. I don't know what it means.

Q. (Interrupting.): Is it because they have such an enormous business of their own?—A. It may be because they have to take care of their own business.

Q. You think that is the reason?—A. Yes, and then they are very slow in deliveries, and their salesmen don't seem to want to come into Canada, and so we just stopped handling their shoes altogether.

[Mr. A. J. Stephens.]

By Mr. Nesbitt:

Q. You say the Regal people are selling a shoe practically in Canada as in the United States.

Mr. PRINGLE: Yes.

Mr. STEPHENS: So outside of the two lines I am buying only Canadian shoes.

By Mr. Douglas:

Q. Is that your practice right along?—A. No.

Q. When did you cease buying American shoes?—A. When the prices started to advance, I think it was about the time of the war—about the time the war started. It was when the extra seven and a half came on.

Q. So, it was a matter of duty?—A. Yes. Even to-day with the seven and a half off—you put your thirty per cent on, and I think you can still compete in Canada and produce good shoes, and that will keep the American shoes out.

Q. Have the Canadian manufacturers improved their styles and lasts and qualities?—A. Yes. I think there has been an apparent increase, and they are trying to hold it up.

By Mr. Nesbitt:

Q. Is it not a fact that they were determined to shut out the American shoe if they could do so, by the improvement of their own shoes?—A. I never heard that quoted.

Mr. PRINGLE: It would be quite legitimate.

Mr. STEPHENS: Yes, it would be quite natural. They are competitors.

By Hon. Mr. Fielding:

Q. The quality of the Canadian shoe has been improved?—A. Yes.

By Mr. Pringle:

Q. During the last three or four years, whatever the reason is, the making and quality of Canadian shoes has been going right ahead?—A. Yes.

Q. So that now you can satisfy your customers with the Canadian shoe as well as with the American?—A. Yes, the prejudice has disappeared. There was a time, not so very long ago, when a person would come in and say "I don't want Canadian shoes; I want American shoes." That practice has largely disappeared, and with men the practice has one hundred per cent disappeared.

Q. I know that the women still like the American shoe.—A. Yes, especially in specialties and novelties, things that are not made in Canada at all, take fancy slippers and evening shoes, they are not made in Canada, and it is pretty hard to get them even from the States.

Q. Do you mean to say that you have to get twelve dollars for these Invictus shoes?—A. Yes, they cost me eight dollars and eighty cents. In fact, I believe if I were to get a quotation on these shoes to-day it would be nine dollars and something.

By Mr. Douglas:

Q. Mr. Stephens, I was over on the other side last week, in the State of Maine, and I went into a shoe store there and asked them at what price they were selling shoes, and I found the difference in favour of the Maine dealers of anywhere from twenty to twenty-five per cent.—A. Against our prices?

Q. Against our prices.—A. Well, it just depends——

Q. (Interrupting): I will tell you the result. The town I was in was right on the border between New Brunswick and Maine, and the result of that difference is that the

New Brunswick people were going over and buying their shoes in the States?—A. It just depends on what kind of a store you were in, if you were in a store in Portland——

Q. (Interrupting): No, it was a small town; a place called Holton.—A. You cannot make a comparison of the grade of shoe. If the Regal only showed a difference of twenty or twenty-five cents in the wholesale cost between the American and the Canadian product their prices must be the same.

Q. Of course, on the other hand, there are so many manufacturers of shoes on the American side that the chances are that this store would not handle the Regal shoe at all, because the Regal shoe people establish the Regal Shoe Stores on the American side?—A. Yes.

Mr. PRINGLE: I think the committee would like to have your turnover—I think you have given it to us as a hundred and five thousand dollars. They would like to have the gross and net profits?—A. My gross profits?—I have not got my figures with me—but I think my gross profits were about twenty-three thousand dollars.

By the Chairman:

Q. Twenty-two thousand?—A. No, Twenty-three thousand.

By Mr. Pringle:

Q. And your net profits?—A. A little less than ten thousand, about nine thousand five hundred.

By Mr. Douglas:

Q. What stock do you carry to do that?—A. About fifty-six thousand dollars. You know the shoe stocks are increasing at such a rate now that you could buy two pairs of shoes five years ago, for the price of one pair to-day.

By Mr. Pringle:

Q. That is, to equalize a stock for which you paid twenty-five thousand dollars three or four years ago would necessitate the investment of about fifty thousand dollars now?—A. Yes. You are not selling any more pairs of shoes, but the actual cash value of your stock is much greater. You are not selling any more shoes, but your stock figures out a great deal more.

By Mr. Douglas:

Q. What do you figure your cost of doing business?—A. I should say it is around thirty-five to forty per cent—you mean my overhead?

By the Chairman:

Q. Just a moment. You say your gross profits were twenty-three thousand dollars?—A. Yes.

Q. Out of that you take your cost of doing business?—A. Yes. My overhead would be the difference——

By Mr. Pringle:

Q. You say your turnover is a hundred and five thousand?—A. Yes.

By the Chairman:

Q. And twenty-three thousand gross on a hundred and five thousand turnover is less than twenty per cent?—A. About that.

By Mr. Douglas:

Q. But that represents the gross profits on the turnover of one hundred and five thousand dollars?—A. Yes.

[Mr. A. J. Stephens.]

Q. Then you deduct your personal salary?—A. I charge myself a personal salary, which is part of my overhead.

Q. And the light and the heating?—A. Yes.

By Mr. Nesbitt:

Q. And that costs you thirteen thousand dollars?—A. Yes.

Q. Thirteen thousand dollars on one hundred and five thousand dollars is less than thirteen per cent?—A. Yes.

Q. And the other is between three and twenty-five per cent?—A. Yes.

Mr. DOUGLAS: I think Mr. Stephens is right.

Mr. STEPHENS: My mind is working properly, and I can pretty nearly see my figures on the books. Of course, I cannot give you that to a cent, but that is practically the amount.

Mr. DOUGLAS: I think that is about right; I think that is about thirteen per cent.

By the Chairman:

Q. What do you pay for rent?—A. Four hundred dollars a month.

Q. Forty-eight hundred dollars a year?—A. Yes.

By Mr. Nesbitt:

Q. You make a gross profit of twenty-three thousand dollars on a turnover of a hundred and five thousand dollars. That would be approximately twenty-three per cent gross profits?—A. Yes.

Mr. NESBITT: Mr. Masson says his expenses are twenty-three per cent.

The CHAIRMAN: That is what he said.

Mr. DOUGLAS: Of course, he has a higher rent.

Mr. STEPHENS: Of course Mr. Masson has a higher rent than I, it might also cost him more to live.

By the Chairman:

Q. It is not a question of his personal expenses, it is his cost of doing business?—A. I figure for myself a reasonable salary. Am I not entitled to a salary on my business?

Q. Certainly.—A. I don't want to work for nothing.

Mr. NESBITT: It just depends on what you are entitled to.

The CHAIRMAN: I was just going to ask a question about that. Some of the evidence that we have here established the fact that the spread is about fifty per cent.—A. Yes.

By Mr. Nesbitt:

Then you could not have made a spread of fifty per cent?—A. From about a third to forty-five per cent.

Q. Then your figures don't tally. There is something wrong with these figures.

Hon. Mr. FIELDING: I don't think we are speaking of the same thing when we are speaking about gross profits.

Mr. STEPHENS: The way you want to figure that out is on the capital you have invested at the commencement of the year.

By Mr. Nesbitt:

Q. You are figuring on the gross profits of the capital?—A. No, on the turnover.

By Hon. Mr. Fielding:

Q. What the goods cost you and what you sell them for?—A. Yes.

By the Chairman:

Q. Let us just clear up this position. Out of that twenty-three thousand dollars do you pay the cost of doing business before the gross profits?—A. (Interrupting): My gross profits——

Q. (Interrupting): After the cost of doing business?—A. No, before that. That is the difference between my merchandise account on the debit and credit side when my books are made up. That is my gross profit. That comes out of my profit and loss account.

Mr. NESBITT: That is absolutely clear.

Mr. PRINGLE: He didn't make anything like the percentage. That is why I asked that question. After he told me this hundred and five thousand dollars, I asked this question, and he says he makes over twenty per cent on the ground and five thousand and I asked him if he was making fifty per cent on the boots and he said he does not make that for the reason that there are a great many put to one side.

Mr. NESBITT: He certainly does not make that.

Mr. PRINGLE: What he really does make, the gross profits, are a little over twenty-three per cent.

Mr. NESBITT: No, not twenty-three. That would be on a hundred thousand, but on a hundred and five thousand, it amounts to about twenty-two per cent.

Mr. PRINGLE: It is out of the twenty-two per cent gross profits that he has to get his expenses and net profits.

By the Chairman:

Q. When you take stock and strike your balance at the end of the year do you write down your stock for depreciation on account of obsolete styles?—A. As I come to them at my stock-taking, I note the shoes that have depreciated from year to year and I value them at what I think they are worth and I put that in my stock sheets.

Q. You write something down for depreciation?—A. Yes, some people deduct ten per cent, but I don't do that.

Q. That depreciation is taken off?—A. Yes.

By Mr. Douglas:

Q. When you depreciate those, do you put the depreciated price on your goods?—A. No, but I take a list of them and the next year I check up on that again. I have a stock book where I follow that up.

By Mr. Nesbitt:

Q. You generally cut the price down to get rid of them?—A. Yes.

By Mr. Pringle:

Q. You have regular sales to get rid of them?—A. We have sales twice a year. The shoe business is a business in which you dare not have very much left over.

Q. How often do you have these sales to clean up that class of stock?—A. My big sales for them are in July and August and in January and February. All the stores have these. I will tell you another thing, I have shoes on my counter at a dollar ninety eight, that cost me as much as four and five and six dollars a pair. That has to come out of my business during the year.

[Mr. A. J. Stephens.]

Q. Anyhow, if you have given us the correct figures, you show a twenty per cent gross?—A. Yes. I presume my figures are correct. I am under oath here.

The CHAIRMAN: There is a point in that statement that Mr. Stephens made with regard to writing down his stock for depreciation, which at least one of the other gentlemen said he did not do.

WITNESS: We have been in business a long time, and I am not ashamed of the way I keep my books, and I think I have it right.

By Mr. Nesbitt:

Q. What do you say your stock was?—A. About $55,000.

By Mr. Douglas:

Q. Have you any comment to make as to the increased cost from the manufacturer to you; is there any justification for it?—A. One of the great things, I think, is labour.

By Mr. Pringle:

Q. What about material?—A. Material, of course, is something, but I think the labour is as much if not more than the material.

Q. Everything has gone up that goes into the composition of the shoe?

Mr. DOUGLAS (Interrupting):

Q. We have not found that the labour cost is increasing in proportion to the cost of the shoes, if we take the statement of the E. & T. Wright Company?—A. I can only speak for the retail trade; a manufacturer probably could give you a better opinion than I could. Why don't you get Bell or Hamilton of Quebec? E. & T. Wright's is a tiny little factory.

By Mr. Pringle:

Q. Wright's figures may not be correct but they seem very complete?—A. It is only a small factory, and he specializes in men's boots.

Mr. PRINGLE: At the same time, their statement was as complete as we could have.

By the Chairman:

Q. How do you find your own labour cost compares with four years ago?—A. My own labour costs are 50 to 60 per cent more in salaries.

By Mr. Douglas:

Q. Do you own the building?—A. Oh, yes.

Q. You allow yourself $480 a month as rent?—A. $480. I base it on what my neighbours pay.

By Mr. Nesbitt:

Q. But you charge that against your expenses?—A. Why, quite right.

By Mr. Douglas:

Q. How much are you making out of that phase of the business?—A. That does not interfere with this.

By Mr. Nesbitt:

Q. You do not put that in here with your gross profit?—A. No.

[Mr. A. J. Stephens.]

By Mr. Douglas:

Q. We are interested in that phase of the business too. How much do you make out of it?—A. I have not figured it out.

By Mr. Nesbitt:

Q. What is the value of your building and what are your taxes?—A. My taxes are about $2,000 a year.

Q. What is the value of the building?—A. It is assessed at $73,000 or $75,000.

By Mr. Pringle:

Q. I think the adjoining property was sold by the Booths for $145,900?—A. Yes.

By Mr. Nesbitt:

Q. What are your whole rents?—A. $490 a month.

By Mr. Pringle:

Q. Outside of your shoe shop?—A. Outside of the shoe business.

By Hon. Mr. Fielding:

Q. You are allowing that in your accounts?—A. That is my gross.

By Mr. Nesbitt:

Q. You should get $10,000 a year?—A. I am not profiteering.

By Mr. Douglas:

Q. You should rent to the Government?—A. I am trying to rent the top flat but they won't have it.

Witness discharged.

Miss GRACE WARNER, representing the Baker Company, boot and shoe merchants, Rideau Street, Ottawa, called, sworn and examined.

By Mr Pringle:

Q. Who are the Baker Company?—A. Mrs. Baker, it is in her name.

Q. What is the turnover in the business; can you tell us that?—A. My ledger should show that, but while I keep the books, at the same time I am not the book-keeper. When the income tax made it necessary for us to put in a set of books, that fell to me. We had an accountant set up the books and they have kept them ever since. We have an auditor come at the end of the year who makes up the yearly balance.

Q. Can you tell us what percentage of profit you add to your boots? They come in, and you know what they cost. What percentage do you add for sale price?—A. From 10 to 40 per cent. From Getty and Scott we had 47 lines in the spring, and when these shoes come in we have regular lines like that that do not want a special season. We simply figure to have so many in stock. Suppose you have 30 pairs in stock, instead of putting a profit of 30 per cent on these shoes, in a great many cases we put 15 per cent or 20 per cent, in some cases 10 per cent. If we have only a few in we raise the price to meet the others. You cannot ask two prices for the one thing.

[Mr. A. J. Stephens.]

Q. The prices seem to have been going up steadily during the last year or two?—A. There is no question about that. It is more a matter of getting the goods, as these letters will indicate.

Q. We have a great deal of evidence now in regard to the difficulty of getting the goods and in regard to the increased prices. You say that your profits run from 10 per cent to 40 per cent?—A. Yes.

Q. What would you say would be a fair average, 20 per cent?—A. On staple lines of shoes we do not put the same profit.

Q. But have you any idea as to your average profit?—A. I cannot give it definitely enough.

Q. On what staple lines would you put a profit?—A. In the case of that shoe that you have here (indicating sample) that cost $5.25, and we sell that shoe for $7.

Q. You get $1.75 profit?—A. Yes. This shoe (indicating sample) costs $1.60. We sell it at $1.90.

Q. Where is that shoe made?—A. By the John MacPherson Company, Hamilton.

Q. That is one of your cheapest lines of ladies' shoes?—A. No, I would not say that; we carry shoes down to $3.

By Mr. Douglas:

Q. The Baker Company sells to the common people?—A. We carry all prices.

Q. You say you get $7 for that shoe?—A. Yes.

Q. Is that the present price of that shoe?—A. Yes.

Q. That seems to be a good quality of shoe?—A. Yes, we have carried it for years.

Q. It looks as if it would be a very serviceable shoe?—A. Yes.

By Mr. Nesbitt:

Q. There was a stock of $47,407, the sales were about $100,000 and the stock had been culled down at the end of the year to $43,407?—A. There was a big turnover.

By Mr. Pringle:

Q. Do you know what the net profits were last year? Surely, having charge of the books you would discuss that?—A. About $11,000.

Q. Gross or net?—A. Net, I think.

Q. Would that be after taking out all salaries, etc.?—A. Yes.

Q. That would be after taking out salaries?—A. Yes, well, I understand it is so, but I do not make up the balance; but I understand that the balance shows 16 per cent.

By the Chairman:

Q. On the turnover?—A. Yes.

By Mr. Pringle:

Q. I do not think, unless you know these things, that you are wise making any statement in regard to it. Any statement that you make will go on the record and it would not be wise for you to say that there was 16 per cent profit on the turnover unless you know it to be a fact?—A. I do not know.

Q. I would not put those figures on record if you do not know?—A. Well, I do not know.

Q. Of course if you can show us in that book or in the statements?—A. I really do not understand it.

By Mr. Douglas:

Q. What is the highest price shoe that you sell?—A. $11.

Q. And what is the usual run?—A. $7.50.

[Miss G. Warner.]

Q. Do you sell many of the higher price?—A. No.

Q. What is the general price for your shoes?—A. From $7 to $8.

Q. For mens' shoes?—A. No, that is for womens'.

Q. Do you handle mens' too?—A. Yes.

Q. What is the ordinary price at which you sell men's shoes?—A. I would say from $6 to $7, I do not know about the men's shoes, I do not know anything about that.

Q. You confine yourself to the womens' shoes?—A. Yes.

Q. That $7 shoe is a woman's shoe?—A. Yes.

Q. What did it cost you?—A. That cost me $5.25.

Q. Do they generally cost you about that?—A. $4.03, it varies in price, on this 1913 invoice it cost $2.25; the prices have varied.

Q. I do not care about that, what do you get to-day for this shoe, what profit?—A. That cost $5.25 and sells at $7.

By the Chairman:

Q. Some shoes you buy at $1 and sell them at $1.25?—A. Yes.

By Mr. Douglas:

Q. Do you still keep up that ratio of profit on all your lines?—A. No, the lines that go out of style we can sell cheaper than those that do not go out of style.

Q. How many employees have you?—A. We have just started a new man today.

Q. And how many have you altogether?—A. We have four girls.

Q. How many does that make altogether?—A. Six people.

Q. To do $100,000 worth of business?

By Mr. Pringle:

Q. But you have a very low rent?—A. We figure it at the very same rate per foot that we charge Freiman's next door.

Mr. Pringle: I mean it is a very low rent comparatively speaking with Gales, Massons, or Stephens.

By Mr. Nesbitt:

Q. Where is your place of business?—A. On Rideau street, near Freiman's departmental store.

By the Chairman:

Q. You will find that when you go into special lines you have to add on extra profits?—A. Yes, now this morning we put a line in the window that we got in last fall and there were only two pairs sold, we put them in the window this morning at $1.98 and they cost us $2.10; we had only sold two pairs out of thirty.

Q. Do you find that prevails as soon as you go into specialties?—A. Yes.

By Mr. Douglas:

Q. What kind of shoe is that?—A. A grey canvas shoe.

Q. You do not spend much money in advertising?—A. If we have anything special to offer we advertise.

Q. And you have six people in the store, including yourself?—A. We have a new man come in the store this morning, there have not been three men until this morning, Mr. Baker is out of it and that still leaves us four girl clerks and two men.

Q. That will be seven including yourself?—A. Yes.

Q. What do you pay your girls?—A. One girl gets $13.50, another $11, another $8 per week and another one $5.

Witness discharged, and Committee adjourned.

[Miss G Warner.]

FRIDAY, June 27, 1919.

The Special Committee appointed to inquire into the cost of foodstuffs and other necessaries of living, met at eleven o'clock this morning, the Chairman, Mr. G. B. Nicholson, presiding.

Members present.—Messieurs Davidson, Davis, Devlin, Douglas (Strathcona), Hocken, Nesbitt, Nicholson (Chairman, Algoma), Reid (Mackenzie), Sinclair (Queens, P.E.I.), Stevens (Vice Chairman), Sutherland, and Vien.

Mr. CECIL RICE-JONES, called, sworn and examinend.

By Mr. Pringle:

Q. You are the manager of the United Grain Growers Limited?—A. Yes.

Q. In what year was the United Grain Growers incorporated?—A. They started business, that is the amalgamated companies, the first of September, nineteen hundred and seventeen, but the company was originally incorporated in nineteen hundred and six.

Q. Was it under the letters of incorporation of nineteen hundred and six that you organized your business in nineteen hundred and seventeen or were there new letters of incorporation?—A. No, it was the same, with a few amendments as to methods of representation of the shareholders.

Q. Have you got your letters of incorporation? Probably that is the quicker way to get at it?—A. I have them at the hotel; I have not got them here.

Q. You can produce them this afternoon?—A. Yes.

Q. What I want to get at is simply this: Were you incorporated in nineteen hundred and six or were you incorporated in nineteen hundred and seventeen?—A. The company was originally incorporated in nineteen hundred and six; then in nineteen hundred and seventeen there were certain amendments of the methods of representation. Then there was the other company, the Alberta Farmers' Co-operative Elevator Company, Limited.

Q. There was an amalgamation of the Grain Growers Grain Company—— A. (Interrupting): Yes.

Q. (Continuing): And the Alberta Farmers' Co-operative Elevator Company, Limited?—A. Yes.

Q. Now then, no doubt, the Alberta Farmers' Co-operative Elevator Company, Limited, were acting under the authority of certain letters of incorporation?—A. Yes.

Q. And you were acting under authority of certain letters of incorporation also?—A. Yes.

Q. Then there was an amalgamation of these two companies?—A. Yes.

Q. What I want to get at is this: did you issue then new letters of incorporation incorporating the existing company—— A. (Interrupting): No.

Q. (Continuing): ——or did you proceed under the letters patent that were issued in nineteen hundred and six?—A. We used the same charter, you see, the Grain Growers Grain Company had a Dominion charter and the Alberta Farmers' only had a Provincial charter, and we secured some of the amendments to the Grain Growers Act, changing the name of the company.

[Mr. C. Rice-Jones.]

By Mr. Nesbitt:

Q. Allowing you to take over the other company?—A. Yes.
Q. That was an amendment to the charter?—A. Yes.
Q. It was practically a new charter?—A. Yes.

By Mr. Pringle:

Q. That is why I would like to get that before us.—A. I was with the Alberta Company at the time.

Q. You became connected with the larger incorporation which absorbed the smaller company?—A. From the point of view it was an amalgamation, I suppose.

Q. It was an absorption?—A. Legally speaking, yes.

Q. I wish you would produce, for the benefit of this Committee, all the papers that you have got, letters patent, or other documents, in connection with the incorporation and organization of the existing company.—A. Yes, I have that at the hotel.

Q. Now, you have your financial statement for the year ending August thirty-first nineteen hundred and seventeen—A. Yes, sir.

Q. Now, according to that statement are you in a position to show us the amount that the different terminal elevators divided between them in grain; for instance, I am given to understand that you divided, these terminals divided eight hundred and forty eight thousand nine hundred and fifty bushels of wheat, three hundred and seventy thousand eight hundred and seventy bushels of oats, twenty-seven thousand six hundred and sixty-two bushels of barley, three million six hundred and ninety thousand and twenty seven pounds, or sixty-one thousand five hundred bushels of mixed grain, conservatively valued at over two million dollars. Can you give me those figures?—A. As to how the terminals divided this grain?

Q. That is, out of fifteen terminal elevators, only one of which, I understand, is included in your company?—A. We certainly did not divide any grain with any terminals.

Q. Do you know what the terminal elevators did divide? I think it is termed "overages." Is that it? You might explain to this Committee what the term "overages" means.

Mr. Nesbitt: Yes, that is what we want to get at.

By Mr. Pringle:

Q. Will you explain what that means?—A. As applied to terminal elevators?

Q. Yes.—A. Well, of course the overage in the terminal is net to net. It is not gross to gross. I would describe it as the difference between the warehouse receipts in and the warehouse receipts out of the elevator after the grain has been cleaned.

Q. It is the difference between—— A. (Interrupting): That overage is not gross to gross.

By Mr. Stevens:

Q. Frankly speaking, is it not this: that you ship out more grain than you take in? In other words in the process of dockage, the elevator at the end of the year finds itself in possession of a certain quantity of grain, for which there is no owner, and the elevator appropriates it?—A. It is net to net, not gross to gross.

Mr. Pringle: Why can we not do this; why could we not start right with the farmer when he comes to deal with you—where does he come in on this question of overage?

Mr. Stevens: He comes out, not in.

Mr. Rice-Jones: With the terminal elevators.

[Mr. C. Rice-Jones.]

By Mr. Stevens:

Q. Yes, with the terminal elevators? You go to the farmer and you buy, we will say, five hundred bushels of grain; it measures five hundred bushels. What is deducted from the farmer to start with?—A. If five hundred bushels are shipped into the terminal elevator?

Q. Yes?—A. That all depends on the Government inspectors. They place the amount of dockage on this grain.

Q. The Government inspectors will inspect that grain, and supposing they deduct five per cent, what becomes of that five per cent, or the ten per cent, or whatever it may be, that is deducted from the farmer?—A. No, if the dockage is five per cent or over it is returned to the farmer.

Q. It is returned to the farmer?—A. Yes.

Q. Well then, Mr. Chairman, I will confess that this is all Greek to me, I have to go along and find out the best way I can——

Mr. Reid: May I suggest one thing, Mr. Chairman? Would it not be better if we asked Mr. Rice-Jones to explain to us this whole matter, and perhaps then Mr. Pringle would be better able to ask the questions after he has explained the grain business. This is a very intricate business. I know something of it, but very little, and I would like to have it all explained.

Mr. Nesbitt: Yes, start off with the farmer. Trace it along from there through the various processes.

Mr. Pringle: You see, Mr. Reid, I have got to confess that I do not understand the technicalities of this business, and I want to get at it as I go along. I want to start with the farmer and then get down to the elevator.

Q. For instance, I have a statement before me in which I find the United Grain Growers' overages, $66,744.30. I want to know where that comes from, who gets the benefit of that, and whether that gets back to the farmer. I want Mr. Rice-Jones to explain the whole situation.

The Chairman: Whether the consumer gets the advantage of it.

Mr. Reid: I would say the producer.

Mr. Rice-Jones: In our company, of course, the producer gets the benefit of it, because of the nature of the organization of our company.

By Mr. Pringle:

Q. Does he if he is not a shareholder of your company?—A. Yes, I should say to the same extent as a shareholder, excepting that the shareholder gets a dividend on the capital invested.

Q. Explain to us how that is done?

The Chairman: In order that we can understand it, you will have to treat this simply as a concern entirely separate from the man who is producing the grain.

Mr. Pringle: I think if Mr. Stevens will take this witness for a short time he will possibly elicit the information more quickly than I could.

Mr. Reid: If you ask Mr. Rice-Jones to start with an explanation from when the farmer brings in the grain to the elevator and follow it right through—

Mr. Nesbitt: Let the witness do that himself.

By Mr. Pringle:

Q. Start with the farmer who grows that grain and follow it down to see what becomes of this overage.

Mr. Reid: Start with the farmer and follow it to the terminal elevator.

[Mr. C. Rice-Jones.]

Mr. RICE-JONES: There are several different ways, of course, of handling grain in the country elevators, but generally speaking, there are three different ways; the company either purchases the grain and specially bins it, that is, warehouses it for the farmer and then either handles it on consignment or purchases it on track, so as far as the country elevator itself is concerned, there are two primary methods of handling grain, purchase it by the wagon load, or specially bins it for the farmer.

By Mr. Nesbitt:

Q. Just as it comes to you?—A. Yes, or specially bins it for the farmer. That is a method which was first introduced by our company—the Farmers' Company—giving him a bin in which his grain was put and kept separate from any other grain.

Q. That would be practically speaking all on consignment.—A. Yes, so he could ship his identical grain to the terminal on commission, and all he has to pay would be the handling charges and the commission.

Then, of course, when he gets it loaded on track, sometimes he sells it on track, but generally speaking he ships it forward on consignment.

Now you want me to proceed with the grain?

By Mr. Pringle:

Q. Yes, go right on down until we get to the terminals.

By Mr. Reid:

Q. Take it to Winnipeg, the point of inspection.

By Mr. Nesbitt:

Q. The fellow who sells it to the first elevator, sells it outright from the wagon? That ends it as far as he is concerned?—A. Yes.

By Mr. Hocken:

Q. Are there any deductions?—A. Yes, if he sells it outright, it is graded and docked by the elevator operator.

By Mr. Pringle:

Q. He is there?—A. He has an appeal if he is not satisfied. Under the Grain Act if he is not satisfied with the grade and dockage,—every agent has government scales at the elevator and the farmer can insist on his testing it for dockage in the scales, and if he is not satisfied with the grade, he can ask the agent to take a sample to send up to the Government Inspector, and if he grades it at a higher grade, they settle with the farmer.

By Mr. Reid:

Q. Mr. Rice-Jones, will you explain how the sample is taken out of each load for the farmer?—A. In the case of specially binned grain?

Q. Yes.—A. Yes, in the case of specially binned grain, a sample is kept out of each load, a handful is taken out and put in a tin, under the regulations of the Grain Act. Then, if a farmer is not satisfied with the grade he receives, for that car—he may think it has been mixed accidently or that some other grain got into it from another bin, and if he is not satisfied with the grade, all he has to do is to invite attention to it and a three-pound sample is taken out by the agent and the farmer and sent to the inspector at the point where the grain was graded, and of course they have an inspector who grades it there and if it is graded higher than it was graded before the company settles the difference, as that is taken as prima facie evidence that there was mixture in it.

[Mr. C. Rice-Jones.]

The farmer has also the privilege of keeping a lock on his tin box while he is holding his grain in. We have plenty of boxes—we have forty or fifty boxes at each elevator.

By the Chairman:

Q. Now will you follow that right through?—A. The grain comes on to Winnipeg—do you want to hear anything about the purchase of that grain?

Mr. NESBITT: No, that settles it.—A. The grain comes on to Winnipeg and is inspected by the Government inspector and the farmer is notified of the grade. In the first place we have an inspector of our own that checks up all the samples whether the farmers notify us or not.

If the farmer thinks that the grain has not been graded as high as it should have been, he appeals to the inspector.

There are a number of cars every year that have the grade raised without the farmer ever requesting us to particularly look after that car.

By Mr. Nesbitt:

Q. You are speaking of consignments?—A. Yes, but if in any case the farmer is not satisfied, he notifies us and asks us for a re-survey or a re-inspection.

The re-survey is on the original samples taken out of the car, and the re-inspection is on the new samples taken out of it at Fort William, and the grain goes on down to Fort William——

By Mr. Reid:

Q. Just a minute, Mr. Rice-Jones. When the inspection is made is a dockage fixed?—A. Oh, absolutely.

Q. At Winnipeg?—A. Yes, by a Government inspector.

By the Chairman:

Q. Then, at Winnipeg, is the dockage fixed?—A. Yes.

Q. That is the elevator or starting point?—A. No, we merely warehouse that.

By Mr. Reid:

Q. That is a consigned car?—A. It is a consignment which we have nothing to do with the growing of, or anything else, except that as a farmers' agent, we check up the grading and dockage to see that he gets the proper grade, and does not get too much dockage.

There are very few cases—in practically every instance that our inspectors—there are very few instances of a farmer asking for a re-inspection that our inspector has not already done so.

The car goes down to Fort William and the farmer may have orders—warehouse receipts are issued for it as soon as it is unloaded, we may have instructions to sell on arrival, or to sell at a certain price, or to hold for instructions, and of course we carry out these instructions.

By Mr. Reid:

Q. When a car arrives at a terminal, what takes place, who weighs the grain into the elevators?—A. The Government inspectors or the Government weighmen.

Q. Then is it re-inspected?—A. Why, a sample is taken out of every car. There is a man standing right at the door of the car, and as the grain runs out he has a little scoop on the end of a stick and he scoops out the grain and puts it into a tin, to try and keep the average grade of the car. If they consider that the grain has been graded too high—for instance, the car is plugged, that is there has been grain of an inferior grade put in the bottom of a car, they check every car for that at Fort

[Mr. C. Rice-Jones.]

William, and of course if there is any evidence of the car having been plugged, or anything like that, they take the matter up and there is an investigation and the grade, it can be raised.

The Winnipeg grade, is not, strictly speaking, absolutely final, because it can be changed if on arrival at Fort William it is found that the grain in the car is really inferior to the samples they get, or, on the other hand, if it is found to be of a better grade, it can be raised.

Q. So that when the car is unloaded into the terminal, that is the time the final inspection takes place?—A. Yes.

Q. Suppose then, we will say it is number two Northern, with five per cent cleanings—A. (Interrupting); Yes.

Q. What takes place?—A. Whenever the farmer instructs us to sell the grain whether it is then or some other time, the farmer is settled with for the grain, and cleaning, and he is charged for the work of cleaning the grain.

Q. How much cleaning is coming to him with a five per cent dockage?—A. Five per cent.

By Mr. Stevens:

Q. You say he gets all the dockage except the bare screenings?—A. Except the bare screenings?

By Mr. Reid:

Q. In other words how much is allowed to the terminal for cleaning?—A. One half cent a bushel. If the dockage is three per cent or over, it is returned to the farmer and he is charged for the cleaning.

By Mr. Stevens:

Q. He gets all of that?—A. Yes.

Q. You are absolutely sure of that?—A. Well, I am not there on the spot, but we settle with him in the office for the amount of cleaning shown on his certificate, according to my understanding. I have never heard of any complaint that we did not.

Q. Let us make that point perfectly clear. What you say is this. When a car is received and there are three or five per cent dockage, or four or four per cent dockage, you clean that grain, and all you retain is the weed seeds and the chaff and things like that, or stuff that might get in, and return all the rest to the farmer?—A. I understand that all the dockage, five per cent,—mind you, up to this last two years it is five per cent or over——

Q. (Interrupting): Never mind that. I know that. We are not concerned about that. Please give me an answer to the question I just asked you?—A. The farmer gets back the dockage, where it is three per cent or over.

Q. Do you in every case issue certificates to the farmer for the amount of grain, or do you wait until he applies for it?—A. I cannot answer that question. I really do not know. My understanding is that if the farmer asks for his certificate, he gets it, otherwise he is settled with in cash.

Q. Otherwise he is settled with in cash?—A. Yes.

Q. How could you settle for it in cash if you did not give him a certificate of what amount is coming in?—A. He is given an out-turn of the amount of screenings.

Q. You mean for the original certificate; that is the original result after the dockage is made?—A. He is given an out-turn showing the amount of grain, and the amount of dockage in the car.

Q. You give him a settlement in cash for the car less the dockage?—A. No, a settlement in cash for the car plus his dockage, or a certificate for the dockage in lieu of cash for the dockage.

[Mr. C. Rice-Jones.]

By Mr. Nesbitt:

Q. What good is a certificate unless he can cash it?—A. He can cash it; it is negotiable.

Q. You have told us that if it is three per cent or over the farmer gets the dockage?—A. Yes.

Q. But if it is less than three per cent, what happens?—A. The company keeps the dockage and does not charge anything for cleaning the grain.

By Mr. Stevens:

Q. Now, Mr. Rice-Jones, you say the farmer gets the full value of his shipment, that is, you give him the value of the car and you account to him for the grain and the dockage?—A. That is my understanding.

Q. As a matter of practice, in all cases?—A. That is the regulation of the company. Of course, I do not see every settlement at the office. What I mean is this. If anyone should be looking this over and found that we happened to have overlooked an account, I don't want it said that I was misrepresenting matters to you. The point is that as far as the policy of the company is concerned, it is that.

Q. Will you explain then if the farmer gets the full value of the grain in his car, that he shipped into you, how is it that you in common with every elevator, create, year by year, overages running in value, in your case, seventy-two thousand in nineteen hundred and twelve; thirty-three thousand in nineteen hundred and thirteen; fifty-four thousand in nineteen hundred and fourteen; ninety-four thousand in nineteen hundred and fifteen; a hundred and two thousand in nineteen sixteen-seventeen; and in nineteen seventeen-eighteen, last year, a similar or a still larger amount? The bushels and the figures are not filled in yet. There is sixty-six thousand bushels of wheat at two dollars and twenty cents or thereabouts, a bushel, an overage in oats of three thousand, an overage in barley of one thousand, and in mixed grade——

Mr. PRINGLE: Might I suggest this to you, in nineteen hundred and seventeen, according to your statement, they had an undistributed profit of a hundred and nine thousand three hundred and fifty-five dollars and eighty-nine cents. How much of that was made out of overages?

By Mr. Stevens:

Q. Will you explain that?—A. You mean after the dividends are paid?

By Mr. Pringle:

Q. No, I am taking your own statement for it. In nineteen hundred and sixteen you have got "paid-up capital, two million nine hundred and nineteen thousand seven hundred and sixty-three dollars; for the reserve one million five hundred thousand; undistributed profits—No, I am mistaken; it is nineteen hundred and eighteen—August thirty-first nineteen hundred and seventeen, paid-up capital one million nine hundred and twenty-one thousand and seventy-one dollars; reserve one million two hundred and fifty thousand; undistributed profits four hundred and nine thousand three hundred and fifty-five dollars and eighty-nine cents. Out of that, no doubt, you paid your dividends and then carried over a surplus of evidently about a quarter of a million dollars?—A. The profit for that year was four hundred and forty-one thousand dollars. That was carried forward to profit and loss.

Q. Your profits were greater than that?—A. It shows here somewhere (indicating), four hundred and forty-one thousand seven hundred and sixty dollars.

Q. That is nineteen hundred and eighteen?—A. Yes.

Q. Your profits in nineteen hundred and seventeen were eight hundred and forty-four thousand dollars?—A. Eight hundred——

[Mr. C. Rice-Jones.]

By Mr. Stevens:

Q. (Interrupting): Let us get this point clear first. I asked you, Mr. Rice-Jones, if the farmer gets the full value of the wheat shipped in his car, less the cleaning, how is it that your elevator, in common with others there, annually create an enormous sum of overages, the amount and the value of your overages approximately probably seventy-five per cent of the amount of the fees revenue; I do not mean the total gross revenue, but the revenue from the fees? Would you explain that? In other words, how do overages occur?—A. Well, there are several ways. There is the high grade grain that is docked one per cent. There may be barely one per cent of dockage in that car, but it is docked one per cent, because the Government inspectors do not deal with fractions. They will dock one per cent, and the car may only have seven-eights. Now, naturally on every car that is graded, there is one per cent dockage, and that may have only seven-eights. There is an eighth right there. The grain to be shipped out of the elevators is commercially cleaned. It is not cleaned in such a way that it is fit for seed grain, for instance, and I am informed—I do not know this—that the importers in Europe will stand for a quarter of one per cent dockage in grain. That is that they consider that grain is commercially clean, though strictly speaking it might have a quarter of one per cent dockage. Then again there is the grain that is the line grade between two and three. What I mean by the line grade is that it is a grade that is half way between two and three. Now, fifty inspectors might grade it No. 2 and fifty might grade it No. 3—I mean No. 2 with three per cent dockage, and fifty might grade it No. 3 without any dockage. Well, perhaps I have not put that right. They might grade it No. 3 with one per cent or No. 2 with far heavier dockage.

By Mr. Douglas:

Q. You wish to convey the impression that no grain goes into an elevator without any dockage?—A. Yes, there is occasionally.

Q. I thought you said it had to have at least one per cent dockage?—A. No, I said there is a lot of cars that have a one per cent dockage.

Q. Some goes in without dockage?—A. There is an occasional car. Comparatively speaking, the cars that go in without dockage are mighty few; that is according to the Government inspection.

Q. Bring that point out clearly to the Committee. All this dockage is ordered by the Government inspectors?—A. Absolutely.

Q. Your elevator company has nothing to say in regard to what the dockage shall be?—A. Absolutely. It is a question of cleaning the grain. The Government inspectors inspect the grain going in for grade and dockage, and inspect it coming out for grade and dockage, and, as I say, it is a question of fractions. Then there is the question of grain; you may have a lot of grain. For instance, we have a different grade; you take in No. 3 with a lot of dockage, and it has become tough in the elevator. When it goes out it is graded "3 tough", but there is no dockage taken. The company is ahead with the dockage, but they have to make good the difference between the tough grade and the straight grade grain. You understand that a terminal elevator company has got to return the same grade of grain as every warehouse receipt is issued for, and if the grain gets out of condition in the elevator the company has to make it good.

By Mr. Nesbitt:

Q. If there is any loss?—A. There might be a loss anywhere from 8 to 15 cents a bushel, if the grain becomes tough, as has been the case, and the terminal company has to make that good. They have got to go out and buy that amount of grain.

[Mr. C. Rice-Jones.]

By Mr. Vien:

Q. How would that affect the average?—A. It would increase the average, but reduce the profit.

By Mr. Stevens:

Q. The figures I have been dealing with are exact figures of your elevators figured on the price of the grain at the time. It does not matter whether there happens to be dockage. These figures show what your books show in actual revenue, so that it does not affect the question about some grain being tough and some being otherwise?—A. That is the reason of the overage being there.

Q. Do you consider that these overages which occur as a result of the dockages are fair to the farmer?—A. I consider that reasonable overages are fair to the farmer in a company such as ours, because it is the man who is selling the grain who owns the stock in the company.

Q. Let us analyze that. Here are two men with a hundred dollars stock in your company. That is the average. One ships you 5,000 bushels of grain and the other 1,000 bushels. Where do you get the fairness in that to those two farmers, each being docked say three per cent?—A. Because I do not consider that there is anything wrong in a reasonable overage.

Q. Do you consider the overages that have been occurring in the last six years at the head of the lakes in all the elevators a reasonable overage?—A. I might say that our overages over a period of six years amounted to two-fifths of one per cent, and I think that is reasonable.

Q. The percentage is a very deceiving thing. The value of the grain is what I am getting at. Here we have your average for five years—I have not got the figures for 1917—your overages for five years amount to $418,000, and we have elevators with a larger capacity perhaps. Your elevators shows about the equal percentage of eleven elevators?—A. I think ours is about six on the list.

Q. Something like that? Yours is not the heaviest?—A. No, about half way.

Q. But the point I am getting at is this: These overages run up to enormous figures on all the elevators. Your elevator is simply one, and you say they are allowed by law and therefore it is right. Answer me this if you can: Up to 1916, we will say—I think I am right in that—you never received any permit for the disposal of your overages. You disposed of them without any permit?—A. I could not say, that was before the amalgamation, and I was not connected with the Grain company at that time.

Q. You do not know that?—No.

Q. You had a permit for every year since then?—A. Yes, that is since the amalgamation.

Q. If we had the other companies we could show there was no permit issued before that?

Mr. Nesbitt: For what?

Mr. Stevens: For the sale of the overages.

By Mr. Stevens:

Q. They were sold without a permit?—A. The overages were reported to the Board of Grain Commissioners. There was no effort to sell them.

Q. But it is contrary to the Act, and at that time it was discovered there might be some question of their right, and then a permit was secured?—A. I imagine the Board of Grain Commissioners would have checked that up if there had been anything that was not according to the regulations.

Q. It is your contention that this right to overage now existing is fair to the farmer?—A. As far our company is concerned for two reasons——

[Mr. C. Rice-Jones.]

Q. How about the man you buy from that does not belong to the association? You buy from other people than the shareholders?—A. Yes.

Q. What about them? Why should you take their grain and give it to the shareholders?—A. I will explain that. Our company is composed of 35,000 farmers; not only composed of these shareholders, but according to our method of government, they are all divided into locals, and the officers are elected by one delegate from each local. We have approximately 350 locals; that is, there is an average of approximately 100 shareholders at each local point. Each local is entitled to send a delegate to the annual meeting whose expenses are paid by the company; so that all shareholders are represented at the annual meeting. It is not a question of a few shareholders coming together, paying their own fares and coming in. All shareholders from parts of the four provinces are represented. These delegates meet once a year and elect officers and transact business, etc. Now the directors are elected by these shareholders, and are subject to the recall at any time that they are not satisfied with the way they are handling the business. Any time the shareholders are not satisfied they can call a special general meeting of the company and recall all the board of directors. These are the men whose grain we are handling. With regard to the capital stock, no man can hold more than a hundred shares of a par value at $25 and he is only allowed one vote whether he has got one share or a hundred; so that a man with a lot of money has no advantage, and the directors are not large shareholders. I do not think our directors hold an average of more than ten shares of stock.

Q. You do business with the public?—A. Yes

Q. Just the same as other elevators do?—A. Yes, I was coming to that, if you will excuse me. The company has never paid more than a ten per cent dividend, because it was not organized for profit.

By Mr. Pringle:

Q. But you are putting aside large undistributed earnings?—A. Well, the point is, as I might say, that it takes a lot of money to handle these big credits, and naturally we have to borrow money from the bank. For instance, two years ago, we had a credit of $6,000,000 with the bank. We used that amount of money.

Q. I am not criticising it, but in looking at your statement I find that your original paid-up capital is so much, and with your reserves now, you have really got a paid-up capital of $3,958,245. That is your total capital and surplus?—A. Yes.

Q. And you have been enabled to pay to your shareholders a 10 per cent profit? —A. Yes.

Q. I am not criticising that at all, I can see the wisdom in carrying on a business of this sort, where you require an enormous amount of capital, to have a strong reserve, but you are making a very large profit, and you are taking care of that in this way; you are paying to your shareholders 10 per cent. A man who has got $50 stock gets his $5 dividend each year, and you are adding to your surplus and building up a very strong surplus. As soon as Mr. Stevens gets through, I would like to get before the committee, as a foundation, the facts in regard to your corporation, your powers, the class of business you are carrying, whether you are branching out into merchandise or newspaper publicity work, etc., and see the profits,—A. I have all that information.

Q. I understand you did branch out into some other matters?—A. Yes.

Q. And I want to get at all that. I do not want to touch that till Mr. Stevens is through?—A. I would like to answer that question of Mr. Stevens. Naturally we have to do business with the bank, and we have to secure these large amounts of money, this year $7,000,000 on credit, in order to do business. We have to have a certain financial statement; that is, we have to show a certain financial strength, as you are well aware, before we can get money from the bank, and naturally, as our

[Mr. C. Rice-Jones.]

business increases, and we require more money, we have to build up our reserves to an extent that will enable us to get credit from the bank.

By Mr. Pringle:

Q. That is when you want $5,000,000 you have to be stronger than when you got $2,000,000?—A. I would like to deal with that point of the non-shareholder. We have never paid a dividend of more than 10 per cent because the company was not organized to make profit. But the shareholders think they are entitled to this return on their money. As a matter of fact, it works out at only 8⅓ per cent, because there is a premium of $5 a share.

By Mr. Stevens:

Q. That is accumulated profit?—A. Absolutely not, cash from the shareholders.

Q. They pay the premium?—A. They pay the premium in cash. We have absolutely not a dollar of watered stock in the company.

By Mr. Vien:

Q. Your capital is limited?—A. That amount of paid-up capital is absolutely every dollar of money that is paid in by the shareholders and part of the reserve fund is this $5 premium that is paid by the shareholders. The reserve fund is not all profits. Included in that is the $5 of share premium that has been paid in by the shareholders.

By Mr. Reid:

Q. It is $5 on each share?—A. The par value of the shares is $25, and they pay $30 for the share.

By Mr. Davis:

Q. That is 20 per cent premium?—A. Yes. Whether they are old shareholders or new it is the same. Because a man is an old shareholder, he gets no privilege. The idea of the shareholders, who are the farmers, 35,000, has been that they want naturally to branch out and extend the business. For that reason, this dividend has always been limited to 10 per cent on the par value which is 8⅓ per cent on what the man actually pays for the share, and the money has been used for extending the company's business, for instance, in branching out in the machinery business, which has not only benefited the shareholders but all the farmers who are shareholders or not by reason of the reduction in the margin of profit which we have put into effect as compared with the other companies before we went into business. That applies to every line of business we are in. As a matter of fact, the only advantage that the shareholder has got is the 10 per cent dividend, and the non-shareholders, outside of that, get just the same benefit from the competition of the company and the grain co-operative and livestock business as the shareholders have.

By Mr. Stevens:

Q. You have not answered my question. I am asking you, how can you justify these large overages in your elevator in common with all other elevators, in view of the statement you made that the farmer gets all of the grain in his car when it is shipped either in the form of a straight warehouse receipt or car receipt, or an additional certificate for dockage?—A. Well, I answered your question as to where the non-shareholder came in.

Q. No, you have not answered that yet. The non-shareholder is being docked, and it does not go back to him. You are paying this out to the shareholders?—A. I should say that 90 per cent of our business is shareholders'. I have no figures.

Q. Do you know that?—A. I say I have no figures.

[Mr. C. Rice-Jones.]

Q. I am told that your business does not represent more than 70 per cent of the shareholders, and that very frequently you classify as a shareholder a man who may be a member of some organization which is interested in it?—A. Absolutely not, sir.

Q. You do not know how much?—A. We do not classify as a shareholder any man except those who are recorded on the stock books of the company.

Q. You do not know how much of your business is done through your shareholders, and how much is not?—A. No, I have no figures on that.

Q. You cannot justify these excessive overages?—A. We have not had excessive overages in our elevators.

By Mr. Vien:

Q. You do not qualify them as excessive, but there are overages, and so far as your trading with those who are not shareholders in your company is concerned, it is a detriment to them that there should be overages in which they do not share?—A. Well, of course the position is just this: We have expressed ourselves as perfectly agreeable at any time to have the overages all confiscated, provided the Government will stand good for the shortages. But the point is this: From the farmers' point of view there is an objection to that, because it increases the rates that he has to pay.

By Mr. Stevens:

Q. Not necessarily. Will you let me point out this that in five years your overages were 357,000 bushels and your shortage was 3,800 bushels?—A. Yes.

Q. How can you say it is necessary to have very large overages to take care of that? Your shortage was one per cent of the overage?—A. What objection would there be to the Government guaranteeing the shortages when there is only such a small shortage? We merely ask that as a measure of safety, but from the point of view of the farmer the objection is that if you take all the overage you increase what he has to pay for the handling of the grain. It would probably mean, as near as I can figure out, that the farmer would have to pay half a cent or a quarter of a cent more.

Q. Do you advocate the removal of the overages for that reason?—A. It has been recommended by the Canadian Council of Agriculture that all overages over one quarter of one per cent be confiscated, and that this money be put into a special fund, and that when sufficient money has been accumulated in this fund, it shall be used for reducing the handling charges out of the terminals in this way: They would estimate how much they could afford to reduce the handling charges with the money in this fund, and the terminals would be instructed to cut say the handling charges in two to the farmer, and they would be paid the difference between the new handling charges and the old out of this fund. In this way the overage question would be regulated. The terminals would receive adequate charges, and the farmer would not be charged any more because of the confiscation of the overage. Now, that is the recommendation that has been made to the Department of Trade and Commerce by the Canadian Council of Agriculture.

Q. What would you consider a fair earning on a terminal elevator, not taking in the risk on the stock, outside of insurance?—A. A fair earning?

Q. Yes? What percentage of earnings should an elevator earn?—A. That is before paying a dividend?

Mr. Stevens: Yes.

Mr. Vien (Interrupting):

Q. Out of which dividends shall be paid?

[Mr. C. Rice-Jones.]

By Mr. Stevens:

Q. And outside of depreciation, of course?—A. I would think—you mean an average over a period of years?

Mr. STEVENS: Yes.

By Mr. Nesbitt:

Q. You mean on the capital stock?—A. On the value of the elevator and the working capital.

By Mr. Stevens:

Q. Yes, provided they owned the elevator?—A. I should say 12 to 15 per cent.

Q. Would you consider an earning of 19 per cent rather high?—A. Well, I would think it was a little high in a private company. I would not consider it high for our company on account of the nature of our organization.

Q. In spite of the fact that you are doing business with the public as well as with your shareholders?—A. The public benefits from the operations of the company, as I explained before, just the same as the shareholder, except to the extent of the dividend which the shareholder rceives on his capital stock.

Mr. STEVENS: Which dividend is made up at the expense of the public you are dealing with?

By Mr. Sinclair (Interrupting):

Q. Have the public any opinion of dealing with any other elevator? Can the non-shareholders sell to other companies? Has he any option of selling to a private company?—A. He can sell to whoever he wants to.

Q. The fact that he comes to your company must mean that he is satisfied?—A. Entirely.

By Mr. Vien:

Q. He also goes because your plant is the only one available in the vicinity where the grain is grown?—A. No, excuse me, there are two or three or four. I do not think there are more than fifteen or twenty points where we have the only elevator in the three provinces.

By Mr. Stevens:

Q. You do not own the elevator you have at the head of the Lakes?—A. No.

Q. You rent it from the C.P.R.?—A. Yes.

By Mr. Reid:

Q. What amount is allowed by statute for wastage in grading a car?—A. It should be 60 pounds, but we have got that reduced during the last few years to 15 pounds. That has been dealt with at the annual meetings of the Board of Grain Commissioners when they set their charges.

Q. You say it is 15 pounds; I thought it was 30 pounds?—A. I think it was reduced to 15 pounds this last year, but perhaps you are right. I am not absolutely certain about that. That was something that was dealt with by the farmers' representatives at different meetings of the Board of Grain Commissioners. It was reduced I know. At the same time that we got five per cent dockage the farmers reduced to three, and the waste that was allowed was reduced from one and a half to one.

By Mr. Stevens:

Q. You rent the elevator at the head of the lakes?—A. Yes.

Q. Therefore you have no capital investment in it at all?—A. We have to pay rent, of course. We pay rent on the basis of the capital invested in the elevator.

[Mr. C. Rice-Jones.]

Q. Have you your earnings for that elevator last year?—A. Yes, I have.

Mr. PRINGLE: I am going to bring that out from year to year in the different branches of the business.

By Mr. Douglas:

Q. Do you contend that the present method of handling of the overages results in a cheaper tariff to the producer, that is in the matter of handling through your terminal elevator?—A. In my opinion, some overages have been higher than there has been warrant for. The thing I cannot understand is this: When the weighing is all done by Government men—it is not in the weighing at all that these overages take place—but I cannot understand why there should be so much difference in these overages.

By Mr. Stevens:

Q. Do you know of any companies paying a bonus to their officials out of the amount of overages that appear each year?—A. Well, I could not say. I know we are not.

Q. You pay a straight salary?—A. We pay a straight salary. Our man at the head of the lakes gets a bonus but it is not based on the terminal earnings at all.

Q. What does he get the bonus on?—A. We take a certain percentage—I will tell you what it is if you like, three per cent of the net profits of the whole company. We divide that up between the men who are getting over two thousand dollars a year. These two thousand dollars net men are all getting a different kind of bonus, length of service bonus and a war bonus. This goes to those men who are getting two thousand dollars and over. The officers are not included. This three per cent of the net profits of the whole company is divided up among them.

Q. Among how many?—A. I could not tell you offhand.

Q. A large number, twenty, thirty or forty?—A. It would probably be about forty.

Q. That is all right. Let us get it clear this fact that out of the net profits you are paying a bonus of three per cent?—A. Of the whole company, not the terminal.

Q. I get you. What is the net earning of your company?—A. Hold on, I am not certain if we took the dividend off before that or not. Last year I think it was paid on four hundred and forty-one thousand dollars.

Q. This year on the net earnings?—A. Yes.

Q. At the head of the lakes your elevator earning in 1916 on overages was one hundred and thirty-two thousand dollars, or about one-third of that, out of the overages, so that this three per cent would be a very good inducement to make large overages, wouldn't it?—A. The point is this, sir, this three per cent has nothing to do with the profit at the terminals, because it is taken out of the whole business of the company for the very reason perhaps that it will be no inducement to any special department to make any big profits because that is not what our company is in business for.

By the Chairman:

Q. If the head of each department makes a big profit, the cumulative profit will be big?—A. The managers who control prices do not participate in this bonus.

By Mr. Nesbitt:

Q. That is quite true. At the same time the gross net profit of the whole company must give some benefit to them. They make more money.

Mr. VIEN: Overages are important items.

[Mr. C. Rice-Jones.]

By Mr. Nesbitt:

Q. I am not complaining about that?—A. I would like to make that clear. We have two divisional managers, one in Winnipeg and one in Calgary, who are the men altogether who control, subject to instructions from the Board of Directors, the margin of profit that we will take on the different lines of goods. None of these men participate in this bonus. There is the point.

Q. Your managers do not participate?—A. No. The men can only help their bonus by efficiency in their work.

By Mr. Sinclair:

Q. They are the men who control the rate of profit?—A. No. They have not to do with that. That is for the two divisional managers, the manager in Winnipeg and the manager in Calgary.

Q. Who are they?—A. J. R. Murray, Winnipeg, and E. S. McCrory, Calgary.

Q. What salaries do they pay them?—A. Mr. Murray gets eleven thousand dollars a year, Mr. McCrory only recently appointed, gets fifty-two hundred dollars a year, and I get thirteen thousand dollars as general manager.

By Mr. Stevens:

Q. As a matter of fact the earnings of your terminal elevator at the head of the lake, that is, the net earnings, represent nearly half of the net earnings of the company from year to year?—A. I could not say off-hand.

Q. The point I am getting at is that your overages constitute a very large proportion of your net earnings. That is the truth, isn't it?—A. Yes, my understanding is that this inquiry is to try and determine who is responsible for the high cost of living. Now, I have figures here as to how much our terminal elevator profits constitute per sack of flour to the high cost of living.

By Mr. Nesbitt:

Q. Before you go into that, you are an incorporated company, and you are trying to make money for the shareholders?—A. No, sir. Here is the way I may illustrate that.

Q. I think you are a well organized organization, but you are a corporation after all and you are working for the shareholders and yourself?—A. I cannot quite agree with that. If I might explain——

Q. Now you have got that philanthropic idea, but you have shareholders, and you are working to make money for them.

By the Chairman:

Q. We are not getting anywhere by an argument of this kind?—A. In connection with that, if our company was a private corporation, what would the shares be worth on the market? There is the point.

By Mr. Nesbitt:

Q. At ten per cent they would be worth one hundred and twenty-five. If it were an industrial paying ten per cent I think it would be worth one hundred and twenty-five?—A. You mean that one share would be worth one hundred and twenty-five. According to the shareholders' capital and surplus they would be worth about fifty, but our shares do not bring more than thirty dollars and sometime——

Q. They are not on the open market?—A. But often shareholders when they have to leave the country want to sell out. He will not be paid more.

Q. What amount can they be bought for?—A. The dividend is limited and consequently——

[Mr. C. Rice-Jones.]

By Mr. Pringle:

Q. You were incorporated in 1906?—A. Yes, sir.

Q. I want you to file your original letters of incorporation?—A. I will have to send to Winnipeg for those.

Q. I want the letters of incorporation under which you are now carrying on business. Will you bring those to the committee at three o'clock?—Yes.

Q. What is the total authorized capital of your company?—A. Five million dollars.

Q. How much of that capital has been issued?—A. If you will let me have that statement I will tell you. Up to August 31, 1918, the subscribed capital was two million eight hundred and ninety-one thousand and fifty dollars.

Q. What is the paid-up capital?—A. At the end of August last it was two million one hundred and fifty-nine thousand seven hundred and sixty-three dollars.

Q .Who are your directors?—A. The directors are all farmers.

Q. Who is the president of your company?—A. The Hon. T. A. Crerar.

Q. Is the Hon. T. A. Crerar, as well as being president, actively engaged in the direction of the affairs of your corporation?—A. You mean, does he hold any other position? No, sir, not now.

Q. Does he receive remuneration for being president of your company?—A. No, sir. He does when he is working for the company.

Q. I want to find out how much is paid him when he is working for the company as president. I have no doubt he was worth every dollar you gave him?—A. He was getting fifteen thousand dollars when he stopped drawing salary.

Q. When did he drop drawing salary?

Mr. NESBITT: That is a private thing.

By Mr. Pringle:

Q. I do not care. If the Committee does not want the knowledge, I will not press it. I want to know the cost of management of this company?—A. I might say if you will go back, that Mr. Crerar has not drawn the fifteen thousand dollars because that salary was set to take effect whenever he returned to the company.

Q. I think that is very creditable, owing to his taking part in the public life of the country he was not willing to take a salary from the company, when receiving a much smaller remuneration from the country, and consequently has not drawn a salary during that period?—A. The whole thing was discussed when Mr. Crerar took the position of Minister of Agriculture.

By Mr. Stevens:

Q. There is no objection to his getting any salary he can get.

By Mr. Pringle:

Q. What I want to get at is the cost of management of this company. We will say that Mr. Crerar is not now or was not during the time he was Minister of Agriculture—— A. I say it is not exactly correct because he did draw a salary for a while because the matter was taken up when Mr. Crerar decided to go down to Ottawa. He said he would not draw any salary unless they thought he should have a nominal salary for acting as president. The point is that when he came down the directors did not think he would be down here very long.

Q. I am not going to pursue that. We all have a great admiration for Mr. Crerar and the work he has done, and I do not want to bring his name into this in any way at all. All I want is, and you can leave his name out, what are the total salaries paid by this company, including your president, board of directors, general managers and your managers. What do your directors receive?—A. The directors do not get any salaries, they get a per diem allowance when attending the meetings.

[Mr. C. Rice-Jones.]

Q. They get a per diem allowance when attending each meeting?—A. Yes.

Q. What is the per diem allowance?—A. $15 per day.

Q. And their expenses for attending the meeting as well, do they not?—A. Yes, —let me see, just a minute I could not swear whether that includes expenses, I do not think it does.

Q. If they are not getting expenses they are not getting a very generous allowance?—A. Of course up till quite recently they were getting allowances, it was $5 per day and their expenses, and now probably they are getting $15 per day without expenses.

Q. But you are not sure?

Mr. Reid: I think the transportation and allowance for living expenses is also given, although I have not drawn it yet, and I am not quite sure as to that.

By Mr. Pringle:

Q. Well, then, we will take your manager, you have three managers?—A. We have a general manager.

Q. That is yourself?—A. Yes.

Q. And then you have told us what your salary is?—A. $13,000.

Q. Then you have an assistant general manager?—A. Mr. Murray.

Q. And you say his salary is $11,000, and then there is Mr. E. S. McGrory, the manager of the western division, he gets $5,200; he has only recently been appointed.

Q. He is living in hopes no doubt of getting an increase. Apart from that these are your only high paid officials?

By Mr. Davidson:

Q. You have a secretary?—A. Yes.

Q. What is his salary?—A. $5,000.

By Mr. Pringle:

Q. What are your powers under your charter—I would prefer to see your charter. What business can you engage in under your charter?—A. I think practically anything excepting railroading and banking.

Q. You can engage in any business except railroading or banking?—A. Yes, I think so, I have not gone into it completely, but generally speaking I think we can.

Q. As a matter of fact you are engaging in a number of businesses?—A. Yes.

Q. You are in the implement business?—A. Yes.

Q. You are in the co-operative business, store business?—A. No, not in a store business, but we do a carlot business in bulk commodities.

Q. That is to say you are furnishing to those who desire to purchase from you supplies in carload lots?—A. Yes, well we distribute them through our elevator agent at country points.

Q. Then you have got your grain business?

By Mr. Reid:

Q. That word "supplies" is very misleading, would you ask Mr. Jones to say what the supplies are?

Witness: Flour and feed, coal, binder twine, barbed wire, wire fencing, lumber, posts, that is willow, tamarac, and cedar, apples, and salt and hay.

Q. You do not deal in bacon? No, we do not handle bacon.

Q. And building supplies?—A. Yes, building supplies.

By Mr. Pringle:

Q. I suppose the more important items that the agriculturists would be needing? —A. We do not handle groceries, dry goods, or hardware.

[Mr. C. Rice-Jones.]

Q. We will take 1917 and 1918, you were in the coal business?—A. Yes.

Q. And you did a fairly large turnover, you made a gross profit of how much?—A. I do not recollect.

Q. It is there among those figures?—A. We made a gross profit of $89,363.50, that is 8·91 per cent on sales, a little less than nine per cent.

Q. In the coal business you made a gross profit of $89,363.50?—A. Yes, that is little less than 9 per cent.

By Mr. Nesbitt:

Q. What is the expense in each of these branches?—A. These commodities are in one department, and the expenses are separate, but I can give you the net profit of the Department.

By Mr. Pringle:

Q. Then you made 8·91 per cent on your turnover in coal?—A. Yes.

Q. Now, then, in the flour business you made $66,773.14.

By Mr. Nesbitt:

Q. Before you leave the coal would you mind asking where they got their coal from?—A. We got coal from Alberta.

Q. Do you buy direct from the mines?—A. Yes, we buy direct from the mines, except the Pennsylvania hard coal for Manitoba. They will not deal with us; the only way we could get it is through the jobber. Last year, as a matter of fact the year before, we were boycotted altogether and could not buy any of it at all.

By Mr. Sinclair:

Q. Why wouldn't they sell you?—A. Because they said we were dealing directly with the consumer.

By the Chairman:

Q. When you say you had this gross profit of 8·91 per cent on the coal do you deliver the coal?—A. We have coal sheds at elevator points and the consumer comes with his wagon to the coal sheds, and they are all farmers practically.

By Mr. Sinclair:

Q. Do you sell to anyone but the shareholders of the company?—A. We sell to anyone who wants to buy at all, we will sell to the man in town if they want to buy and pay the cash.

Q. I suppose you will sell to anybody as long as you can get the profit and he has the money?—A. We do not always make a profit; this year we will probably lose money.

By the Chairman:

Q. Is there any local delivery?—A. No, except that if the man asks the agent if he will deliver coal the agent may hire a dray and take the coal out for him.

By Mr. Pringle:

Q. You sell at the sheds and they take delivery there?—A. Yes.

Q. Now, in the flour business your percentage of sales is 6·26?

Mr. Nesbitt: How much were their sales?

Mr. Pringle: $1,065,623.19, and your percentage on that turnover was 6·26.?—A. Yes.

By the Chairman:

Q. The deliveries are the same in that case as in the coal, I suppose?—A. We have flour warehouses at the elevators and the people come and take the flour away.

[Mr. C. Rice-Jones.]

By Mr. Pringle:

Q. Now then apples, you show that your profit was $14,358.58 on a turnover of $378,772.24.

Mr. Nesbitt: What was the gross profit?

Mr. Pringle: $14,378.58, or 4·11 per cent?—A. A little over 4 per cent gross.

Q. To summarize then the coal, flour, apples, you handled $170,495.22 and your average percentage was 7·05 as shown there?—A. The total turnover was $2,416,626.40.

Q. Your gross profit was $170,495.22 or 7·05 per cent?—A. That is the gross profit.

Q. Yes, I understand we are dealing now with gross profits entirely?—A. Yes.

Q. Now then, on other supplies you seem to have turned over $1,631,044.74?—A. Yes.

Q. And your gross profits on that were $188,868.20?—A. Yes.

Q. Or a percentage on your turnover of 11·57?—A. That is right, sir.

Q. Now then in the machinery, your gross sales were $1,292,359.71, and your gross profits $272,215.86, or 21·06 per cent on the sales?—A. Yes.

Q. Now, just let me interject there, can you sell machinery to your customers at a lower price than that at which they can obtain it through the ordinary channels?—A. We have done so, of course as our volume of business increases the difference between our price and that of the other people narrows up, that is what is bound to happen.

By Mr. Nesbitt:

Q. Might I ask, do you sell on terms for your machinery?—A. Cash, all our business is cash; that is we get a few accounts on our books through an agent of the company not handling the thing the way he should.

Q. But your business is to sell on cash?—A. Cash only.

By Mr. Douglas:

Q. You will not sell at six months'?—A. No, sir.

By Mr. Nesbitt:

Q. Do you sell to anybody outside the shareholders?—A. To anybody at all.

Q. On the same terms as you sell to your shareholders?—A. On the same terms.

By Mr. Sinclair:

Q. Then the only benefit the shareholder gets is his dividend?—A. His dividend on the actual cash he has put up, and the shareholders have never got a dollar of stock except what they have put up hard cash for.

Q. And they also have the benefit of the reserve which goes to their credit in the company as a company?—A. Yes, but at the same time they are not getting it. The only way they can ever get any benefit out of the reserve is if the company were wound up.

By Mr. Pringle:

Q. Now, you also handle lumber, and you apparently made a gross profit during this period that we now have under consideration of $68,383.95?—A. Yes.

Q. And your total sales were $747,540.41 and your percentage of profit is 9·14?—A. Gross.

Q. Now let us take the total of the coal, flour, apples, machinery, lumber and other supplies and your gross profit is $699,963.23 upon sales of $6,087,591.26, or 11·49 per cent gross?—A. Yes.

[Mr. C. Rice-Jones.]

Q. Now then, during that year, we will take the year ending August 31, 1917, according to your profit and loss statement you make a profit of—A. This is 1917-18.

Q. Yes, I mentioned that, that is the statement we have just been dealing with, for the year 1917-18—

By Mr. Nesbitt:

Q. (Interrupting) Before proceeding with that, does he keep his gross profits separate on each of these articles?

Mr. PRINGLE: They show a profit of a certain amount, and I want to see how that is made up, out of which branches it comes.

By Mr. Pringle:

Q. Now then, according to this statement which I have before me, we will take the year nineteen hundred and seventeen, your total profits were eight hundred and forty-four thousand four hundred and one dollars?—A. Yes, sir.

Q. Or a percentage on your paid-up capital stock of forty-four per cent—44·9 per cent?—A. Yes.

Q. That was in the year ending nineteen hundred and seventeen?

Mr. DOUGLAS: Nineteen seventeen-eighteen.

Mr. RICE-JONES: No, sixteen-seventeen.

By Mr. Pringle:

Q. The other of which we were speaking was the statement of nineteen seventeen-eighteen. Now, I am getting at this. Their fiscal year expired, as I take it, on August thirty-first, nineteen hundred and seventeen?—A. Now, back here (indicating) it expired—I think it started by June thirtieth, then they had it in July for one or two years, but for the purpose of this, we just put it August thirty-first.

Q. August thirty-first has been taken as the end of your fiscal year for the last few years?—A. Yes.

Q. And at the end of the fiscal year of nineteen hundred and seventeen, which you take as August thirty-first, your profits were eight hundred and forty four thousand four hundred and one dollars?—A. Yes.

Q. Or, 44·92 per cent?—A. On the capital, without the original.

Q. That is perfectly fair, and perfectly right to take it in that way?—A. Yes.

Q. That is on the capital, without taking into consideration the reserve. Then, you have added to your capital, reserve and undistributed profits amounting to one million six hundred and fifty-nine thousand three hundred and fifty-five dollars, which makes your total capital surplus, as of the present time, three million five hundred and eighty thousand four hundred and twenty-six dollars, so that your profit on the total for the capital and reserve is 23·6 per cent?—A. Yes, sir, that was the year ending August thirty-first nineteen hundred and seventeen.

Q. Now, have you given all the businesses you are engaged in or are you also engaged in the export business? Have you got a subsidiary company?—A. Yes; we have a subsidiary company, but——

Q. (Interrupting): Wait; I will get at that. You have a subsidiary company which handles the export business?—A. Yes.

Q. What is that subsidiary company called?—A. The Grain Growers Export Company, Incorporated, of New York, and the Grain Growers Export Company, Limited, of Winnipeg. Here (indicating) is a memorandum which explains that. It shows you the amount of the export companies' profits that are included.

[Mr. C. Rice-Jones.]

Q. I will get that in a minute. You have two subsidiary companies?—A. We have more than two; those are the two in the grain business.

Q. We will come to the others later on. Take the two in the grain business. You have two subsidiary companies organized for the purposes of the export business?—A. Yes.

Q. One is called what?—A. The Grain Growers Export Company, Incorporated, with head offices in New York.

Q. Now then, who are the shareholders of that Company?—A. The United Grain Growers, Limited.

Q. But, the United Grain Growers are represented by individuals; I want to know the individuals who are shareholders of that company, or represent the United Grain Growers. You have got to have so many directors, and a president, and a vice-president, and a secretary-treasurer, and so on. Who are they?—A. Well, sir, under our charter the company has power to hold stock in any other company that is in the same line of business.

Q. The shareholders of the United Grain Growers or the individuals?—A. As far as I know—you see we have one or two subsidiary companies, because the company has not got the power to hold stock in them, because they are not in the same line of business, some of the directors have to hold stock in trust, but of course, we hold the transfer of their stock signed in blank.

Q. I will not go into the details. I know you want to tell us everything in connection with this matter. You have two companies which are subsidiary companies and are organized for the purpose of handling the export business. I should say that it was a very proper thing in connection with the class of business you are doing?—A. Yes.

Q. You said the Grain Growers Export Company of New York. That is an American corporation?—A. Yes.

Q. I have no doubt that it was incorporated under the laws of the State of New Jersey, or was it the State of New York?—A. I really do not know.

Q. Then you have a Canadian corporation?—A. Yes.

Q. What it is called?—A. The Grain Growers Export Company, Limited.

Q. Where is that incorporated?—A. Here at Ottawa; in Canada.

Q. Just say it is a Dominion incorporation?—A. Yes.

Q. Those two companies you say, (owing to the fact that in your original charter of the Grain Growers Company you have a right to hold stock in other companies), you say the stock is held in these companies by the Grain Growers Corporation.

Mr. Nesbitt: Surely, he must be wrong when he says they have no directors?

Mr. Pringle: Yes, he certainly must be.

Mr. Rice-Jones: These gentlemen are asking me who held the stock.

Mr. Nesbitt: We appreciate that. Surely you have directors?—A. Yes.

Mr. Douglas: Put it this way, Mr. Pringle, "In whose name is the stock held?"

Mr. Rice-Jones: The position is this in connection with Export Company. I am not absolutely conversant with all the details of this business, because two years ago we turned our whole staff in New York, our manager and staff, over to the Allied Trade Commission. We have not been in business there for the last two years, that is, since the amalgamation. I was not connected with that company before the amalgamation, and consequently I was not familiar with export business at that time. Since the amalgamation I have had no business there.

By Mr. Pringle:

Q. What I want to get at in a general way is this. I think I understand it, but I want it on the record, that these two subsidiary companies, while they are subsidiary

[Mr. C. Rice-Jones.]

companies, and it was not necessary to have a different organization, still all their profits go into the United Grain Growers, for the benefit of the United Grain Growers?—A. Yes.

Q. In the figures that you have given us showing that profit of eight hundred and forty four thousand four hundred and one dollars for the year nineteen hundred and seventeen, you have taken into consideration the profits you have made from the export business, or have you not?—A. There is twenty-five thousand dollars.

Q. That is what I wanted to get at, because you have got that marked "Including twenty five thousand dollars dividend of the Grain Growers Export Company."—A. Yes.

Q. What I would like to get, as to detail, why it is?—A. These are from the Export Company Incorporated.

Q. The Grain Growers Export Company Incorporated, of New York, a United States incorporation?—A. Yes.

Q. I want to get at their capital. How much is paid up? What their reserve is? How they paid this dividend of twenty-five thousand dollars? What surplus they are carrying over? I would like to get the figures of that Company and have them place it on file with this Committee. I would also like to get the annual statement of the Grain Growers Export Company, incorporated in the Dominion of Canada. Let us have the capital stock, who the directors are, what their earnings are, what dividends they are paying, and where they go?—A. I will send to Winnipeg for those, I have not got them here. I can tell you who the directors are right now.

Q. Who are they?—A. The directors of the Export Company are Mr. Crerar, Mr. John Kennedy, Mr. O'Donoghue, the manager in New York, Mr. J. Reid, and Mr. Collier. I am not absolutely sure about Mr. Collier, but I think he is a director.

Q. I want a statement—— A. (Interrupting): As I say, I am not absolutely certain about the last one, but anyhow there are five of our directors here.

Q. Until we get this record I do not know that we can tell much more about the operation of this company.

Before the adjournment, I want to bring out nineteen hundred and sixteen—— A. (Interrupting): I might say that the United Grain Growers have received dividends in cash of three hundred thousand dollars from the Export Company, and they paid off—The United Grain Growers Limited paid off—the loss of two hundred and forty thousand dollars I think they had one year, so the net receipts to the United Grain Growers from the Export Company are approximately fifty-five thousand dollars.

Q. Now, let us take the profits for nineteen hundred and sixteen, and later on, we will come to nineteen hundred and eighteen, and the conditions which existed. In nineteen hundred and sixteen your profits are eight hundred and fifty-five thousand and two hundred and eighty-eight dollars?—A. Yes.

Q. That is 62·2 per cent upon your capital?—A. Yes. That was the year of the big crop and we handled forty-nine million bushels of grain.

By the Chairman:

Q. Just a minute, you handled forty-nine million bushels of grain?—A. Yes.

Q. Your profit was how much?

Mr. Pringle: Eight hundred and fifty-five thousand and two hundred and eighty-eight dollars, or 62·2 per cent.

The Chairman: On the capital?

Mr. Pringle: Yes.

Q. Now, at that time you had a reserve of undistributed profits of nine hundred and forty-eight thousand and nine hundred and ninety-four dollars?—A. Yes.

Q. So, adding that to your previous paid-up stock and reserve of one million four hundred and fourteen thousand six hundred and seventy-six dollars. That gave you two million three hundred and twenty-three thousand nine hundred and ten dollars?—A. Yes.

[Mr. C. Rice-Jones.]

Q. Or a percentage on capital and reserve of 36·8?—A. Yes, sir. The handling of the terminal elevators of that year—they handled seventy-five per cent more grain than we have handled in any other season. That would account for this profit.

Mr. NESBITT: What was the first one, Mr. Pringle? This is nineteen hundred and sixteen, I understand.

Mr. PRINGLE: Yes, the first one was nineteen hundred and seventeen.

Mr. RICE-JONES: We have the profits from the time the company started here.

Mr. NESBITT: Did you ask him the gross turnover in nineteen hundred and seventeen.

Mr. PRINGLE: I don't know as I did.

Mr. RICE-JONES: Nineteen hundred and seventeen?

By Mr. Pringle:

Q. Yes.—A. A hundred and two million dollars.

Mr. NESBITT: There was a net profit on that?

By the Chairman:

Q. That was the year you handled forty-nine million bushels of wheat?

By Mr. Nesbitt:

Q. I want the gross turnover in dollars and cents on your business. I don't think we got that.—A. In nineteen hundred and seventeen it was approximately one hundred and two million dollars.

Q. What was your net profit on that?—A. Eight hundred and forty-four thousand four hundred and one dollars, and to make that profit we used nearly ten million dollars in money.

By the Chairman:

Q. You say your turnover was a hundred and two million dollars?—A. I say, approximately.

By Mr. Nesbitt:

Q. Will you work out the percentage?

Mr. PRINGLE: You might work that out for us for this afternoon.

The CHAIRMAN: It is less than one per cent.

Mr. PRINGLE: If you take in all the money they used, it is much less than one per cent.

The CHAIRMAN: I mean on the turnover——

Mr. RICE-JONES: It is less than one half of one per cent.

By Mr. Pringle:

Q. Mr. Nesbitt would like to get the percentage on the turnover?—A. Yes. Naturally, sir, we have to estimate the average value of the grain because we know about what price it will be. We cannot give you that exactly.

Q. Will you get it as best you can?—A. Yes.

Q. Now, nineteen hundred and eighteen. Your earnings fell off in nineteen hundred and eighteen?—A. Yes, because there was not nearly so much grain to handle.

Q. And was it not also on account of the control in connection with the grain?—You know best. I don't.—A. I should say "Yes." That is not it altogether, although of course this year we will have little or no profit and we are working under the same conditions.

[Mr. C. Rice-Jones.]

Q. Why?—A. It is a question of the volume of business. Now, this year that we made a big profit, the average in Alberta, for instance, was over two hundred thousand bushels of grain per elevator, which was a record. I do not think any company ever handled as much. With the number of shareholders we have we are in a peculiarly advantageous position to get business. We averaged over two hundred thousand bushels of grain per elevator. This year we will not average more than thirty-three.

Q. Anything that I bring out I do not bring out in a spirit of criticism. I quite appreciate the wisdom of your very, very strong sererve, but I want to get at the facts. —A. We cannot get along without that reserve, because we cannot get credit at the bank.

Mr. NESBITT: Absolutely right, old man. Others have to do the same thing.

Mr. RICE-JONES: Exactly, sir.

By the Chairman:

Q. Your opinion is that no firm carrying on a business such as yours, can carry on that business without building up a reserve?—A. If we should happen to come out with a loss, then we would have to have a reserve to take care of it.

Q. Your opinion is then, that there should be a reserve when carrying on the business?—A. I think there should be a reasonable reserve. I would not want to manage a company that did not have any.

By Mr. Pringle:

Q. Let us get the nineteen hundred and eighteen figures, and then we will get something to eat. I see your profits for nineteen hundred and eighteen were four hundred and forty-one thousand seven hundred and sixty-nine dollars?—A. Yes.

Q. Or 19·7 per cent on your paid-up capital?—A. Yes.

Q. Then your reserve is increased again from the former year, and your total capital and surplus amount at the end of that year is three million nine hundred and fifty-eight thousand, two hundred and forty-five dollars, and you have a net return on that of 11·2 per cent?—A. Yes.

Q. I am not criticising this, but do you remember how the Armours built up their capital, from one hundred and six thousand, with no additional capital, until it was one hundred and thirty-seven million, and the Armour family was pretty well taken care of in the meantime?—A. You will notice our capital stock increases every year.

By the Chairman:

Q. What was your turnover that year?—A. I have got that. It was one hundred and two million dollars in nineteen hundred and eighteen.

Q. What was it in nineteen hundred and seventeen?—A. We will try and have that for you this afternoon.

By Mr. Nesbitt:

Q. I thought you gave us the figures for nineteen hundred and seventeen?—A. I said one hundred and two million, but our accountant said it was nineteen hundred and eighteen. I was under the impression that it was nineteen hundred and seventeen. We will have that information for you this afternoon, as near as we can get it.

By Mr. Pringle:

Q. What other lines of business are you in? You are in the newspaper business? —A. Yes.

Mr. SUTHERLAND: For goodness sake.

[Mr. C. Rice-Jones.]

By Mr. Pringle:

Q. I want to find out how much you lost on that. I don't suppose there will be any profit on that?—A. We have it right here.

Q. Let us see what you lost in the newspaper business?—A. We lost one hundred and eight thousand dollars in the ten or twelve years.

Q. You have got off easy. You tell us you are in the newspaper business?—A. We do not control the policy of the newspaper. The point is that these newspapers belong to the farmers, and for the purpose of convenience they naturally want the commercial end of their business to handle it. The organization is divided into three branches or associations, the United Farmers of Alberta; the Saskatchewan Grain Growers' Association, and the Manitoba Grain Dealers' Association, which is the educational and legislative end of the farmers' end of the organization. This publication is called "The Grain Growers' Guide."

(The Committee adjourned until 3:00 p.m.)

The Committee resumed at three p.m., Mr. Nicholson, the Chairman, presiding.

Mr. C. Rice-Jones, recalled.

By Mr. Pringle:

Q. You handed to me, Mr. Jones, a document being the by-laws and charter of the United Grain Growers', Limited?—A. Yes.

Q. I find you were incorporated by a special act?—A. Yes.

Q. Passed in the year 1911?—A. Yes.

Q. And under that special act you were authorized to issue five million dollars of capital stock?—A. Yes.

Q. Divided into shares of twenty-five dollars each?—A. Yes.

Q. Then you were empowered under this act to acquire, by purchase or otherwise, the franchise, undertaking, real and personal property and other assets of Grain Growers' Grain Company, Limited, a company incorporated under the Manitoba Joint Stock Companies' Act.—A. Yes.

Q. I assume that you did acquire that because under section eleven you are not permitted to exercise any of the powers conferred under sections twelve and thirteen until an agreement for the purpose of section ten of this act has been entered into between the company and the said Grain Growers' Grain Company, Limited, except where the exercise of any of the said powers may be necessary for the purpose of entering into or carrying out said agreement. Now then, you must have entered into an agreement with the Grain Growers' Grain Company?—A. That is in 1911.

Q. These are your powers. I want to see when you acquired the Grain Growers' Grain Company, Limited, a company incorporated under the Manitoba Joint Companies' Act.—A. I am not very familiar with that. The way I understand it is that the company which started in 1906 had a Manitoba charter and, in 1911, they changed it to a Dominion charter.

Q. They must have acquired, either for cash or stock or in some way, the assets of the Grain Growers' Grain Company, Limited, the Manitoba Company. I want to see whether they acquired it by the payment of cash or by the payment of stock.—A. The way I understand it is that it was merely a nominal transfer.

By Mr. Reid:

Q. Was it not rather a change of name?—A. A change of name practically.

[Mr. C. Rice-Jones.]

Mr. PRINGLE: Under section eleven the company that is incorporated "shall not exercise any of the powers conferred upon it by sections twelve and thirteen of this act until an agreement for the purpose of section ten of this act has been entered into between the company and the said Grain Growers' Grain Company, Limited, except where the exercise of any of the said powers may be necessary for the purpose of entering into or carrying out the said agreement." That ostensibly was for the object of preventing this company from launching out into a similar business. It was a condition upon this company getting its charter that it would acquire the older company incorporated under the Manitoba Act, and they had the right to buy that company out either by fully paid up shares or cash.

The WITNESS: I can only tell you from what I have been told. I was not connected with the company at that time. My information is that the company wanted to do business over the three provinces and wanted a Dominion charter. It was purely a question of changing a provincial for a Dominion charter. There was no change in the standing of the company at all.

By Mr. Pringle:

Q. I quite understand that the company in question, the Grain Growers' Grain Company, Limited, had a charter under the Manitoba Joint Stock Companies Act. How evidently Thomas Alexander Crerar, John Kennedy, Rodrick McKenzie and so on came to the Dominion Parliament and they said to the Dominion Parliament "We want broader powers than we can obtain under a provincial charter. We want to be incorporated." The Dominion Parliament quite naturally would have said: This name is very similar to the name of the company incorporated under the Manitoba Joint Stock Companies Act, the Grain Growers' Grain Company, Limited." The answer would be: "We are going to acquire that Company," and the Dominion Parliament, in granting this special act or charter provided in section eleven that you cannot exercise any of the powers unless you acquire the Grain Growers' Grain Company, Limited, incorporated under the Manitoba Laws. I want to see how you acquired it, what you paid for it, whether in money or in stock?—A. I am informed that they issued stock dollar for dollar in the old country.

Q. Then they acquired that company by an issue of the same amount of stock as the old company had?—A. Exactly.

Q. Let us get back a little further. You cannot tell us whether that stock in the old company, incorporated under the Manitoba Joint Stock Companies Act, had ever been paid for in cash, can you? I want to get at the real cash that is in this business. Here you are dealing with one of the staples of life, the very staff of life, the wheat that goes into the bread. I want to see just exactly what the foundation was and how much money originally went into this company of which I am trying to get at the profits?—A. As I said this morning, the paid up capital stock on our books has been subscribed for in actual cash.

Q. You don't know if the stock of the original Manitoba Company had been paid for in cash because you acquired that stock giving them share for share in the new company for the old company?—A. To all intents and purposes it was the same company and at the time of the amalgamation——

Q. Yes, but you cannot tell me and I cannot tell you and nobody can tell, unless we have the original records of the Grain Growers' Grain Company, Limited, incorporated under the Manitoba Stock Companies Act, how much their capital was, how it was paid for and the value that was in it?—A. I can tell you exactly how much money, how much cash was subscribed every year during the existence of the original company. At the time of the amalgamation with the other company, and with the Alberta Farmers' Co-operative Elevator Company, Limited, we inquired pretty closely. I was president and general manager of the Alberta Farmers' Co-operative Elevator Company, Limited, and we naturally investigated the financial standing and accounts of the old company.

By Mr. Stevens:

Q. Have you any statement, any formal statement made, any balance sheets?—A. Statements of what?

By Mr. Pringle:

Q. Of these companies?—A. We have the balance sheets of every year.

By Mr. Stevens:

Q. Where are they?—A. They are in Winnipeg.

Q. Could you not have brought them with you?—A. The wire relaid to me spoke only of 1916-1917 and 1917-1918. As a matter of fact we have 1915-16 here as well.

Q. The printed balance sheets?—A. Yes.

Mr. Reid: Perhaps this will explain it. I was the holder of four shares in the original company, the Manitoba Company, which cost me one hundred. I returned my stock certificates and got them exchanged for certificates in the new company. I simply got the name on my stock certificates changed.

Mr. Pringle: I think, Mr. Reid, that what Mr. Jones has stated as his recollection is quite right. My idea of the situation is this: The old company had a provincial charter which was not satisfactory for doing business in other provinces and they decided to get a Dominion charter. The Dominion Parliament in 1911 gave them this charter. I have no doubt that the men who had subscribed and paid for their stock in the old company simply turned it in and got stock for a similar amount in the new company.

By Mr. Pringle:

Q. Let us see what your powers are. Under section twelve you have power to produce, manufacture, import, export, buy, sell, deal in and deal with all cereals, fruit, vegetable, animal or other products of the farm, all products or by-products thereof, and all machinery, implements, goods, wares, and merchandise which may be used in the production and manufacture of products of the farm, and all articles, substance and things which may be utilized in the said production or in the maintenance, cultivation, improvement and development of farms; and, without restricting the generality of the foregoing expressions, to carry on the business of a farmer in all its branches". —A. Yes.

Q. You had the right to go into all these matters and then you also had the right to carry on the business of general storekeeper in all its branches, both wholesale and retail?—A. Yes.

Q. Then you may: " (a) manufacture, buy, sell, deal in and deal with timber, lumber, hardware, bricks, stone, tiles, wood products of all kinds, building material of every description and all kinds of merchandise and supplies.

" (b) Purchase, acquire, develop, operate, hold, dispose of or otherwise turn to account timber lands, timber licenses, coal lands, quarries, water-powers and other lands for the purpose of the company; and with respect to lands held by the company in the City of Winnipeg, may erect an office building thereon, part of which shall be used by the company for its own accommodation and the remainder of which may be leased to tenants."—A. Yes.

Q. Then you also have the right to " subscribe for, purchase, or otherwise acquire and hold, sell or otherwise dispose of the shares, bonds, debentures or other securities of any bank, or of any printing or publishing company, but in the case of a bank to

[Mr. C. Rice-Jones.]

no greater extent than one-fourth of the capital stock of such bank."—A. Yes, but not to run a bank.

Mr. PRINGLE: Quite so, because then you would have to come under the Banking Act.

By Mr. Pringle:

Q. Then you also had the right to go into shipping to "purchase, or otherwise acquire, build, operate and charter ships, barges, vessels, or other means of transporting passengers and cargo by water." Then you had the right to "enter into arrangements with municipal or local authorities that may seem conducive to the company's object, or any of them, and obtain from any such authority any rights, privileges and concessions which the company may think it desirable to obtain, and to carry out, exercise and comply with any such arrangement, rights and privileges and concessions". Then you had the right to acquire or undertake the business, property and liabilities of any person or company "carrying on any business which the company is authorized to carry on or possessed of property suitable for the purposes of the company and may pay for the same wholly or partly in cash, or wholly or partly in fully paid-up shares of the United Grain Growers' Limited, or wholly or partly in debentures of United Grain Growers' Limited, or otherwise"—

The WITNESS: That is the clause I referred to this morning.

By Mr. Pringle:

Q. Then you also have the right to go into patents, licenses and so on. You have the right to go into the construction, improvement, maintenance, work, management, and so on of roads, ways, tramways, branches, or sidings on lands owned or controlled by the company, bridges, reservoirs and so on, elevators and electric works. Then you have certain lending powers. You have power to advance money to customers of the company?—A. Yes.

Q. Notwithstanding the provisions of section 167 of the Companies' Act. But you are limited to the extent of ten thousand dollars in advance to a director of the company. Then you have the power of a guarantee company. You can guarantee the performance of contracts of any customers. You have powers in regard to negotiable instruments; in regard to the sale of the companies' undertakings. Then you have powers for the purpose of these undertakings, and subject to the provisions of the Railway Act, to go into the electrical or other power business in any municipality in which your business is carried on, all of which is specially defined in section fourteen of the Act. Then in regard to telegraphs and telephones you are limited. You cannot do anything in that regard without the consent of the municipalities. Just to complete the record in regard to the year of incorporation. That Act was amended by 7 Geo. V, 1917. These amendments are not very material. You have power to change your name, power to prevent your shareholders from voting by proxy. What was the object in that?—A. Because we don't think that voting by proxy is a democratic system. We figure in our company that it is the shareholders who count, not the company.

By the Chairman:

Q. Out of the thirty-six thousand shareholders, how many attend the annual meeting?—A. The shareholders are divided into three hundred and fifty locals, approximately one hundred shareholders to each local. Each of the locals is entitled to send one delegate to the annual meeting.

By Mr. Nesbitt:

Q. Is he not a proxy?—A. No, he only has one vote. But if a local has over one hundred and eighty-seven shareholders it is entitled to two delegates.

[Mr. C. Rice-Jones.]

By Mr. Stevens:

Q. Supposing a local has a hundred shareholders, it elects one delegate?—A. Yes.

Q. Supposing fifty-one voted for one delegate and forty-nine voted against him, for another. Then forty-nine per cent would be unrepresented at that meeting?—A. Exactly.

Q. Supposing one of these individual shareholders went to your meeting would he have a vote?—A. No. He would have a voice in the meeting, but no vote.

Q. And the directors can control the number of delegates who come?—A. By by-law, which has to be passed by the shareholders.

Q. Approved by the shareholders' meeting—A. Yes.

Q. Then the minority in your association are never represented at the shareholders' meeting?—A. They are represented, but they don't have a vote. They have a voice but no vote.

Mr. Reid: This system was agreed to by the shareholders when we made the change.

The Witness: Every shareholder of the company had a vote on the system.

Mr. Stevens: I am not questioning the legality——

The Witness: ——The point we want to make clear is that this system was not put into effect by the directors. It was discussed by every local. Every shareholder had a vote on it. We had to get a majority of the votes of the locals. In Alberta there were I think eighteen thousand shareholders in favour of it and twelve thousand votes against it.

Mr. Stevens: I am not questioning the legality. I am just drawing attention to that point—that the minority have no voice at the annual meeting.

The Witness: When shareholders have to pay their own expenses to attend an annual meeting, it is only the men with most money who can go. In this case the money does not count.

Mr. Pringle: Supposing there were two hundred and sixty-seven shareholders in a certain locality and they said: we are going to send Tom Jones and give him a proxy to represent our views. The point Mr. Stevens is bringing out is that forty-nine per cent has no proxy.

The Witness: Even if the minority came to the annual meeting they would still be a minority.

By Mr. Pringle:

Q. There are just one or two points I want to bring out. We want to get the whole constitution of this association. Now, the directors under that section of the Act to which I have referred, have power to constitute locals by by-laws. You, by by-law, constitute a local and it is necessary that the members of the locals shall hold or subscribe among them no less than two hundred and sixty-seven shares?—A. Yes.

Q. Consequently no local really has representation unless the local has 267 shares? I am not saying it is not wise. I want to get the facts. We start out in 1911. Would you give me your annual statement from 1911 down to the present time?—A. We give you the balance sheet in the annual report, except 1913, and we have not that here.

Q. Give us the balance sheets in the annual reports for the different years?—A. They are here.

Q. You hand us the annual report of the Grain Growers' Grain Company, Limited, 1917?—A. I might explain that these figures here are a combination of the two companies that finally amalgamated from the time the Alberta Farmers' Co-operative Elevator Company was incorporated. These reports are only the reports of the one company, 1917.

[Mr. C. Rice-Jones.]

Q. Let us take the Grain Growers' Grain Company for 1917. On the first page of this report you give the capital authorized, the capital subscribed, the capital paid, the reserve fund, and at credit profit and loss account. I do not understand this exactly. This is the Grain Growers' Grain Company, Limited?—A. Yes.

Q. Is that the company that we are now dealing with?—A. No, sir; that is one of the companies that formed the amalgamation which compose the United Grain Growers', Limited.

Q. You have not a general statement of the United Grain Growers', Limited, which covers their operations, together with the operation of the Grain Growers' Grain Company, Limited, and the Alberta Farmers' Co-operative Elevator Company?—A. Well, you see there is no United Grain Growers', Limited, prior to the 1st September, 1917. The United Grain Growers', Limited, is an amalgamation of the Grain Growers' Grain Company and the Alberta Farmers' Co-operative Elevator Company.

Q. In other words, while you obtained your charter in 1911 and got your special act, you did not put it in operation until 1917?—A. Oh, yes, that is a different thing. In 1911 the Grain Growers' Grain Company had a provincial charter. They got a Dominion charter and operated from 1911 to 1917 under their Dominion charter. On the 1st September, 1917, the Grain Growers' Grain Company, and the Alberta Farmers' Co-operative Elevator Company amalgamated and formed the United Grain Growers', Limited.

Q. On what date was that?—A. 1st September, 1917.

Q. We are dealing with three companies. We are dealing with the Grain Growers' Grain Company, Limited, which is a company incorporated under the Manitoba law? A. It is out of existence.

Q. It is now out of existence, but we have to deal with it. It was incorporated under the Manitoba Joint Stock Companies Act, and carried on business until the 1st September, 1917?—A. No, sir, they carried on business till 1911.

Q. What on earth is this report "Annual Report, 1917, The Grain Growers' Grain Company, Limited, Winnipeg, Manitoba"?—A. Well, that is the company that has acquired a Dominion charter in 1911.

Q. I thought the company that acquired the Dominion charter in 1911 was the United Grain Growers', Limited?—A. No, sir. The United Grain Growers', Limited, came into existence September 1, 1917.

Q. But the statute of 1911 incorporated the company to be known as the United Grain Growers', Limited?—A. No, that is a mistake.

Q. How is it a mistake. Let us read the statute. "Such persons to become shareholders in the Company hereby incorporated and are hereby constituted a body corporate under the name of the "Grain Growers' Limited?"—A. The Act passed in 1911 with amendments of 1915 and 1917, excepting those relating to the establishment of the government of locals——

Q. The only company that I can find any place else that is known as the "Grain Growers' Limited," was the company incorporated under the Manitoba Joint Stock Companies' Act, and you have handed me their annual report for 1917?—A. The Manitoba Company, no.

Mr. Reid: On page 24 of this book you have the balance sheet of the Grain Growers' Grain Company, and on the next page you have the balance sheet of the Alberta Farmers' Co-operative Elevator Company, and if you follow on you have the balance sheet of the Grain Growers' Grain Company, Limited.

Mr. Stevens: No, that is the profit and loss.

Mr. Reid: Follow on and you come to the United Grain Growers', Limited, balance sheet.

[Mr. C. Rice-Jones.]

By Mr. Pringle:

Q. That is just what I want to get. Mr. Jones evidently does not understand the position. You had the Grain Growers' Grain Company, Limited, which was a Manitoba corporation. You had the Alberta Farmers' Co-operative Elevator Company, which was evidently an Alberta incorporation?—A. Yes.

Q. Then you had the United Grain Growers', Limited, which was a Dominion incorporation?—A. No, that is not correct. There was the Grain Growers' Grain Company with a Manitoba charter up till 1911, and from 1911 to 1917 there was the Grain Growers' Grain Company with a Dominion charter. In 1917 the Grain Growers' Grain Company and the Alberta Farmers' Co-operative Elevator Company amalgamated under the Grain Growers' Grain Company charter with some amendments and a change of name, and formed the United Grain Growers', Limited.

Q. In 1911 you were incorporated as the United Company?—A. No, sir, excuse me.

Q. I cannot read the statute any other way; "United Grain Growers', Limited."

Mr. Stevens: I think in transcribing this they did not put it in quite correctly. This should be headed: "An Act passed in 1917 amending other Acts." Instead of that they call it "An Act passed in 1917." It is not that Act at all. This is really the 1917 Act.

Witness: It says, "An Act passed in 1911, with amendments of 1915 and 1917, excepting those relating to the establishment of the government of locals."

Mr. Pringle: Assented to in May, 1919. I do not know why it should be marked 1917 if it was 1911. It seems to me there was an incorporation in 1911. There were certain amendments in 1915 and 1917, and that original Act incorporated the United Grain Growers' Company, Limited. I only wanted to get at it so that we can follow these statements instead of getting all confused about them.

By Mr. Pringle:

Q. You say this document which you have handed me, and which purports to be the annual report 1917 of the Grain Growers' Grain Company, Limited, shows the earnings of the Grain Growers' Grain Company to 31st August, 1917, the Alberta Farmers' Co-operative Elevator Company as of 31st August, 1917, the United Grain Growers', Limited, balance sheet as of the 1st September, 1917?—A. Well, the United Grain Growers' balance sheet there is merely an amalgamation of the two other balance sheets.

Q. That is what I want to get at. Then, in the book which you have handed me there is shown the balance sheet as of September 1, 1917, of the United Grain Growers', Limited, John Scott and Company, chartered accountants. We will see what that shows; Current Assets, amount of $3,212,895.56. That is made up of funds in bank and on hand $539,483.83. Advances on Bills of Lading and other debts due to the company, $786,741.57; stocks of grain, machinery, etc., $861,572.59; miscellaneous supplies and accruals, $50,764.91; investments, $974,332.66; Dominion War Loans, $332,700—that is part of the $974,332.66; and stock shares and grain exchange membership, $641,632.65; so that you have invested in stocks, shares, and grain exchange membership, $641,632.66, as shown on this statement?—A. Yes.

Q. Then your capital assets are as follows: Elevator buildings, machinery, warehouses, and miscellaneous equipment, $2,281,974.26; real estate, city property and timber investment, $647,178.19; and furniture and fixtures, $38,476.71. Now, with regard to timber investments, do you mean standing timber investment?—A. Yes, standing timber.

Q. Then you own timber limits as well?—A. Yes.

Q. Where are they situated?—A. At Hutton, on the main line of the Grand Trunk in B.C.

Q. From whom did you acquire your timber limits?—A. The man's name has slipped my memory.

[Mr. C. Rice-Jones.]

Q. A private individual?—A. Yes.

Q. And these timber limits have cost you how much?—A. We have a mill on them at the present time——

Q. I am not going to follow that; that is one of your sources of revenue?—A. No, we have never had any revenue. We have only just built the mill, and never had any revenue.

Q. Then you own real estate in the city of Winnipeg?—A. Yes.

Q. You have a building there?—A. No, we have not a building. We never built on it, but we have the power to build.

Q. And you have the property?—A. Yes.

Q. And your surplus as shown at that time was $1,659,355.89?—A. Yes.

Q. Made up as follows: reserve, $1,250,000; profit and loss account, $409,355.89?—A. Yes, sir.

Q. Amount brought forward, $163,021.48. Combined profits for the year ending August 31, 1917, $844,401.85, less shareholders' dividend and employees' bonus for 1916-17, $206,355.49; war tax, 1916-17, $153,127.56; making a total of $359,483.05. In addition you were in a position to pay your shareholders a ten per cent dividend?—A. Yes, sir.

Q. A ten per cent dividend upon the subscribed capital stock would have amounted to about $180,000?—A. The Alberta Farmers' Co-operative Elevator Company never paid more than eight per cent dividend, and as I stated before this is an amalgamation of the two statements.

Q. Did you not increase them to ten per cent?—A. No, the Alberta Farmers never paid more than 8 per cent.

Q. I mean after the amalgamation?—A. Oh, yes.

Q. Up to this statement, it would be eight per cent on theirs?—A. On theirs.

Q. And what proportion of their capital stock is in this?—A. That will show you in this other statement.

Q. You were able to pay a ten per cent dividend, and you were able to pay a bonus to your employees?—A. That was a war bonus.

Mr. Reid: It was a high cost of living bonus.

By Mr. Pringle:

Q. And you were able to transfer to reserve $238,584.39, so that at the present time your capital and reserve is as shown on this statement?—A. $1,927,071 paid-up capital and reserve, undistributed profits $409,355.89.

Q. What has become of these undistributed profits; are they added to the reserve?—A. The following year the reserve was increased to one and a half million dollars.

By Mr. Stevens:

Q. By the undistributed profits?—A. And the premium on the capital stock that was paid in.

Q. These undistributed profits were carried forward to your surplus account; is that right?—A. Some of it.

Q. What became of the rest of it?—A. The rest was carried forward to profit and loss.

By Mr. Pringle:

Q. Your gross revenue was $1,814,143.73, that is apart from the premiums on shares of capital stock which are dealt with separately at the close of the account here. Have you given us all the businesses that you are engaged in?—A. Do you know about the livestock?

Q. No?—A. We have a live stock department, that is merely a department of the company. Do you want to know all about the subsidiary companies?

Q. Yes, how many subsidiary companies have you?—A. We have two export companies, the Public Press, and the Grain Growers' Guide.

Q. What do you mean by the Public Press?—A. That is the printing part of the Grain Growers' Guide, a job printing plant in Winnipeg. There is the U.G.G. Sawmills, Limited, that is the timber limit sawmill, and the United Grain Growers', B.C., Limited; that is the feed business in New Westminster. Then there is the United Grain Growers' Securities Company, Limited. They have an insurance department in there and a land department. That is just a recently organized company. This is its first year. They do the insurance in the land business, commission only.

By Mr. Nesbitt:

Q. Do you carry your own insurance?—A. We place our insurance through corporations; we do not carry any ourselves at all.

Q. You earn the commission on it?—A. Yes.

By Mr. Pringle:

Q. I see on page 37 of your report under the heading of "Our Various Enterprises:

> "During the year ending August 31, each of the several grain handling departments of the Grain Growers' Grain Company transacted a large volume of business, resulting in satisfactory profits in all departments. The total sales made by the Co-operative Supply department in its machinery, lumber and general supplies section, through its Winnipeg, Regina and Calgary offices amounted to ($1,957,215.62) nearly two million of dollars, and notwithstanding the difficulties and delays in obtaining supplies and in filling orders, at times incurring loss, owing to the lack of cars for prompt transportation, both in receiving and in delivering lumber, machinery, twine and other supplies, and also to the ever increasing cost of raw material and the consequent increase in manufacturers' prices, this department has on its total business, and likewise at each selling central office, been able to show a substantial profit. The Livestock Department, added in 1916, while yet not self-sustaining, showing a small loss on last year's operations, has met with hearty approval and increasing business. It is confidently hoped that during the current year this department may be able to make a profitable showing not only on behalf of the shipper of livestock, but also on behalf of the company."

By Mr. Reid:

Q. We found out here the charges on a carload of cattle shipped into the Toronto stock yards; do you know what is the charge on the Winnipeg stock yards?—A. I understand it is $10 on hogs and $12 on cattle for a carload, commission. Do you mean the yard charges?

Q. I would like to get the yard charges, the commission and the feed charges?—A. I cannot tell you what the yard charges are, but I know the commission. I think the commission is $10 on hogs and $12 on cattle.

By Mr. Pringle:

Q. You have what you call the Grain Growers' Guide?—A. Yes.

Q. And it has a circulation, I see by your report, of 35,000, and there is also a splendid job printing business in addition. You have a growing livestock department with branches in Winnipeg, Calgary and Edmonton. Have you any other papers, either subsidized or owned, or in which you are interested, which carry on a propaganda for you?—A. No, sir.

[Mr. C. Rice-Jones.]

Q. No others?—A. No.

Q. You rely entirely on the Guide?—A. The Grain Growers' Guide. The circulation now is about 60,000.

Q. Possibly you have been able to get it on a paying basis?—A. Yes, they made a little money this last year. I think the year before last they made $1,000 and last year about $10,000. These were the first years they made any profit.

Q. They made $10,000 last year?—A. I think it was about $10,000.

Q. Now let us see your statements for the previous year? In 1916, we would only be dealing with the Grain Growers' Grain Company?—A. Here is the Alberta statement.

By Mr. Davidson:

Q. Do you not own stock in any other newspapers?—A. No, sir. We do not own a dollar's worth of stock in any other newspaper.

By Mr. Douglas:

Q. Do you not own the Edmonton *Bulletin*?—A. Absolutely no.

By Mr. Reid:

Q. You have no stock in the Winnipeg *Telegram*?—A. No, I guess not.

By Mr. Pringle:

Q. Probably some of the people connected with the terminal elevators own the Winnipeg *Telegram*?—A. That is the rumour, I do not know.

Q. We are not very much interested in that, if you have no interest?—A. We have absolutely none.

Q. You produce your annual statement of the Grain Growers' Grain Company for 1916 and it speaks for itself?—A. Yes.

Q. In that year I see you paid the usual dividend of ten per cent which amounted to $100,000, and you transferred to reserve $217,159.38. Your profits were $572,000?—A. $572,804.33.

Q. I suppose you are like the packers, that you make your money on the large turnover. It is not the percentage so much as it is the enormous turnover that you have in grain and so on?—A. It is the fact that we are able to borrow enough money, that we have good enough credit to borrow enough money to handle the tremendous volume of grain when there is a profit.

Q. I am not saying that in any spirit of criticism at all. If you had a narrow margin in connection with your dealings, if the volume becomes large enough it is bound to show you a good profit. If you were a small company handling a small volume of business the profit would be correspondingly small?—A. As I said this morning we will have little or no profit this year, we may have a loss because there is not the grain in the country.

Q. Quite so, it depends upon the volume, that is just my argument exactly, this year you may have a loss because you will not have the volume to handle. It is the volume that gives you the profit?—A. Yes.

Q. Now then, your export companies, you say you only have two of these export companies?—A. Yes.

Q. Now then would you give me your statement for the previous year? I suppose of course that statement for 1917 is the last you published, is it?—A. There is one for 1918.

Q. I will deal first with this then. You also produce your annual report for the year 1915; your profits for that year were how much?—A. The Grain Growers' Grain Company, $226,963.08.

[Mr. C. Rice-Jones.]

Q. $226,963.08, that is right, and you disposed of that net profit by the usual 10 per cent dividend, taking $80,000 and you transferred to reserve $139,806.35. Now I see that you also gave some donations to the propaganda work.—A. Yes.

Q. To the Guide, substantial donations; I suppose at that time the Guide had not got financially, so to speak, on its feet, and it was necessary to help it out?—A. No, the position was just this, the farmers had two branches of the organization, the commercial, and economic and the legislative branch, they naturally figured on doing all their financing through the commercial branch which is this company.

By the Chairman:

Q. Well, this commercial company buying grain from the public and selling grain to the public you simply stand between the producer and the consumer in your business the same as any other elevator or grain company. Is there any use in undertaking to show that it is any kind of a philanthropic concern at all, because it is doing business between the producer and the consumer the same way as the other companies are?—A. Insofar as the consumer is concerned, we are, but not the producer.

Q. Your are buying from other people, and you buy in the open market, and you pay the producer the same price as every other elevator?—A. No, we have reduced the margin on which grain was bought and we have reduced also the margin at which machinery and supplies were sold, and that is where the nonshareholder gets the benefit the same as the shareholder.

Q. You buy your grain at the same price that other elevators buy at, or you could not buy it, is that right?—A. We buy at our own price, and it is, on the average, lower than the other.

Q. You can buy it cheaper than the others?—A. No, I consider the margin on which we buy possibly is lower.

By Mr. Davidson:

Q. Have you a seat on the Winnipeg Grain Exchange?—A. Yes.

Q. And one of the rules of the exchange is that all members must sell at the same price, is it not?—A. Not that I know of; we do not abide by that rule anyway.

By the Chairman:

Q. Let us just get this point settled, because it is a serious question; you buy your grain at the same price as any other elevator buys it?—A. No, sir.

Q. Do you buy for less or do you pay more?—A. We pay more sometimes.

Q. To the producer?—A. Yes.

Q. Other elevator companies must compete with you or they would not get the grain —A. Yes.

Q. So that in that connection you are both trading in the open?—A. We estimate that we have narrowed the margin upon which the grain has been bought at least 3 to 4 cents a bushel since the company has started.

Q. I am not going to argue with you as to the success of your business. Are you or are you not trading in the open? You buy in competition with other buyers and they buy in competition with you?—A. Yes.

Q. So that as far as that is concerned you buy on an equal footing with the other buyers?—A. No, we set our price and they set theirs.

Q. You set your price and they set theirs, that is open competition. If I wanted to I could come in and compete with you?—A. If you like to meet our price.

Q. Then you sell in the open?—A. Yes.

Q. You have no advantage over the other fellow and he has none over you?—A. Except that the men we are trading with are the owners of the company.

Q. You sell your wheat to your own shareholders?—A. No, we sell co-operative supplies.

[Mr. C. Rice-Jones.]

Q. I am talking about wheat and not about the other branches of your business. You buy your wheat in the open and you sell it in the open?—A. Yes.

Q. And you make a profit on it?—A. Yes.

Q. And if you use a portion of that profit for some other purpose than your grain business are you not limiting the possibility of reducing the price to the consumer if you take $150,000 or $200,000 of the profit you make by selling wheat and use it for some other purpose what effect has that on the cost of the wheat to the consumer?—A. It would not have any, because we do not increase our profit, when we do that we are reducing the margin of profit on which the grain is bought.

Q. But you might still further reduce it—the point I am getting at is this: you are taking out of the profit you make between the purchase and sale of wheat, from your own statement, large sums of money to be used for some other purpose altogether, that has no relation to the purchase and sale of wheat?—A. It was done, but it was not done last year; it has not been done I say for the last two years; since the cost of living has gone up it has not been done since then.

Mr. Reid: You must not think that the company deals only in grain.

By Mr. Pringle:

Q. Just in connection with that I do not think anybody has suggested that they were a charitable institution, or that they were doing business on any other than business principles?—A. In connection with that point, Mr. Chairman, that you brought up about what the company contributed to the high cost of living, I should like to give these figures for 1916-17 and 1917-18, taking the grain right from the farmers to where it was shipped down to the terminals, that is the elevator commission and terminal departments, the average profit was 9 cents per barrel, or 4½ cents per 100 pound sack of flour, which is approximately two-thirds of one per cent figuring the sack of flour at $7. There is what this company has contributed towards the cost of flour in the handling of grain in the last two years.

Q. That is common with all other grain handling concerns?—A. There is a general impression that the millers have had about 50 cents a barrel, and you gentlemen I have not any doubt have that information definitely, but that is the general rumour, and I am comparing our profit with the profit the millers are reported to have had.

Q. You mean your net profit?—A. Our net profit.

Q. I would like if possible to finish up this line, I have certain ideas as to information which I think ought to be brought out, and I would like to get out this information first and no doubt members of the committee would like to examine the witness afterwards.

Q. The last statement we have in was for 1914, what was your profit in that year?—A. $151,080.

Q. And that was disposed of in this way: there was a dividend at the rate of 10 per cent and there was an amount transferred to reserve?—A. Yes.

Q. Now then, you have the statement for 1912 and I am not going back of it, what was your profit in 1912?—A. $121,614.

Q. $121,614?—A. Yes.

Q. And how much of that were you able to carry to reserve?—A. I could not tell you, it was carried forward to next year.

Q. Now I am not going back to the period from 1906 to 1910, because these were evidently years of small business, you were just started, in 1911 the reserve was $90,000 and you were able to pay 10 per cent, the usual dividend. Now, in 1913, have you that statement there?—A. No, we have not.

[Mr. C. Rice-Jones.]

Q. Then we will leave it and jump to 1914. In that year your reserve had got up to—you can tell me better than I can look at your statement, (statement handed to witness)?—A. Our reserve and undivided profit $223,615.

Q. And your reserve in 1914 had got up to what?—A. $215,000 and then the undivided profits of $8,615.

Q. And what is the total?—A. $223,615.

Q. Now then in 1915 what had your reserve got up to?—A. $347,156.

Q. Going up! Now in 1916 what had your reserve got up to?—A. $750,763.

Q. And in 1917 what had your reserve got up to?—A. One and a quarter million, and $409,355.89, totalling $1,659,355.

Q. Now, we will take nineteen hundred and eighteen. We have not had that statement filed yet. In nineteen hundred and eighteen, your profits were how much?—A. They were four hundred and forty-one thousand seven hundred and sixty dollars.

Q. What were you able to add to the reserve in nineteen hundred and eighteen?—A. Two hundred and fifty thousand dollars. That is including the premium on capital stock.

By Mr. Stevens:

Q. On that premium on capital stock, Mr. Rice-Jones, I notice in your statement that you show a sum for premium on capital stock, for instance, here, in nineteen hundred and sixteen, premium on capital stock, forty-eight thousand two hundred dollars, less cost for selling stock, twenty-four thousand two hundred and seventy-five dollars. But I presume from that that one-half goes into the cost of selling the stock?—A. That is really a matter of book-keeping.

Q. It is a little over one-half?—A. I am not familiar with the ways the accounts are kept.

By Mr. Pringle:

Q. What is the total reserve at the end of the year nineteen hundred and eighteen?—A. One and one-half million dollars.

Q. How is that? At the end of the year nieneteen hundred and seventeen, it was one million, six hundred and fifty-nine thousand dollars—— A. (Interrupting): I have not included that one million seven hundred and ninety-eight thousand four hundred and eighty-two dollars and fifty-two cents, which was carried forward to profit and loss.

Q. That included—— A. (Interrupting): All these amounts included besides the reserve, the amount carried forward to the credit of profit and loss.

Q. Now then, you have been enabled since nineteen hundred and eleven to pay your ten per cent dividend?—A. Yes.

Q. And have been enabled to accumulate a reserve of one million seven hundred and ninety-eight thousand, four hundred and eighty-two dollars and fifty-two cents. less what has to be deducted for premiums on stock selling?—A. Yes, and less the reserve we had in nineteen hundred and eleven.

Q. Less the ninety thousand dollars reserve you had in nineteen hundred and eleven?—A. Yes.

Q. So, during the period of, say, ten years, you have been enabled to pay ten per cent dividend to your shareholders, and accumulated a reserve of one million, seven hundred and ninety-eight thousand, four hundred and eighty-two dollars and fifty-nine cents, less the premium on stock. You cannot tell me what the premium on stock would be?—A. Well, I think I can furnish that roughly.

[Mr. C. Rice-Jones.]

Q. Give us the total that was sold at the premium, and we won't say anything about how much it costs to sell it. Just roughly speaking?—A. Eighty-eight thousand shares at five dollars a share, four hundred and forty thousand dollars.

By Mr. Stevens:

Q. How much did you pay to sell your stock?—A. We would have to go through the different statements to get at that.

Q. I want to make that point clear. You apparently paid out about one-half of that in selling stock, because in this item of August thirty-first, nineteen hundred and sixteen, you have stated "Premium on stock, forty-eight thousand two hundred dollars, less cost of selling, twenty-four thousand, two hundred and seventy-five dollars"?—A. What date was that?

Q. August thirty-first, nineteen hundred and sixteen.—A. Of course, at the time of the amalgamation, the expenses there were a little heavier than usual, because there was a lot of re-moulding to be done in the re-organization.

By Mr. Pringle:

Q. Roughly speaking, you have been able to pay, in ten years, that ten per cent dividend, and accumulated about one million and a half dollars in reserve. That makes one million five hundred and fifty-eight thousand dollars including the ninety—— A. (Interrupting): If you take that off and the four hundred and forty thousand; that leave about a million and a quarter.

Q. We will say about one million and a quarter of a million of dollars?—A. Yes, sir.

By Mr. Sinclair:

Q. What would the turnover be to get that profit?

By Mr. Pringle:

Q. The turnover is shown in each statement?—A. Not in dollars and cents.

The Chairman asked me this morning for certain information and we worked that out for three years. These are only approximate figures, as we have not got the books here. In nineteen hundred and fifteen-sixteen, ninety-nine million dollars.

By Mr. Stevens:

Q. In that ninety-nine million dollars do you include the grain that passes through your terminal elevators?—A. Yes.

Q. You should not do that. You don't pay anything for that. You merely handle it on a narrow commission of one-half of one per cent?—A. We handle on what?

Q. You handle it on a narrow commission of one-half of one per cent?—A. I thought the charges here were that the profits on the terminals were too high?

Q. What I say is that, unquestionably, you cannot include the huge amount of grain that passes through your elevators as turnover?—A. Well, of course——

Q. You don't put any capital in that; not a particle, outside of your working capital?—A. I don't see how you can differentiate between the company owning the terminals and the company renting it.

Q. I say this, that if you bought the grain and sold it, that should be in your turnover; but you don't own any of that grain at all—not a single bushel of it?—A. We own probably sixty per cent of it.

Q. If you own the grain, if you buy it and sell it, all right, but you are not supposed to own the grain that goes through your terminals?—A. The warehouse receipts belong to the company. It is grain which we bought in the country and shipped to our terminals.

[Mr. C. Rice-Jones.]

Q. Through the Export Company?—A. No, the Export Company has nothing to do with the terminals, or the United Grain Growers.

By Mr. Vien:

Q. What was the turnover of your bulk when you bought and sold the grain for these three years? What was the amount of grain which you transferred on which you charged simply a commission?—A. In nineteen hundred and fifteen-sixteen, the grain handled through our elevators——

Mr. Stevens:

Q. (Interrupting): At Fort William?—A. No, that is the country end.

Q. I am not questioning that at all——?—A. (Interrupting): At the country end we have a turnover of fifty-one million three hundred and seventy-five four hundred and twenty bushels, and the profits on that were 3·25 per bushel, and the net profits were 1·7 per bushel. That was the year we had the big profits.

Q. You bought that grain?—A. That is the grain that we bought to handle, on consignment for the farmers, through the elevators.

Q. You cannot include what you handle on consignment?—A. We have no other way of separating the grain.

Q. I am not blaming you. I am merely pointing it out that you cannot include that in the turnover of a company that owns its own grain.

Mr. Sinclair: What difference does that make?

Mr. Stevens: It makes a difference in the way——

Mr. Sinclair (Interrupting): Don't they advance the money for the farmers?

Mr. Stevens: No; they simply handle it.

Mr. Rice-Jones: Excuse me; we advance money to the farmers. When a man gets a car on the track, we will advance him different amounts varying from seventy-five to eighty-five per cent of the estimated value of the car.

By the Chairman:

Q. Do you do that with grain handled on consignment?—A. Yes.

Mr. Pringle: May I be permitted, Mr. Chairman, to complete this record, and then I will step to one side.

Mr. Sinclair: Should we not complete the turnover for the year?

Mr. Pringle: That is why——

Mr. Sinclair: Is it not fair, first, to complete the turnover?

Mr. Pringle: Is it fair that when we start to get financial records, that there should be some continuity to them, otherwise, we branch off and get away from the matter we have under examination. I wanted to complete this statement, but somebody gets in and switches off onto another line. All I want to do is to complete these, and then I will step down, and any of you other gentlemen who desire may examine the witness.

Mr. Sinclair: Complete the first statement you have made.

Mr. Pringle: I have got that completed.

Mr. Sinclair: We have not got that completed. We asked for that, first.

Mr. Pringle: Oh, yes, Mr. Sinclair, I think perhaps you are right.

Q. Can you give us the turnover?—A. I can give you the turnover either in bulk or by the different departments. In nineteen hundred and fifteen-sixteen, it was approximately ninety-nine million dollars, which worked out a profit of ·86 per cent.

[Mr. C. Rice-Jones.]

By the Chairman:

Q. ·86 per cent?—A. Yes.

Q. On the total?—A. Yes. In nineteen hundred and sixteen-seventeen, it was ninety-four million, eighty-seven thousand, six hundred and thirty dollars, with a profit of ·9 per cent. The next year it was one hundred and two million, with a profit of ·43 per cent.

Q. You are just in the same position as I mentioned a few minutes ago, in a business which has a large turnover. It depends on the volume, the money you will make, and the larger the volume, the less percentage you can accept as profit.

Mr. SINCLAIR: The larger the volume the smaller the overhead?

By Mr. Vien:

Q. You cannot separate in these figures the grain which you have handled for your customers on a commission basis, from the grain which you bought and sold outright?—A. No; you see a man at the elevators handles all this grain. The grain is bought and the grain that is specially binned for the farmer, and the tickets come into the office, and the same men enter them up in the book, and the same superintendents go around and check these amounts up. It is impossible to keep the work separate.

Q. What Mr. Stevens had in view, and what I would like to know is, if you could give us separate figures for what you bought outright, and what you handled on a commission basis?

Mr. DOUGLAS: Mr. Vien, and the witness: At page eleven of your nineteen hundred and seventeen annual report, at the top of the report you find: "For the year ending August thirty-first, nineteen hundred and seventeen a total of one thousand two hundred and seventeen cars were handled, of which eight hundred and seventy-one were on a direct consignment from farmers or farmers' associations, and three hundred and forty-six purchased? That is the statement for one year?—A. Yes. We can give you the amount of grain, but I don't know whether we have it here, unless it is in the annual report.

By Mr. Stevens:

Q. That is not a vital point, however?—A. We can send you the figures showing the amount of grain we purchased and the amount of special grain we handled, but we could not show you how much it cost to handle that grain under two different systems.

Q. These reports which you have handed in, are the reports of the Alberta Farmers' Co-operative Elevator Company, Limited, covering the bulk purchases?—A. I would have to have copies made of those before I could let you have them. Those are the company's copies.

Q. I don't know if the committee will require that?—A. From the first of July, nineteen hundred and thirteen to the first of July, nineteen hundred and fourteen; from the first of July nineteen hundred and fourteen to the thirty-first of July, nineteen hundred and fifteen. Then we come to a longer period, up to the thirty-first of August, nineteen hundred and sixteen?—A. We decided that the end of August was a better time to end the year.

Q. Here is the last one, 31st August, 1917. I am not going into this in detail because I think you can say to me that these are carried forward in 1917 into the Grain Growers' statement?—A. The net profits.

Q. So that there is not object in going into that in detail?—A. No. These are the only copies I have but I can send you certified copies.

By Mr. Stevens:

Q. I would like to ask a few questions regarding the export companies. There are two of them?—A. Yes.

Q. Was the New York Export Company organized as a subsidiary company to the Canadian Export Company, the one in Canada?—A. No, I think it is a subsidiary to the United Grain Growers.

Q. It is a subsidiary of the United Grain Growers?—A. I think so.

By Mr. Davis:

Q. At the foot of page 11 you will find the statement that the export company was a subsidiary and controlled by the parent company?—A. That was before the amalgamation, and I am not familiar with all the details.

By Mr. Stevens:

Q. The parent company being the Export Company in Canada?—A. No.

Q. In 1915 you show here that you handled 45,000,000 bushels through this export company?—A. Yes.

Q. Of this 38 to 39 million was United States grain?—A. Yes.

Q. You handled a large quantity of United States grain by this company?—A. I should say ever since the company started 80 to 85 per cent.

Q. Here is your annual report referring entirely to the export business—

> " The result of the year's operations"—that is the year ending 31st August, 1915—
> " showed a profit after making careful provision for any contingencies that might possibly arise of $530,000, and your directors think that it is a matter for congratulation, that the portion of this belonging to the Grain Growers Grain Company was considerably in excess of the loss the company sustained three years ago."

This $530,000 was the profit of the Export Company?—A. Yes.

Q. The capital of which was how much, $250,000?—A. I could not tell you at that time. It was not over $300,000 anyway. It is only $300,000 now.

Q. It would help you if I read your next year's report to remind you. In 1916 your company had a capital paid up of $25,000?—A. This is the Export Company.

Q. So that the year before it would not be any more than that?—A. No, not likely. you got a profit on the export Company of $550,000 on a capital investment of $250,000? —A. Yes.

Q. Is that $250,000 paid up capital in cash, or by stock, dividends, etc?—A. $100,000 was actually subscribed in cash, and the other paid up in stock dividends.

Q. There is an actual investment of $100,000?—A. That year they handled, I may say 85,000,000 bushels of grain; so that you can figure out how much per bushel to get $530,000.

Q. It is a very handsome profit?—A. I might say that the first year and a half that the Export Company was in business, they lost $245,000, which the then Grain Company had to put up, and this year I think I am correct in saying that was the first year after they opened——

Q. They mentioned something about making up that loss?—A. Yes. That grain was handled under war conditions, and naturally shipping was uncertain, and a wider margin was taken than would be the case under the best conditions, where shipping is under normal conditions. Then there is the question of the exchange as well, and I would like to point out that as far as the cost of living in Canada is concerned, that has very little to do with, because a large percentage of that was American grain.

Q. In any case, in 1916, according to your report, you paid a stock dividend, bringing the capital up to $250,000?—A. What year was that?

[Mr. C. Rice-Jones.]

Q. 1916?—A. The figures I have here show that the company got $25,000 cash in 1917 and $100,000 cash in 1918. I might say that that is a point that I do not know has been brought out yet. Out of the $441,000 profit we made last year, $100,000 was a dividend from the Export Company.

Q. But that was paid out of the previous earnings?—A. Yes.

Q. Not paid out of earnings last year?—A. No. They have not been in business for two years. We loaned the staff to the Allied Wheat Export Company, and they have handled 150,000,000 bushels of oats, and we have not got a cent out of that. They have merely paid their salaries.

Q. In 1916 you increased the capitalization of the export company; anyway you reported that?—A. Whatever is there is correct.

Q. I see a statement here: "It was thought advisable by the directors and management of the Export Company to get authority to increase the capitalization, and this was done." That is correct?—A. It is correct if it is in that report.

Q. When this additional power was secured the company received a further stock dividend out of the profits remaining of $175,000?—A. That is right. The Company has received, as I said this morning, $300,000 from the Export Company, against which they paid a loss of $245,000.

Q. How much is the surplus remaining in the possession of the Export Company, which Export Company is owned by your company?—A. $300,000. Well, now, I am not certain if it is $150,000 or $300,000.

Q. But there is a substantial surplus still remaining with the Export Company?—A. Yes. Well, I am sure it is $150,000 anyway.

Q. That should be added to the surplus you have here in your parent company?—A. I do not know. I do not think that that would be so.

Q. Is there any surplus in the New York company?—A. This is the New York company I am talking about.

Q. What surplus has the Export Company?—A. I do not think they have any.

Q. None at all?—A. They might have two or three thousand dollars. You see, practically all of the business has been done in New York—that is the larger percentage of it.

By the Chairman:

Q. Does the United Grain Growers', Limited, own all of the stock of the Export Company of New York?—A. Yes.

Q. And all of the stock of the Export Company of Winnipeg?—A. Yes. All of the stock in all the subsidiary companies is owned by the United Grain Growers; I mean to say that no directors hold any stock, except where they hold it in trust, and in cases where it is necessary for them to hold a share of stock to be a director, in two of the companies I think under our charter the stock has to be held in trust; the directors hold their shares, but we have the blank transfers in the office signed by them, so that any time a director resigns off the Board, or leaves the company, all we have to do is to fill in the date, and we have the transfers right there.

By Mr. Stevens:

Q. Why do you not hold the stock yourselves?—A. Because in the Security Company and in the saw-mill our solicitors figure we have not the power, and it was something that was overlooked when the charter was taken out—that was one of the points.

Q. That was an additional power that you overlooked?—A. We have power to hold stock in any company in the same line of business, but we went into the insurance business, and that was a different line.

By the Chairman:

Q. You also own all the stock in the Public Press, Limited?—A. Three of the printers have a small holding.

[Mr. C. Rice-Jones.]

Q. And the Grain Growers' Guide?—A. Yes, all of it.

Q. And the British Columbia Grain Growers', Limited?—A. Yes.

Q. And the British Columbia Lumber Company?—A. All of it.

Q. Have all of these companies been making money?—A. No.

Q. Which one of the subsidiary companies has been loosing money?—A. The Guide lost $108,000, and the saw-mill has only been operating a few months, on account of labour conditions, and one thing and another, and we have lost money.

By Mr. Stevens:

Q. You hardly have had an opportunity this year?—A. No.

Q. How about the Public Press, Limited?—A. They made a profit of $126,000 in 12 years.

Q. A job printing establishment?—A. Yes.

By Mr. Nesbitt:

Q. For the public?—A. Oh, yes.

By the Chairman:

Q. And the British Columbia subsidiary company?—A. Oh, they lost money. We lost I guess about $31,000.

Q. In a year?—A. No, over a period of years.

Q. These losses you have been making are taken out of the earnings of the United Grain Growers', Limited?—A. No.

Q. Where do you get them?—A. Well, there is an item—$631,000—was taken out of the earnings I am informed. I do not know anything about this personally. These losses in the B.C. Company occurred before my time.

Q. The point is that any of these subsidiary companies that make a loss must be taken care of by the parent company?—A. Not necessarily. They may have a surplus of their own from the previous year.

Q. What about the Grain Growers' Guide? Did it have a surplus in previous years?—A. No, but the Public Press—as a matter of fact, strictly speaking, the Guide stock is held by the Public Press, and that loss was taken care of by the Public Press.

Q. What other newspapers have you interest in?—A. We have not any.

Q. You have not stock in any other newspapers?—A. No.

Q. I notice on page 18 of your Annual Report of 1917 your capital stock is placed at $1,357,738.46?—A. Yes.

Q. And on the following page your total assets are placed at $6,180,526, and on page 20 your total liabilities are placed at $1,821,188.85?—A. Yes.

Q. The difference between the current liabilities and the capital stock and the assets as shown on page 19 would be $3,001,640?—A. What page are you referring to?

Q. Page 18 shows your capital paid up stock $1,357,738.46?—A. Yes.

Q. Taking those figures, and the figures on page 20, we have your current liabilities $1,821,188.85?—A. Yes.

Q. Page 19 shows your assets at $6,180,526?

Mr. Sinclair: Showing capital assets?

The Chairman: Yes.

By the Chairman:

Q. Your current liabilities and your capital assets and your capital stock paid up—if you put them together you will find there is a margin of $3,000,000.—A. The one figure is the Grain Growers' Grain Company, and the other is the Alberta Farmers' Co-operative Elevator Company. There are the three balance sheets in this report.

[Mr. C. Rice-Jones.]

Q. I understand that, but the point is, according to your balance sheet you have $1,357,738.46 paid up capital?—A. Yes.

Q. And you have reserves of about $1,250,000.—A. This paid up capital, $1,357,-382, is in the Grain Growers' Grain Company and the reserve of one and a quarter million dollars in the United Growers' after the amalgamation.

Q. The point I want to get at—it may be alright—is that your assets as shown on page 19 of your annual report are over one and a half million dollars greater than your capital stock and your reserves?—A. The total assets are $6,180,524.72.

Q. Who are the officers of the Export Company, Limited, of New York?—A. Incorporated, you mean?

Q. Yes?—A. There is Mr. Crerar, Mr. John Kennedy, and James O'Donoghue, the manager in New York. He is the only director who is not also a director of the United Grain Growers.

Q. Mr. Crerar is president?—A. Of the United Grain Growers.

Q. Mr. Kennedy is vice-president?—A. Second vice-president.

Q. Who is the first vice-president?—A. I am the first vice-president and general manager.

Q. Who are the officers?—A. I am not on this Export Company.

Q. You are not on the New York Board?—A. No.

Q. Mr. Crerar is president of the New York Board?—A. I am not sure that Mr. Crerar is president. Mr. Crerar, Mr. Kennedy, Mr. O'Donohue, and I think Mr. Reid and Mr. Collier are the directors.

Q. Who is the president and general manager of the Export Company, New York? —A. Mr. O'Donohue is managing director.

Q. You do not know who the president is?—A. I think Mr. Crerar, I am certain he is.

Q. Who are the officers of the Export Company, Limited, Winnipeg?—A. Mr. Crerar, Mr. Kennedy, myself, Mr. Morrison, and Mr. Collier, all directors of the United Grain Growers.

Q. Who are the officers of the United Press, Limited, and Grain Growers' Guide? They have the same officers and same directors. Are they independent companies, have they independent directors and managers?—A. The majority of the directors are directors of the United Grain Growers.

Q. And the president and manager of each are the same combination?—A. No, no. Mr. J. F. Chipman is a director and managing editor. Of course the company has nothing to do with the policy of the paper. That is controlled by the farmers' associations.

Q. I just want to go back to one question that was asked this morning in connection with the overages on wheat. You told the committee that in handling a car of wheat at your terminal elevators, if the overages are over 5 per cent you allowed half a cent?—A. You mean the dockage?

Q. Yes, if it is over 5 per cent——A. No, that was changed three years ago to 3 per cent. I think it is 3 per cent or over.

Q. If it is 3 per cent or over——A. It is returned to the farmer.

Q. And you make a charge of half a cent a bushel?—A. Yes, half a cent a bushel.

By Mr. Douglas:

Q. How is the dockage returned to the farmer, in money? He does not get his material back?—A. He either gets the money or a certificate.

Q. You handle the cleanings or dockage and sell it?—A. Exactly, yes.

By the Chairman:

Q. That would be five dollars on a car of 1,000 bushels of wheat?—A. Yes, that is for cleaning.

[Mr. C. Rice-Jones.]

Q. If it is less than 3 per cent, you get the dockage?—A. Yes.

Q. Assuming that the average would be 2 per cent, you would get 2 per cent of the volume of the car for dockage?—A. Yes.

Q. Which would mean that you would get 20 bushels of grain, and if one per cent you would get ten bushels——A. Just a minute, I have some figures on that right here. The average price of screenings during the three years before the war was $4.91 per ton, and the average price for the last six years, including one in which they sold at higher than $20 a ton, has been $8.84 per ton. The price of screenings has advanced like everything else during the war, so that in figuring this out I think we would be fair in asking a price of $9 with the average price, $8.84. If the screenings at the terminals were on a cash basis the cleaning charge was half a cent, or $5 per car. On such a car containing one per cent of dockage the farmer would receive for his screenings, if sold at $9 a ton, $2.75. Now you see he has saved $5. On the basis of one per cent and $9 a ton he would receive $2.75, if he was returning the screenings. On a similar car, that is one containing 1,000 bushels, and containing one and a half per cent dockage, the return would be $4 so that he would still get less.

By Mr. Sinclair:

Q. He would have to pay $5?—A. He would have to pay $5 on a car containing 2½ per cent dockage, which is the next dockage. If it comes to 3 per cent he gets returns. The return would be $6.75, in which case he is out of pocket $1.75. But the point is that there are a great many more cars containing one, and one and a half and two per cent than there are containing two and a half per cent. The farmer has to allow one per cent waste to the company for cleaning his grain. We got that reduced from one and a half per cent two years ago. It used to be one and a half per cent.

By Mr. Pringle:

Q. Mr. Jones, there is a Grain Growers' Association in the province of Saskatchewan; as a matter of fact, I think there are two, are there not?—A. There is a Grain Growers' Association, that is the Saskatchewan Grain Growers' Association and the Saskatchewan Co-operative Elevator Company. Of course there are associations in the two provinces.

Q. There were negotiations between your company and the Saskatchewan Co-operative Elevator Company towards amalgamation or absorption which did not result in anything being done?—A. Well, let us see, it was in the fall of 1914, I think, that there were some negotiations, the question first came up as to the advisability of the three companies amalgamating or federating.

Q. But nothing has come of it?—A. No, nothing has come of it. There were meetings held between the officers of the three companies from time to time, and long discussions, and the two companies amalgamated, but the Saskatchewan men did not come in on it.

Q. They are carrying on a very similar business in the province of Saskatchewan?—A. Well, the Saskatchewan Company only handles the grain business and the association has a trading department. Now, in Alberta and in Manitoba, the associations have not got a trading department, that is handled altogether by the company.

Mr. Pringle: I do not think there is anything else I want to ask you.

By Mr. Vien

Q. Do you not think it would be a fair basis to give dividends to your traders, that is to those who trade with your company, in excess of a certain dividend which you give to your shareholders?—A. You mean a patrons' dividend.

Q. A patrons' dividend?—A. I might say that when the company was first organized they intended to do business on that basis, but when they sent out a circular notifying the shareholders and the farmers that they were going to pay a co-operative

[Mr. C. Rice-Jones.]

patronage dividend, that is to distribute profits after allowing a reasonable amount for the reserve fund on the basis of the amount of business which each man had done, they were expelled from the Winnipeg Grain Exchange because it was against the rules of the Grain Exchange, and they were for 3 or 4 months thrown on the street, and they had no place to sell grain. Of course there is no use raking up old things now.

Q. But this regulation of the Winnipeg Grain Exchange no longer prevails?—A. Oh, yes, it does.

Q. It does?—A. Absolutely.

Q. But it could be easily changed?—A. I might state that our directors have been considering the matter from time to time; we have not by any means given up the idea of getting on a strictly co-operative basis.

Q. Because to my mind, according to what I could gather this morning, it does not appear to me that it is fair to divide among the shareholders profits which you derive from averages, coming from your trading with outsiders and even to divide such profit on the basis of their interest in the company, when the overages come in the proportion of their trading with the company?—A. Of course, the dividend is limited to 10 per cent which works out at 8 and one-third per cent on the actual money.

Q. But the surplus profits are accumulated and are capitalized and re-invested in the business, and sooner or later will be divided among the shareholders of the co-operative concern?—A. The shareholders will have to change a whole lot before they will ever divide their profits.

Q. I do not think so but so long as they keep in business it is the property of the company?—A. Yes, technically speaking, it is the property of the shareholders of the company.

Q. And legally, not only technically, but to all intents and purposes it is their property?—A. Yes.

By Mr. Pringle:

Q. What is to prevent John Smith if he wants to become a member of this company, they have still lots of stock to sell, and he can buy a $25 share if he wants to. I was just discussing that very point with Mr. MacNair and I was wondering what the difficulties were in giving to every man a share of the profits according to his purchases. He was pointing out these difficulties and then he also pointed out that if any man desired to join the association, they are increasing their membership, and that at any time there is still some stock available.

Mr. Vien: In the province of Quebec the Co-operative Society Law is to the effect that a certain limited dividend can be paid to the shareholder, and a certain reserve fund can be created out of the surplus, and the balance must be divided, with those who trade with the company, the patrons, by way of a patronage dividend, and I do not think it would affect the cost of wheat or the cost of living whether they do that or whether they do something else. But it occurs to me by what has been said in this committee that if a certain amount of the profits derived from overages, is collected from their trading with a number of outsiders, it is not fair because these overages are purely and simply errors in weighing?—A. Well, hardly that, in inspection I will say——

Q. Error in grading, error in weighing, or error in inspection?—A. There is a question of cleaning in it, my idea is that if there is a proper and efficient system of inspection going on you will reduce the overages to where they can be taken and accepted.

By Mr. Sinclair:

Q. Out of the terminal elevator?—A. Yes.

[Mr. C. Rice-Jones.]

By Mr. Vien:

Q. Yes, but there is as large an amount as $140,000 coming to your company through overages?—A. Exactly.

Q. And this large amount is derived from errors either in inspection, calculation, cleaning or weighing when you deal to a great extent with traders who are not shareholders in your company?—A. Yes.

Q. And this amount so collected is then capitalized, put to reserve, and accumulated for the benefit of the shareholders alone which does not appear to be a just and fair basis?—A. Of course, one answer to that is that this money is used to extend the company's business, and to cut down the margin of profit.

Q. I will not insist on that, there is only one question I want to put to you; you deal in agricultural implements?—A. Yes.

Q. Do you buy ploughs?—A. Yes.

Q. How much duty do you pay on the ploughs that you import?—A. You want the duty on ploughs, well, I have a statement on that with me (producing document).

Q. Is that a statement of all the duties you have paid on all the implements?—A. No, not on all of them, but what we have paid on a few of them.

Q. Will you file that with the committee?—A. Yes, I will be glad to do that, and there is one thing I would like to say in that connection——

Q. (Interrupting): What is the duty that you pay on ploughs?—A. 27½ per cent.

Q. If that duty were removed how much do you think you could decrease the cost of the ploughs to your customers?—A. I do not see any reason why we should not reduce them by the full amount of the duty.

Q. Do you consider that the ploughs in Canada sell in excess of the price prevailing in the United States by the full amount of the duty?—A. Duty and freight; of course the freight rate varies.

Q. By the amount of the duty and freight?—A. Yes.

Q. If I understand you well ploughs in Canada are sold at a higher price than in the United States, and the excess is equivalent to the duty and freight?—A. Well, I would not be sure, it might not be the full amount of the difference, I have not checked it up exactly, but I know that we buy our ploughs in the states and we are selling them a little cheaper than our opposition and some of them are ploughs made in Canada, and we pay 27½ per cent duty and we pay freight. Of course the freight from some points may not be very much different.

Q. Take, for instance, a 14-inch gang plough, what does it cost?—A. The cost at the factory is $76 and for customs purposes it is valued at $77.80; you see there is none of this machinery valued at the real cost for customs' purposes, that is something that is beyond me, I do not understand that.

Q. Is not the price shown on the invoices?—A. They will not accept that, they arbitrarily adjust the prices themselves. There used to be an anti-dumping clause, I guess it is on the statute books yet, we had a lot of trouble a long time ago but that is cut out.

Q. Is that due to the anti-dumping clause?—A. I cannot say, I do not understand it at the present time.

Q. Are the men with the ploughs in the United States selling them for Canadian export at a lower price than they are selling them to the American consumers?—A. The parties that we had the ploughs from claimed not, they said they charged us the same.

Q. Could you not check that?—A. No, we could not check that but, no doubt, it is checked by the customs.

By Mr. Nesbitt:

Q. You are supposed to pay customs duty on the home market price?—A. Yes.

Mr. VIEN: No, you are supposed to—the anti-dumping clause is supposed to operate to prevent American firms selling in Canada at a cheaper price than they can sell in the United States.

Mr. RICE-JONES: Just in connection with those gang ploughs: Here is some other information which may interest you. The factory cost of the twelve-inch gang plow in nineteen hundred and fourteen, was forty-one dollars and eighty cents, and in nineteen hundred and nineteen, we pay twenty-one dollars and eleven cents duty on the same plow. The increase in the cost of implements, you see, has simply increased the tariff by leaps and bounds.

Q. Proportionately?—A. Yes. In nineteen hundred and fourteen, twelve-inch gang plows cost forty-one dollars and eighty cents and the duty was eight dollars and thirty-six cents.

By Mr. Nesbitt:

Q. Now what do they cost?—A. Now, it costs seventy-five dollars, and the duty is twenty-one dollars and eleven cents. It is almost three times the duty on the same plow.

By Mr. Vien:

Q. Because the price has gone up?—A. Yes.

By the Chairman:

Q. Do you purchase any Canadian implements at all?—A. We purchase as many as we can. Of course, we have not been able to buy from the Canadian manufacturers.

By Mr. Vien:

Q. Why?—A. Some of them have their——

By Mr. Sinclair:

Q. (Interrupting): Agencies?—A. (Continuing)—— agencies — distributing agencies—distributing agencies all established, and they don't care to deal with us.

By Mr. Vien:

Q. They don't give you better advantages?—A. We cannot buy from them at all. I think I can say that we buy all the machinery we can in Canada. We buy wagons, sleighs, cutters, jumpers, fanning mills, etc.

Q. I noticed this morning, in your report, that you said you made twenty-five per cent on your trading in farm implements?—A. Gross.

Q. Don't you think that this percentage of profit could be reduced to the benefit of the farming people?—A. No. We cannot reduce it, sir. In fact, I would say that the way the labour costs have increased lately, we will have to increase a little, because we have warehouses in Winnipeg, Regina, Saskatoon, Calgary and Edmonton, and if we ship machinery in and store it, there is quite a cost of handling it. It is not like the stuff where you handle it by the car-load.

By Mr. Nesbitt:

Q. That twenty-one per cent was gross?—A. Yes.

Q. Was that what you call a "riding plow"?—A. Yes, a two-furrow, twelve-inch plow.

By Mr. Vien:

Q. Could you tell us the net profits on the agricultural implements?—A. No, I cannot. You see, we have only separated the machinery from the supplies in two of the offices this last year, and the costs are mixed up.

[Mr. C. Rice-Jones.]

Now, we have here "top buggies." The cost at the factory is forty-nine dollars and thirty cents, and the percentage of the factory cost, on account of the tariff, is fifty-six per cent, which is a very heavy increase.

Now, on a sixteen-inch sulky plough, the factory cost in nineteen hundred and fourteen was twenty-seven dollars and thirty-seven cents, and the duty was five dollars and forty-seven cents. To-day the duty is fourteen dollars and ninety-nine cents, the cost of the plough is fifty-three dollars and twenty-five cents. So that the duty is more than one half of the value of the plough in nineteen hundred and fourteen.

It is the same all the way down the line. I will be glad to put these in (indicating) as exhibits, if the Committee wish them.

By Mr. Douglas:

Q. Mr. Rice-Jones, you will be likely to take a loss on your machinery and stock, owing to the duty and tariff, under the new Budget?—A. The position is that practically the companies are in the same position of having stocks, but I don't imagine there will be any immediate reduction.

By Mr. Nesbitt:

Q. There will be no cut just now?—A. We are in the fortunate position of not having any very heavy stock.

By Mr. Douglas:

Q. It is just about the same thing. All the big firms, such as yours, Mr. Rice-Jones, claim that they must put a replacement value on the stock. If it goes up, they added the amount that the stock cost. Naturally, that works both ways, when there is any reduction they will have to reduce?—A. We have not been able to do that on account of issuing a catalogue, and it costs a lot of money to get it out, and we have to take losses, that is comparative losses—I will put that in another way to make it plainer. We have not been able to increase the price of our machinery each year as it went up, because we had our catalogue out.

By Mr. Nesbitt:

Q. You issue that in the fall?—A. No; about February.

Q. It governs that year?—A. Yes, it governs that year.

By Mr. Vien:

Q. Of course, you paid the heavy war tax?—A. Oh, yes. In connection with the machinery, I might say that we—in answer to the question Mr. Douglas asked—we were living in the hopes of a reduction of the tariff, and we had a lot of it in bonds, and so we escaped the duty on that.

Mr. NESBITT: You are certainly clever.

By Mr. Vien:

Q. You filed your report for the war tax?—A. Oh, yes, absolutely.

Q. Have you paid any war tax yet?—A. Oh, yes, we have paid the war tax. Of course, we put about the amount we would have been assessed, and it would run about two hundred and fifty or two hundred and seventy-five thousand dollars. We have paid whatever we have been asked to pay.

By Mr. Nesbitt:

Q. You have to send your statement in like anybody else?—A. Yes.

Q. You have no favours shown to you?—A. No.

By Mr. Vien:

Q. Do you know what you have actually paid?—A. Yes. Do you mean the percentage?

Q. On account of the war tax What did you pay?—A. Yes, I have got that statement here. I thought that would probably come up. Three hundred and eleven thousand eight hundred and eighty-four dollars and thirty-nine cents.

Just in connection with that war tax, there is one thing I would like to bring up, and of course, it has been of advantage to our own company, but at the same time, I don't think it is the way it should be.

Now, we found out after it had been in existence, a year or so, that the company was allowed to charge the tax that they were assessed, one year, as expenses the next year. Now, the way that works out is that the larger profits a company makes, the less war tax they have to pay.

By Mr. Nesbitt:

Q. Wait a minute. You were allowed to charge the tax you paid in nineteen hundred and seventeen, as against your expenses of nineteen hundred and eighteen?—A. Yes, sir.

Q. You are the only one I know of?—A. No, sir; absolutely not. It was a surprise to us. We based our returns——

Q. I will tell you quite frankly that we are not.

The Chairman: And I will tell you quite frankly that I am not.

Mr. Nesbitt: I am very much obliged to you for that pointer.

By the Chairman:

Q. You mean to say, according to that principle, it would be a case of paying the tax out for one year and taking it back the next?—A. The point is this; say we paid fifty thousand dollars the first year, and the next year we are allowed to call that "Expenses".

By Mr. Nesbitt:

Q. On the next year?—A. Yes, we are allowed the next year to call that "expenses."

By Mr. Pringle:

Q. You charge it up as disbursements?—A. Yes, as disbursements, and the point is that if that clause had not been in the war tax, we would have had to pay thirty-one per cent more than we have.

By Mr. Davidson:

Q. I find this in the evening paper: "The witness said that the Hon. T. A. Crerar was president and his salary was fifteen thousand dollars a year, but he has not drawn this while acting as Minister at Ottawa, but when he returns to the company his salary was resumed." What have you to say as to that?—A. No, I don't think I said that. I think that the notes will show. I said he was not drawing his salary at the present time. I think the Committee will bear me out in that.

By Mr. Nesbitt:

Q. I think you said he was not drawing his full salary?—A. No. I said he was not drawing his full salary.

(The Committee adjourned until 8.00 p.m.)

The Committee resumed at 8 p.m., Mr. Nicholson presiding.

Mr. RICE-JONES' examination continuing.

By Mr. Davidson:

Q. What is the attitude of your company towards the Winnipeg Grain Exchange? Do you think its operations are in the interests of the trade, and in the interests of the wheat industry?—A. You could not operate the grain business in Canada without the Grain Exchange.

Q. You think it is a necessity?—A. Yes.

Q. I think your company was originally organized to get rid of the Grain Exchange?—A. Our company bought a site on the Exchange when they were first organized, and then they had trouble with the exchange when they announced that they would pay a patronage co-operative dividend, and were expelled from the Exchange. They were offered the Exchange for three or four months, I think it was, but I think the matter as taken up by the Manitoba Government, if I remember correctly, and they were taken back on again.

Q. When we rose at six o'clock I was questioning you with regard to the evidence you gave in reference to the salary of your president. I think you started to give us particulars of that. To what date did Mr. Crerar draw his salary?—A. I did not state that this morning. That was the point objected to by some members of the committee.

Q. I do not think there will be any objection to it, inasmuch as the press has it wrongly?—A. He has never drawn the $15,000 salary at all; that is on that basis. At the time he entered the Government he was drawing $10,000 and he continued to draw on that basis. Well, I might state that the salary of the president was raised last September to $15,000, but Mr. Crerar stated at the time that he would not draw the increased salary as long as he was with the Government, and in fact he also stated that he would not draw any salary, but the matter was objected to by the directors, that he ought to draw some salary as president of the company, and he continued to draw at the rate of $10,000 until the end of February, 1919.

By Mr. Pringle:

Q. Is he drawing the $15,000 now? I suppose that is in suspense?—A. That is in suspense. He had not drawn anything at all, and while the salary of the president was raised to $15,000 from last August, it was the position that was considered, and not Mr. Crerar at all, but the point I want to make clear is that as far as the $15,000 is concerned, it should not be considered, because he has never drawn salary on that basis.

Q. He has drawn $10,000 up till last February, and while the salary was increased to the president, no matter who he would be, to $15,000, Mr. Crerar felt that while he was connected with the Government he should not draw the salary, and since February the whole matter has been standing in abeyance, sort of suspense account?—A. Yes. Mr. Crerar's position was at the time that he should not draw the $10,000, but the directors decided that in view of the fact that he did not figure he would be here very long that the matter would stand over. Another point I wish to make is that while the directors are officers of the subsidiary companies—that is Mr. Crerar, myself, and other directors—we only draw the one salary.

By Mr. Davidson:

Q. You get no additional salary from the subsidiary companies?—A. No.

By Mr. Sutherland:

Q. You state in view of the fact that you did not consider he would be here very long—how did you arrive at such a conclusion as that? I am asking this because I believe the *Grain Growers' Guide* is a political paper, and that you have lost a great deal of money in connection with the publication of this paper. Now you tell us that your company did not expect that Mr. Crerar was to remain long in the Government?—A. Well, of course, I cannot speak for the other directors. I think the general view at that time was that it was very doubtful as to how long the Union Government would last, and the statement that the *Guide* was a political paper, is, of course, from our point of view, hardly correct. It is the organ of the organized farmers. The company does not control the policy of the *Grain Growers' Guide.*

By Mr. Stevens:

Q. Regarding the machinery, do you carry a large stock of machinery at central depots?—A. Yes.

Q. What machinery do you have in hand this year?—A. Do you mean 1919?

Q. Yes?—A. I have not got my figures for the 1st of January, but I should say we had about a million and quarter worth.

Q. That is a large amount?—A. Well, of course——

By Mr. Pringle:

Q. Was that in bond and all?—A. In bond and all.

By Mr. Stevens:

Q. Most of that would be in bond?—A. No.

Q. How much would be in bond?—A. I should say about $100,000 worth, at the outside, and you see the point is that we had warehouse space of our own, and in order to put it into bond we had to rent other warehouse space, and when you balance the rent of other warehouse space, when we had space of our own, we did not figure the expenditure was warranted.

Q. In your balance sheet of 1917 you have an item here "Combined Profits for the year ending 31st August, 1917, $844,401.85." Do I understand that to be the combined profits of the Alberta Company and the Grain Growers' Grain Company?—A. Yes.

Q. You bring forward the profits of the Alberta Company into this balance sheet?—A. Here is the Grain Growers' Grain Company and the Alberta Farmers' in this book. This is these two combined.

Q. Now, subsequent to this do you include in the United Grain Growers', Limited, balance sheet the assets and liabilities of the two companies?—A. Oh, entirely.

Q. They are all in one?—A. Yes, the other companies are out of existence. They are just added together.

Q. And does this six million assets represent the two companies together?—A. Yes.

Q. This item bringing forward the joint profits is simply an item common with all the other items?—A. Yes.

Q. And is not simply a net balance brought forward?—A. No. $607,899 and $236,502 make the $844,401.

Q. The assets of the two companies combined represent $6,180,000?—A. Yes.

By the Chairman:

Q. Have you the 1918 balance sheet?—A. Yes.

Q. What amount was carried forward out of earnings to reserve for that year?—A. A quarter million. Well, the reserve was increased.

By Mr. Pringle:

Q. Transferred reserve $213,391.07—is that it?—A. Yes.

[Mr. C. Rice-Jones.]

By the Chairman:

Q. Did I not understand you to say that the total amount of reserve to date was about one million and a quarter?—A. $1,500,000.

Mr. PRINGLE: I have here the amount $1,798,482, but those are not all earnings. You have to take your percentage on the premiums on the stock. 1914 reserves were $223,000; 1915, $347,000, 1916, $750,000; 1917, $1,250,000; 1918, $1,798,000.

By the Chairman:

Q. Go back to 1917 and take the parent company, the "Grain Growers' Grain Company." It shows a capital stock paid up $1,357,383.46. That is August 31, 1917. Then take the "Alberta Co-operative Elevator Company" at the same date, when it would appear the amalgamation was being made, the shareholders' capital stock paid up was $467,917.86. That makes $1,825,300.32? Is that right?—A. Yes, that is right.

Q. At the same time the reserves of the two organizations August 31, 1917, the total amount of the paid up capital and reserves was $3,484,656.21. The two companies combined on August 31, 1917. That shown on that date a reserve of $1,659,355.89?—A. Yes.

Q. If you add to that your 1918 reserve of I213,391, it brings your total reserve up to $1,872,746.96. Is that right?—A. Yes.

Q. That is the amount of your reserves to date?—A. No.

Q. I make your reserves $1,872,746.91. Take capital stock paid up of the "Grain Growers' Grain Company;" the parent company, August 31st, $1,357,382.46, and the capital stock of the "Alberta Farmers' Co-operative Elevator Company" on the same date $467,917.86. That makes the total capital stock of $1,825,300.32?—A. Yes, that is right.

Q. The reserve of the "Grain Growers' Grain Company" on that date $1,118,351?—A. Yes, that is right.

Q. The reserve of the "Alberta Farmers' Co-operative Elevator Company" on the same date was $541 004.38?—A. Yes.

Q. That makes the total reserves $1,659,355.89?—A. Yes.

Q. You have added for 1918 and addition of $213,391.07. That brings your total to $1,872,746.96, instead of $1,250,000?—A. $1,778,482.

Q. If you add $213,319.07 to $1,659,355.89, how much will it make?—A. $1,872,746.96.

By Mr. Sutherland:

Q. When I was called away from the committee Mr. Rice-Jones was dealing with the question of the disposal of the screenings?—A. I would like to get this matter of the reserves cleared up. Mr. McMahon says that according to the balance sheet the figure of $1,798,482 is correct and that the other figure must be some sort of adjustment in connection with the amalgamation, but he has not the accounts here to check it up.

By the Chairman:

Q. He says that the difference between $1,798,482 and $1,872,746 is an adjustment made in connection with the amalgamation of the two companies?

Mr. MCMAHON: Perhaps; I am not in a position to say.

By Mr. Pringle:

Q. You have $100,000 tucked away?

Mr. MCMAHON: That may be part of it.

[Mr. C. Rice-Jones.]

By Mr. Pringle:

Q. They show reserves up to date of $1,798,482.59, and they also show $100,000 for contingencies account, which if you add makes $1,989,000, the figure which the chairman is speaking of?—A. Personally, I think if you add that $100,000 and deduct a few adjustments, that will explain it.

By Mr. Sutherland:

Q. Any screenings in excess of three per cent you give back to the farmer?—A. No.

Q. You dispose of that for the farmer?—A. Yes, or else give him a certificate for them. It is trade paper.

Q. What did the farmer receive for his screenings last year?—A. I cannot tell offhand.

Q. Approximately?—A. He received the market price, whatever the screenings were worth.

Q. Where did you dispose of them, or how did you dispose of them? You must know nearly what price you received for them?—A. I cannot tell you offhand.

Q. Do you know the total amount received for screenings last year?—A. I cannot tell you offhand.

Q. Could you send it?—A. Yes.

Q. What price you received?—A. The price would vary.

By Mr. Pringle:

Q. Your auditor could give us a statement?—A. Entirely, we can supply you with that information.

By Mr. Vien:

Q. Do you give back to the individual farmer everything you get out of it?—A. The market price.

Q. Do you give him everything that you get out of his screenings, or do you sometimes get a better price for them than you pay him?—A. Well, if the settlement is sent out at the time that the car is sold, as I am practically certain it is, he would naturally be given a settlement on the basis of that day's market price. You see, we cannot sell if a man has, say, three per cent, thirty bushels of screenings; that is, equal to that in weight. We cannot sell his thirty bushels.

Q. Do you pay him on the basis of the current price?—A. On the day we settle with him for the screenings, just the same as when his grain is sold, only that the grain is actually sold.

By Mr. Sutherland:

Q. That is for the average run of screenings—not cleanings?—A. We have no recleaning machinery in our elevator.

Q. Are your screenings disposed of in the United States or in Canada?—A. This last year you could not ship them to the United States.

By the Chairman:

Q. You could not ship screenings last year at all unless they went to a mill?—A. My understanding is that the Government bought up most of the screenings this year.

By Mr. Nesbitt:

Q. There are people in Port Arthur who make a business of grinding up screenings and sending them out for feed?—A. There probably are; I am not very familiar with the conditions at Fort William.

[Mr. C. Rice-Jones.]

By Mr. Sutherland:

Q. You do not mix up the screenings with the overages?—A. No, that is a separate thing altogether.

Q. You do not pretend to pay anything for the screenings to the farmer?—A. Sure. three per cent and over. That is the regulation of the Grain Act.

By Mr. Pringle:

Q. Anything under three per cent they retain?—A. We retain and do not charge anything for cleaning the grain.

Q. Anything over three per cent goes to the farmer, and up to three per cent they retain the screenings?—A. There is no cleaning charge. If you had a car that had a dockage of two and a half per cent, you would not get any screenings, but you would not be charged for cleaning.

By Mr. Sinclair:

Q. If it is over three per cent, the whole of the screenings go to the farmer?—A. Less the allowance under the regulation, one per cent for cleaning.

By Mr. Sutherland:

Q. The regulations are such that the farmer is supposed to have his screenings returned to him unless he makes some arrangement by which you dispose of them at the elevator?—A. Yes, that is, not actual screenings but the paper representing them.

Q. What I want to find out is where the screenings from your elevators were disposed of. I understand they were not allowed to be shipped to the United States last year, and you said you did not reclean your screenings; consequently they must have been shipped out in an unclean condition?—A. Yes, I think we sold some to the Grand Trunk elevator, for instance.

Q. You did not dispose of any of them to the milling companies?—A. Well, I cannot say. All I can say is I am practically certain that we sold one lot to the Grand Trunk. But we can supply you with the information.

Q. I wish you would as to who purchased the screenings from your companies last year. I understand that the Government purchased the recleaned screenings last year from a number of elevator companies?—A. Yes, sir.

Q. Do you know if you disposed of any to the Government in the rough?—A. I cannot say if we disposed of any in the rough. I do not think so. The way I understand it is that they wanted recleaned screenings, and we did not have machinery in the elevator to reclean them.

Q. There are one or two elevators that make a business of it?—A. I think most of the elevators have machinery for recleaning. This elevator that we had last year is a comparatively old elevator.

Q. Do not the regulations prohibit the sending out of uncleaned screenings?—A. The selling of them.

Q. Yo uare not permitted to ship uncleaned screenings to the country?—A. We have not shipped any throughout the country.

Q. I mean through the country in Canada. You are not permitted to ship uncleaned screenings to various points in Canada. There are provincial regulations in some provinces?—A. We have not done so to my knowledge.

By the Chairman:

Q. You would ship them to another elevator to be recleaned?—A. We shipped them, I judge, to some firm who would be in a position to reclean them.

[Mr. C. Rice-Jones.]

Mr. SUTHERLAND: I would like to have a statement showing the quantity of screenings that accumulated at your elevators during the past year; also the prices at which they were sold, to whom they were disposed of, and if they were recleaned or were in the rough.

By Mr. Davidson:

Q. Is your company making any experiments in the manufacture of flax fibre?—A. No, sir

Q. Will you tell me why the Saskatchewan Grain Company did not amalgamate?

Mr. PRINGLE: He explained all that.

By Mr. Davidson:

Q. Have you sold to the Government any feed recently?—A. What kind of feed?

Q. Any kind of feed?—A. Grain.

Q. Grain, yes?—A. Not that I know of.

Q. You have not had any dealings with the Government in that regard?—A. Well, I would not swear absolutely that we did not. I do not know of any particular deal. Naturally, I do not know of every individual transaction that is put through in the company.

Q. Have you had any transactions in the sale of seed wheat?—A. Well, in Alberta, —this year of course it is oats—any graded seed after an inspection by the Government Inspectors in Calgary, was commandeered by the Government.

Q. Just one word about that which will remove that impression?—A. I can say that we have not, I am practically certain that we have not sold any grain to the Government this last year because I remember the question came up in connection with some screenings, now I come to think of it, because it was the Department of Agriculture that was buying them and we decided we would sell them to the Government on account of our president being Minister of Agriculture because, naturally, that would have left room for comment. I would be glad to check that up and send an affidavit on it if you wish.

Q. No, it is not necessary, I just wanted to remove that impression. Just one other question in regard to the price on the Winnipeg Grain Exchange; is it against the rule for members to buy wheat and pay more for it than the upset price?—perhaps I do not make myself clear; can you, as a member of the Grain Exchange, go out and pay a greater price for wheat than the highest price offered on the exchange?—A. At the country elevators?

Q. Yes.—A. Absolutely, we can pay $5 a bushel if we want to.

Q. Now, can you buy at the terminals wheat at a higher price than that offered at the exchange?—A. Well, in practice you see the way that grain is bought, our salesman or buyer, whatever you call him, merely goes into the pit and buys up the warehouse receipts whenever grain is offered at a price that is satisfactory, but the point is we do not buy grain, we are in the selling business. We go in and will sell the same as anybody else.

Q. There is no understanding among the members that a person will not pay a higher price than the exchange?—A. Absolutely not, we pay whatever we like at the elevators. Perhaps the point you are trying to get at is the question of track grain.

Q. Will you explain what that is?—A. Well, if grain is bought on the track.

Q. That is what you mean by track grain?—A. When the grain is loaded into a car and is on the railway track up against the elevator some farmers will likely sell there instead of consigning it, or where they have specially binned their grain, and then of course all companies are supposed to settle that at the track price.

By Mr. Douglas:

Q. And the track price is the market price of that day?—A. The track price is the market price of that day less commission, it is a commission proposition, and

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there is a possibility like that of getting a premium—the way I understand it is that the regulation is to prevent trickery and malpractice in connection with the grain, because naturally if the market price is such a price, at a certain price, you can only pay so much for it.

By Mr. Davidson:

Q. Have you ever made any complaint against other members of the exchange for paying more than the market price?—A. Yes.

Q. You feel justified in doing that?—A. If we agree to do certain things ourselves, if we are members of the Grain Exchange or any other organization, we expect to abide by the rules as long as we are members, and when we do not want to abide by the rules we will retire, and we expect other men to do the same.

Q. And what is your procedure when you find another man violating these rules? —A. A complaint can be made to the Council of the Grain Exchange.

Q. And they take it up with the offender?—A. Yes, but I do not think we have ever been able to prove any case where that has happened. I have not any case in mind at present.

Q. Just a little remonstrance is usually enough to check it?—A. Well, hardly, I would not say that—oh, yes, I might say that this is not the rules of the Winnipeg Grain Exchange at all, it is the Northwest Grain Dealers Association.

Q. Have you a society of Grain Dealers, what is the Northwest Grain Dealers Association?—A. That is merely the elevator branch of the exchange.

Q. Have you a sort of organization whereby these rules can be enforced?—A. That was primarily organized years ago by the elevator companies so that they would all agree to pay the same price; this was before we were in business, when they all sent out one price list, these companies.

Q. The elevator companies?—A. Yes, but as I stated this afternoon we are not members of the Northwest Grain Dealers Association.

Q. Then you misunderstood me. I asked you if you had ever made complaint against any grain dealers for offering more than the market price and you said you had?—A. Yes.

Q. If you are not a member of this association what effect would your complaint have?—A. The Northwest Grain Dealers, I am not quite certain they handle the track business. The elevator prices are under the control of the Northwest Grain Dealers and the track prices, the way I understand it, is under the Grain Exchange.

Q. Can you remember ever having any trouble with the Northern Grain Company of Edmonton in which you protested to some person against their offering more than you?—A. I do not remember—that is probably one of the firms that we protested against.

Q. To whom was the protest made in a case of that kind?—A. I am not absolutely certain; you see——

By Mr. Nesbitt:

Q. It would be the Grain Exchange, would it not?—A. I think it was the Grain Exchange.

By Mr. Davidson:

Q. You said that the Grain Exchange would fix the rates?—A. At the country elevators.

Q. You said you were free to buy at the country elevators?—A. Yes; the point is this that in so far as the grain dealers fix the price at the country elevators there is no question as far as we are concerned of the Winnipeg Grain Exchange attempting to

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make us pay the same prices as they do, but the track price is a different proposition altogether.

Q. And you do have such an understanding with the others that you feel warranted in making a complaint?—A. Yes, because it was the market price less commission.

Q. I am at a loss to understand what right you had to protest to them if you did not belong to that association?—A. I, perhaps, mixed you up by bringing in the Northwest Grain Dealers Association at that time; the point I wanted to correct was, you started to talk about the Winnipeg Grain Exchange and discussed the country elevator prices, and I did not want to leave the impression that the Grain Exchange has anything to do with the country prices, and I brought in the Northwest Grain Dealers Association while talking about track prices.

Q. For the sake of clearing this question up if the Northern Grain Company were offering more for wheat, I do not care whether it was more than the market price or not——A. (Interrupting) In what position?

Q. I do not know, in any position, to whom or to what association could you complain of their conduct?—A. If they were paying more than the elevator we would not complain at all, the more they offered the better it would be for the farmer who would get more for his grain.

Q. If they were paying more on the track now to whom would you appeal or protest?—A. To the Winnipeg Grain Exchange I think.

Q. They have the control of that?—A. Yes.

By Mr. Nesbitt:

Q. Well, then, there is an understanding as to the price every morning, is there? —A. The point is that the track grain it bought one cent off market price.

Q. Then there is an understanding as to the market price?—A. Yes, there is an understanding, and here is the reason why it is permitted; that one cent a bushel is the lowest margin at which this grain can be properly handled, and it will prevent unscrupulous firms offering to handle it at say one-quarter of a cent and trying to make their profit in some underhand way.

By Mr. Davidson:

Q. I want to know what attitude your company takes with relation to fixing the price of wheat for this year?—A. This year?

Q. Yes.

By the Chairman:

Q. You have no objection to state your attitude?—A. Not at all, our company has already made a pronouncement on it, we are in favour of the Government selling the whole crop at the best price they can, and then fixing the price at that price, and so eliminating all speculation.

By Mr. Davis:

Q. Is that on the principle of the Australian pool?—A. Well, it would be, we figure it would be selling it for the world's market price, at whatever it is worth, and it would eliminate this thing of prices being put down in the fall, perhaps largely by speculation, and when the grain is all in the hands of the dealers perhaps putting it up in the spring.

Q. Have you studied what the principles of the Australian pool are?—A. No, I am not familiar with that.

[Mr. C. Rice-Jones.]

By Mr. Sinclair:

Q. Just one question about taking in the grain at the elevator, I understand you to say that you buy from non-members?—A. No, either from shareholders or non-shareholders if they want to sell.

Q. If a man was not a shareholder you buy it just the same as from a member for cash or on consignment?—A. Yes.

Q. And if he wishes to sell it he can at the market price?—A. Yes, the non-shareholder can have it handled in any way he wants the same as a shareholder can.

Q. The man who puts in on consignment what percentage of the market price do you advance to him?—A. We advance him from 75 to 85 per cent of the market price and, perhaps, if it is a very tough condition crop, we might not advance more than 70 per cent if there is danger of the grain being tough, and there was an open market, and the market was fluctuating slightly we might not be willing to advance more than 65 per cent possibly because there is the danger of the market.

Q. You just kept back enough to protect yourself?—A. Yes, to protect us.

Q. And in selling it on consignment, who determines when the grain shall be sold?—A. The farmer.

Q. The farmer himself?—A. Absolutely, on his instructions it is sold.

Q. Well now, in regard to those who sell to your elevators, and take the cash, who are not shareholders; have they an option to sell to other competitors of yours?—A. Oh, entirely. There are as many as six elevators at some points.

Q. There are competitors at other points?—A. Yes; I should say that out of three hundred and twenty points where we have elevators, there might be fifteen points——

Q. (Interrupting): That is nothing.—A. (Continuing)——possibly between fifteen and twenty points where we are the only elevator.

Q. So, when a man comes there and sells his grain for cash, it is evident that he thinks he is doing as well as he could do any place else?—A. Yes. I might say that we pay exactly the same price where there is no elevator in opposition, as where there are elevators in opposition to us.

Q. You have only one flat price?—A. We have a flat price. Now, there is this matter of the war tax, which I would like to finish.

Mr. Nesbitt: You did tell us.

Mr. Sinclair: We interrupted him at six o'clock.

By Mr. Vien:

Q. You might go through that very briefly. The point is that by reason of the fact that our company was exempted or was allowed to figure the war tax the following year as expenses, we saved thirty-one per cent.

Now we have figured out here how it would work out with a company with a paid-up capital of one million dollars, and a reserve of one-half a million, making very large profits. We figured them seven hundred and fifty thousand dollars profit one year——

By the Chairman:

Q. You would need to be handling grain to do that?—A. And one million dollars the next year and one million, two hundred thousand dollars the next.

Mr. Nesbitt: You would not handle anything that I have ever had any experience in?—A. And one million two hundred thousand dollars the following year, and the result is that they pay a total of one million, seven thousand, four hundred and

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fifty-three dollars. Now, if they were not allowed to figure their war tax as expenses, the next year they would have to pay one million five hundred and sixty-four thousand five hundred and twenty-four dollars——

The CHAIRMAN: In that case, if it is as you state it, they don't pay any war tax at all, because if a man takes his war tax out of the next year, before he starts to figure his profits at all, he has it all for himself. He might pay the war tax once, and never have to pay it again.

Mr. RICE-JONES: The point I would like to make is that the third year—the first year they would pay one hundred and sixty-one thousand dollars, on profits of seven hundred and fifty thousand; the next year the profits would be one million dollars, and they only pay one hundred and seventy-four thousand dollars, or thirteen thousand dollars more on profits of two hundred and fifty thousand dollars more.

Q. In other words the more their taxes, the less they would have to pay?—A. The third year, with profits of one million two hundred thousand dollars, they pay four hundred and eighty-three thousand dollars, but the fourth year, with the same profits—one million, two hundred thousand dollars—they only pay one hundred and eighty-seven thousand dollars.

Mr. PRINGLE: You had better talk that with Mr. Breadner.

Mr. RICE-JONES: They are exempt for fifty-five per cent of the assessment on that basis. My contention is that this system is an encouragement of big profits, because the larger they go, the less they have to pay in comparison, and the more they have for themselves.

The CHAIRMAN: The more they are taxed, the less they have to pay. If they simply deduct the total amount of the taxes and apply it as expenses next year before figuring the profits on which they are going to pay taxes.

Mr. RICE-JONES: My point is that the company which is making the largest profits in comparison with the paid up capital and reserve does not have to pay as large a percentage of war tax as the company making the smaller profits.

I think that as far as this Act is concerned it does not specifically deal with this in the Act, but this was the interpretation which was placed on the Act.

By Mr. Pringle:

Q. You are not taking advantage of that interpretation; you have paid your taxes on the other basis?—A. The interpretation is that they are exempt for this amount.

Q. I say that, but you have not taken advantage of the exemption?—A. We paid it on the exemption, but we now bring it before the committee, and we claim it is not right. I think it is something that is contributing to the attempt to make big profits.

Q. You would not mind putting that statement in. It might be very useful. No, I will put it in.

Mr. Sinclair:

Q. You have compiled this, tending to show anything in regard to the difference in the cost of living.

The CHAIRMAN: If that statement is in, it absolutely defeats the War Profits Tax altogether.

Mr. Sinclair:

Q. Have you filed that?—A. No.

Q. You told us in your evidence this afternoon that you had prepared a statement of the proportionate cost of the overages against the cost of living of bread stuffs and the buying of flour. Have you filed that?—A. No. I have it here (indicating). It is in the evidence as covering the elevators, the Commission Department, the Terminal Elevator Department combined, but it is not in separately.

[Mr. C. Rice-Jones.]

Q. Would it make the matter clearer to file it separately?—A. No, I would have to make it plainer.

Mr. PRINGLE: Make it plainer and file it.

By Mr. Davidson:

Q. Do all your shareholders sell to you?—A. No.

Q. Are there exceptions?—A. Absolutely.

Q. What about the grain growers, the members of the Grain Growers' Association —do they sell to you?—A. No. They are about the same as our shareholders. Some sell to us and some don't. Of course, a large number of them are shareholders, and are also members of the Association.

By Mr. Nesbitt:

Q. They don't have to sell to you?—A. No.

By the Chairman:

Q. They are free?—A. Yes; they are free.

By Mr. Nesbitt:

Q. They can do as they like, which they do?—A. Yes.

Mr. DAVIDSON: Before we call another witness, I would suggest that arrangements be made that every member of the House shall receive a printed copy of the proceedings of the Committee. Apparently they are only now going to members of the Committee. As a matter of fact the press reports have been very misleading and very incorrect, and it is bad enough for the public to be obliged to depend on those reports, without having the House also dependent on them.

Mr. NESBITT: We ordered five hundred copies, which is enough for every member of the House, including the Senate.

Mr. DAVIDSON: They are not getting them.

Mr. RICE-JONES: If there are other matters of information which the Committee wants, we will be very glad to furnish it.

(Witness discharged.)

Mr. GASPARD LEMOINE, called, sworn and examined.

By Mr. Pringle:

Q. Well, Mr. LeMoine, who are you anyway?—A. Just now, I am president of the J. B. Renaud et Cie, Inc. of Quebec.

Q. When were you incorporated?—A. We were incorporated in December, nineteen hundred and seventeen.

Q. Then you deal in everything in the way of produce?—A. Well, yes, in the way of eatables.

Q. Fresh beef, fresh lamb, fresh veal?—A. Yes, in a small way. We have provisions——

Q. (Interrupting): They tell me that you deal a great deal in sweets, maple syrup, and maple sugar?—A. Yes, we deal in maple sugar.

Q. Can you show me a statement of your purchases, say last year, of what you had in stock, in your cold storage, we will say, for last year?—A. Well, I was not asked for that, but I can furnish it. On the date of the inventory I can furnish it.

Q. Did you have very much fresh meat on hand?—A. No, hardly any.

Q. Did you have very much maple syrup?—A. I don't think we had any. That was in September. Our annual statement is in September—the thirty-first of August.

Q. What maple syrup did you get in during the season that the maple syrup is produced this year? Give it to us roughly, within two or three thousand gallons?—A. I think about two or three thousand gallons.

Q. Is that all?—A. Yes; it is not big.

Q. I understand you got all the maple syrup in that section of the country?—A. Oh, no; very little.

Q. Two or three thousand gallons?—A. I believe about two thousand. Not more than that.

Q. Has that all gone out?—A. It has been manufactured.

Q. Been manufactured into what?—A. A compound syrup—what they call "table syrup." I cannot give you the exact figures, but that is what it is meant for.

Q. How about the strawberries?—A. They are not ripe yet.

Q. How were they last season?—A. Last season I think was a fair season.

Q. Did you buy all the strawberries around the city of Quebec, and within a few hundred miles of the city?—A. No. I think we bought about one-fifth around the city, and the Island of Orleans. That is the only place.

Q. What were you paying for these berries?—A. You mean what we paid?

Q. Yes.—A. I think we paid ten or twelve cents.

Q. What would you sell them for?—A. We did not sell them. We manufactured them into jam.

Q. Well, I suppose you have a right to do that?—A. I think so; it is done by everybody.

Q. Well, that has the effect, of course, of enhancing the price to the consumer about the city of Quebec of the strawberries?—A. Well, I don't know, if it is because of the fact that we bought them. I think the fact that we bought them increased the crop a great deal, because they are sure of a market. If they have a bad year, when it is hot weather, they are sure of a market, and we also contracted with some people during the winter, and they knew it and could raise a proportionate crop.

Q. Then you manufactured the jam?—A. Yes, jam.

Q. And you used this maple syrup——A. (Interrupting) Jams and syrup. We used the maple syrup and manufactured it into what we called "table syrup."

Q. You have a cold-storage plant?—A. For our own use.

Q. Not for public use?—A. No, not for public use.

Q. And you are defending that action?—A. Yes.

Q. Would you show me a statement of your profits for last year?—A. I brought a statement of the profits since 1914.

Q. Your gross profits I see were $430,898.83?—A. Yes.

Q. Out of that you have a reserve on credits $13,323.25, depreciation $15,471.47, salaries, wages and other expenses, $211,869.29; amounts lost, $13,939.93; war tax, $106,977.51; net profits, $69,317.28. What is your paid up capital?—A. The capital was a million and a half—one million six hundred something.

Q. Is that capital all paid up?—A. All paid up.

Q. In cash?—A. In cash.

Q. Your preferred stock subscribed and paid is $1,050,000?—A. Yes.

Q. Common stock subscribed and paid $500,000?—A. Yes.

Q. That makes $1,550,000; balance of profit and loss 31st August, 1918, $70,571.66. So that you have $1,620,571.66?—A. That is it.

Q. Are you an incorporated company?—A. Yes.

Q. Under the laws of the Province of Quebec?—A. Letters Patent.

Q. Under the Joint Stock Companies' Act?—A. Yes.

Q. Your salaries, wages, and other expenses seem to be an exceedingly large item, $211,869.29. Are you the president of the company?—A. Yes.

Q. What salary do you take?—A. $15,000.

[Mr. Gaspard LeMoine.]

Q. As President?—A. Yes.

Q. And what do you take as General Manager?—A. I do not take anything as General Manager. I wish I could find one to replace me, and I would give him $15,000.

Q. Have you any boys in the business?—A. I have one.

Q. Does he take another $15,000?—A. No.

Q. How much does he get?—A. $1,200.

Q. He must be a youngster?—A. No, he may be 35 or 36.

Q. You do not seem to place a very high value on that boy? I suppose you are paying him all he is worth?—A. No, the boy is good, but not much help. He is a good boy.

Q. Who comes next in salary? You get $15,000?—A. My partner, Mr. Chateauvert, $15,000, the same as myself.

Q. You are the only two high-priced men?—A. Yes.

Q. Who comes next?—A. I might say, if you will allow me, that I have been working on that job since 1870.

Q. I would never leave it, if you and your partner can make $30,000 for salaries, and can make a nice return on your investments? I do not know why you should leave it?—A. But I am 71 to-day.

Q. We have got salaries of $31,200. What other salaries do you pay?—A. Well, three heads of departments.

Q. What do they get?—A. They get between three and four thousand or forty-five hundred.

Q. We will say they get $12,000?—A. Yes.

Q. What other salaries?—A. And apart from that they get a certain percentage of profit which gives them something. Then there are 85 clerks in the establishment.

By Mr. Nesbitt:

Q. Clerks or working people?—A. I mean clerks. We have five or six hundred working people altogether at certain times of the year.

Q. That accounts for $43,200 out of your $211,869?—A. Yes.

Q. You are a business man?—A. I wish I could get another to take my place.

By Mr. Pringle:

Q. Your net profits on sales, $69,317.28. Your profits from other sources make up profits of $107,866.88, or a total profit of $177,184.16. That is a net profit?—A. That is the net revenue of the year.

Q. Balance at credit, August 31st, 1917, $117,710.17. You have carried that balance forward. Net profits on sales $69,317.28; other revenues $107,866.88, making $294,894.33, distributed as follows; you credit your partner with $117,000——A. You see that was the first year of the company, and they balanced the books of the old partnership with the new company, and the old partnership sold to the new company, and they balanced the books then.

By Mr. Vien:

Q. The new company paid $117,000 to the old company?—A. No, they paid a great deal more than that. The partnership was myself and Mr. Chateauvert, and the new company paid us $1,600,000.

By Mr. Pringle:

Q. You have paid a six months' dividend of 7 per cent or you have paid a three months' dividend of 7 per cent—that makes 14 per cent?—A. Oh, no no—— 6 months at 7 per cent a year on privileged stock? That was 3½ per cent.

By Mr. Nesbitt:

Q. Half yearly dividend.—A. Half yearly dividend on a million and fifty thousand dollars.

[Mr. Gaspard LeMoine.]

By Mr. Vien:

Q. Six months' dividend?—A. Yes.

By Mr. Pringle:

Q. At the rate of 7 per cent per annum?—A. Yes.

Q. Then you have paid a quarterly dividend—three months' dividend?—A. Yes, that was provided for, but it was not paid, because we pay only semi-annually, but it was reserved, so as to show it out of the profits of that year, because the dividends are paid in December, and the year ends 31st August.

Q. Have you your letters of incorporation?—A. No.

Q. When was this company incorporated?—A. 1st of December, 1917, or end of November.

Q. This company took over the business of LeMoine and Chateauvert?—A. It was J. B. Renaud, Registered.

Q. And the company took over the business?—A. Yes.

Q. Did they pay them for the business in cash or in stock?—A. Paid them in cash.

Q. That is, you increased your shareholders, who paid cash for their stock, and then you bought out the old company?—A. Yes. The shareholders are practically ourselves and some of our clerks.

Q. So that it is just handing from one to the other?—A. No.

Q. No actual cash passed?—A. It was done with the actual cash. We went to the bank and they loaned us the money, and they subscribed the stock.

Q. But what was the idea of that? You seem to have been getting on very nicely under the registered firm?—A. But I was getting old, and my partner is 7 years older than myself, and the only way to continue the business was to incorporate, otherwise it would not have been settled between the estate of the different parties. It would have to be divided up.

Q. But I want to get at the valuation. Do you think the amount of this capital stock is a fair valuation of the old business?—A. Every bit of it. We did not value a great many things that were rather small.

Q. It is for you to say.—A. Yes.

Q. You think it was a fair valuation?—A. Yes.

Q. The valuation was the equivalent of the preferred stock and common stock?—A. That was it.

Q. Was it a physical valuation?—A. It was a physical valuation of all the moveable property by competent persons.

Q. Did you get that valuation made by an appraising company or by individuals?—A. By individuals who generally appraised for insurance companies in Quebec.

Q. You must have that appraisal of these individuals some place?—A. Yes, I think I have it.

Q. Have you got it here?—A. No, I have not. I am interested in the lower cost of living as well as anybody else. You want a copy of the valuation of my immoveable property?

Q. Yes. You might send the original?—A. It is very big.

Q. It will be returned.—A. There is a lot of papers in it. We own all our premises, and everything was valued—the brick-work and the wood-work.

Q. You deserve a great deal of credit for the success you made of your business?—A. I have nothing to hide.

Q. Do you consider you have been making profits out of the ordinary?—A. No.

Q. How do these profits compare with the profits you made prior to your forming this concern into a company?—A. That is only 9 months. That is a low profit.

Q. It is not very bad. You get a net profit of $177,184 on a capitalization of about $620,000?—A. Of course, that it not all made out of sales. It is made out of properties.

[Mr. Gaspard LeMoine.]

Q. Out of revenues, etc.?—A. Yes.

Q. It is over 10 per cent?—A. No.

Q. $177,000?—A. Out of what?

Q. On a million odd?—A. Well, I hold that the proportion of profit to capital has nothing to do with the cost of living. What the customers pay is the proportion between the profit and the turnover. What the purchaser gives me as a profit is the difference between the price he pays and what the thing costs me with the expense of marketing it.

Q. You have all the same argument, the factories and the grain dealers?—A. I think it is a fair argument. Take a man who has a big capital, he does not work at all, he makes small profit, and he probably sells higher, and the consumer pays more than in the case of the active young man who borrows money from a bank and does a lot of business. He buys a lot and sells a lot to the consumer, and it is an advantage to the consumer.

Q. Your total sales were $8,263,833, and your percentage on turnover was .339?—A. Less than one per cent. It is the turnover that does it, and it is a small jobbing business. It is no export.

By Mr. Nesbitt:

Q. Where do you live?—A. In old Quebec.

Q. I did not know that anybody in Quebec had that much money?—A. People who come there are surprised to see my place.

By Mr. Pringle:

Q. Did you ever buy veal?—A. The eternal veal question. We buy veal sometimes.

Q. The purchasing of veal seems to have come ahead of you some way or other?—A. Yes.

Q. It arrived here ahead of the witness?—A. Yes.

Q. How much veal did you buy in the country down there?—A. Men were giving testimony to that in the court in Quebec. We buy a small proportion.

Q. What were you doing in court?—A. Defending ourselves.

Q. What are you defending yourself for?—A. For restriction of trade.

Q. Somebody seems to have laid information against you under the Criminal Code?—A. They have.

Q. And you are defending that action?—A. Yes.

Q. What have they charged you with?—A. They are fishing for evidence and they have not found it yet.

Q. Do you suppose they expect to find some here?—A. Maybe they do, but I do not think they will. I studied the law before going into business.

Q. So you had the proper foundation?—A. Yes, I thought so.

Q. Tell us about this veal. As you say, your reputation as a purchaser of veal seems to have arrived here ahead of you?—A. Well, what can I say?

Q. They say you have all the veal in the country cornered?—A. We have small quantities of veal compared with the quantities of ham.

Q. I heard that you bought small veal about two days old?—A. Well, if I have to tell that story, one of our managers did buy veal, but it may be more than two days old.

Q. You did not want to exterminate the poor calf?—A. No. He did not kill them, but when that veal was bought the health inspector came into the shop and said he thought that veal was too young.

Q. What did you think of veal two days old?—A. I did not say it was two days old.

Q. I heard it was two days' old?—A. It is not two days' old, I am sure, because it was very good veal. It must have been two or three weeks old. It was mixed up.

There might have been young veal amongst it. The inspector came to us, and he said: "You have veal in that warehouse that is not of legal age."

Q. What is legal age?—A. Three weeks. I said if there is, I do not want any such stuff and you just take it, and in his testimony, when he came to relate his testimony in Quebec, he said we had done the right thing towards them. I can tell you the testimony if you like.

Q. What would be your object in getting veal less than the legal age?—A. It was not I that got the veal, and it was done without the knowledge of myself and partner and of the board. It was done without our consent.

Q. What would be your object in getting it?—A. Veal two or three weeks' old would not be of any value?—A. The man who bought it—as I said it is not three days' old veal, some of it may be——

Q. Some of it was less than the legal age?—A. As I understand, yes.

By Mr. Vien:

Q. What is the name of that man?—A. Joseph Amyot.

By Mr. Pringle:

Q. Was he one of your buyers?—A. He was head of the provision department.

By Mr. Nesbitt:

Q. Did they can it?—A. No, they made bologna sausage. It was bought probably to make it.

Q. What is bologna sausage made of?—A. Veal and beef.

By Mr Pringle:

Q. And bread, or grain of some kind?—A. Some kind of cereal.

Q. Then you keep a sort of packing house still?—A. In a very small way. We make bologna sausage, and we bake hams and bacon for the local trade, not for export.

By Mr. Reid:

Q. Do you make any canned chicken or veal?—A. We do not can anything except fruit.

By Mr Pringle:

Q. Let us come back to the syrup.

By Mr. Vien: (Interrupting)

Q. I think it would be doing justice to yourself if you filed that evidence of the inspector?—A. Yes, I offered Mr. Pringle——

By Mr Pringle:

Q. I would be very gled to have it?—A. He was rather against us, you see, but said that the thing was done in the proper way.

By Mr. Vien:

Q. You have not got it with you?—A. No, it is not copied yet.

By Mr Pringle:

Q. We do not want anything that will be unfair to you?—A. I understand, and I want to give any information to help to reduce the cost of living.

Q. Have you bought all the syrup that possibly will be made?—A. We did not buy any large proportion of syrup; it is nothing at all.

Q. Have you all the strawberries contracted for, the whole growth in that section? —A. No, we contracted for about one-fifth, I think.

Q. Where do the rest of those strawberries go; are they shipped away?—A. They come to the local market, and there is another preserving company. The Quebec Preserving Company do some business and they buy as large supplies.

Q. Lots of strawberries are shipped in from outside places. There is competition in strawberries just as in anything else, or do they depend entirely on the local growth? —A. In the Island they sell to us and sell to Latourneau and the other jam factory, and sell to the people on the market two to ten boxes to make their jam.

Q. Your season is later than the season in Western Ontario?—A. Yes.

Q. You get the western strawberry before the local strawberry?—A. Yes, we are getting some in now.

Q. So that there is always a supply of strawberries, and it would be impossible for any one man to control the market?—A. We cannot control it. The strawberry season is too short, we cannot handle it.

Q. I would like to know what your offences are?—A. They have been trying in Quebec for three weeks to find them and they have not found them yet.

Mr. PRINGLE: I have not found them yet, and I thought perhaps you would tell me.

By Mr. Vien:

Q. Do you consider that the buying of the crop of strawberries ahead will affect the price on the market, knowing the conditions of the market as you know them in Quebec, and on the local market?—A. I do not think it will, even if we buy three or four years ahead. They are raising a very great crop. The Government is encouraging them to raise a crop, and if we did not buy they would not raise a crop.

By Mr Pringle:

Q. If they did not know that they were going to have a market, they would not grow them?—A. No.

By Mr. Vien:

Q. You do not consider that your action has reduced the quantity of strawberries that goes to the market?—A. I do not think so.

By Mr. Nesbitt:

Q. What do you say you are paying for them?—A. We are paying twelve cents.

Q. At the factory?—A. No at the shipping point.

Mr. PRINGLE: I have no further questions to ask you. I think you have given us a very fair statement of your business.

WITNESS: I did my best.

By Mr Pringle:

Q. You may give the committee, if you can, any suggestion or information you may have as to anything that can be done to lower the cost of living?—A. There is only one thing I hate, that is watered stock. I think watered stock is a source of the high cost of living.

Q. You must have been reading about the Dominion Textile Company?—A. I have been bothered to subscribe in companies with watered stock, and I always hated to do it.

By Mr. Nesbitt:

Q. What did you pay for your syrup?—A. This spring?

Q. Yes?—A. From \$1.70 to \$2.00.

Q. On commission?—A. Yes.

[Mr. Gaspard LeMoine.]

Q. You said when you started that you compounded maple syrup. I thought the law was against that?—A. No, I said we made syrup out of it. We do not sell it as maple syrup. We sell it as compound syrup, called table syrup.

Q. You do not sell it as maple syrup?—A. No, there is no word maple on it; that would be against the law.

Q. You mix it up and sell it as table syrup?—A. As table syrup.

By Mr Pringle:

Q. What do you mix it with, brown sugar and so on?—A. Granulated.

By Mr. Reid:

Q. What did you sell your maple sugar for this year?—A. We do not handle much maple sugar. We bought it on commission from an American firm.

Q. You handled it on commission?—A. We handled it on commission.

Q. What did you sell it for, how much a pound?—A. We did not sell because we bought it on commission.

By Mr Pringle:

Q. What did you pay for it and what was your commission?—A. A commission of three-eighths of a cent and that has to cover all expenses.

Q. What did you pay for it?—A. From 27½ to 30 cents.

By Mr. Reid:

Q. Your commission was three-eighths of a cent a pound?—A. Yes, that covered our expenses. That was for the whole thing.

By Mr. Nesbitt:

Q. Did you buy a large quantity?—A. About a million pounds this year.

By Mr Pringle:

Q. There is quite a difference compared with a few years ago. You could buy that for eight or nine cents?—A. Eight or nine cents was considered a very nice price. It all goes to the United States, most of it.

By Mr. Vien:

Q. There is not much export to Europe?—A. Since the war the Government has taken a very large quantity, but we have not bought for the Government. We do not deal with the Government. We bought it for the United States.

Q. I had the impression that you corralled a million pounds of sugar in that district?—A. There is more than that, about 5,000,000 pounds.

Q. And then you put the price up? Your explanation is very reasonable?—A. Others bought after us at a higher price, but I think they were stuck with it.

Q. You bought, yourself, on commission and charged three-eights of a cent per pound?—A. Yes.

Q. That is a perfectly legitimate business I should think?—A. Yes.

Q. Some reports have reached the committee about your storing meat there and letting it rot and decay, what about that?—A. There never was, to my knowledge, a pound of meat decay in our establishment; the only trouble is with veal.

Q. Who is making up these stories?—A. I am not saying.

Q. Have you any explanation of that story?—A. If anything has gone out of that store it was veal; lots of things were destroyed but they came in bad and we sent them to the nuns to make soap of.

Q. But nothing that came into your plant in good condition?—A. Nothing that came into our cold storage in good order came out bad.

Q. Nothing of that sort ever decayed and had to be wasted?—A. Not a pound.

[Mr. Gaspard LeMoine.]

Q. Sometimes goods came in that you detected were wrong when they came in and you turned them out and gave them to the nuns to make soap?—A. Yes, it looked so small. We had 11 hogs in the hot weather that were bad, and that is the extent of it.

WITNESS discharged.

Mr. HUGH THOMSON, called, sworn and examined.

By Mr. Pringle:

Q. Where do you reside?—A. Moosejaw, Saskatchewan.

Q. What is your occupation?—A. I sold my farm there in 1913, I am not an actual farmer now, although I am interested in farming.

Q. How long since you ceased to be an actual farmer?—A. My farm has been worked on shares for the last ten years.

Q. You are a retired farmer; some of them call it "tired" farmer?—A. That is one way of it.

Q. You are not now actively engaged?—A. No.

Q. You run your farm on shares?—A. Yes.

Q. I understand you can give this committee some information as to the cost of growing wheat?—A. I have made a statement and I will give it to you or read it to you as you wish.

Q. Let me see it? (Statement handed in as follows):

Moosejaw, Saskatchewan, Cost of Producing Wheat:—

320 Acres of land at $75	$24,000
8 Horses at $250 per head	2,000
1 Seeder	150
2 Wagons at $150	300
4 Sets of harness at $75	300
1 Binder	275
1 Mower	100
1 Hay rake	75
1 Double disc plough	125
1 Cultivator	150
1 Set discs	125
1 Set drag harrows	75
Other small implements	200
Depreciation on $3,875 implements and horses	387.50
Total	$28,262.50
Interest on capital at 7 per cent	$1,978.37
Wage for one man per year	1,000.00
Wage for owner	1,000 00
Binder twine	100.00
Thrashing	500.00
House expenses	1,500.00
Total	$6,078.37

[Mr. Gaspard LeMoine.]

What can be raised on 320 acre farm:

150 acres wheat at 20 bushels per acre, 3,000 bushels at $2..$6,000.00
50 acres of oats at 40 bushels per acre, 2,000 bushels at 50c.. 1,000.00
Balance of farm would be summer fallow and pasture. Interest on farm, stock and implements, and cash for binder twine, thrashing, wages and house expenses.. .. ..$6,078.35
Farmer's profit.. .. .. 921.65
or about 3 per cent on investment.

Q. That is after getting your living?—A. Yes.

Q. So that what you say is that you can raise wheat at $2 per bushel and provide 7 per cent on your investment, take a thousand dollars for salary and have your living at $1,500, and you would have a profit of $921.65?—A. That is provided we get an average crop of 20 bushels to the acre, but lots of districts do not do that.

Q. How did you do when wheat was at a dollar per bushel, that is the time you were making the money with which to retire?—A. Implements cost less, wages were lower, and the cost of living was cheaper.

Q. As a matter of fact in the old days you could make money at $1 a bushel.—A. Yes.

Q. And prior to the war you got 80 cents per bushel?—A. Yes, at one time we got 75 cents per bushel and could make a fair profit.

Q. And you think now in order to make a good living, get wages for yourself of a thousand dollars, and get a profit of approximately $1,000 and your living expenses at $1,500?—A. Yes, it can be done in some districts, but if you take a quarter section it won't work out as well.

By the Chairman:

Q. You have a lot of people growing wheat in the West who are working very much more than a half section?—A. Oh, yes.

Q. Is this estimate which you have given us of the plant sufficient to work more than a half section?—A. It would work up to about three-quarters but when you get beyond that you would have to have a good deal more.

Q. What would you have to add to this in order to work a full section of land 640 acres?—A. You would practically have to double it, you would require two binders, two seeders, and two of almost everything or else replace them with tractors, which, I consider myself, are not as profitable as the horses yet.

Q. That is your opinion?—A. That is my opinion. The larger class has not been worked out, but we have the smaller class and they have not worked out that way.

By Mr. Nesbitt:

Q. Take the small tractor of the 10 or 12 horsepower?—A. Some of them are doing very well, it works out sometimes far better than the others. But this year we have had excessive, heavy rains, and a lot of that machinery had to be laid aside for weeks, which was a dead loss, whereas if the land had been worked by horses, you could have carried on your work for the greater part of your time on the land.

By Mr. Reid:

Q. How do you arrive at 20 bushels to the acre, take the average of Saskatchewan, what is that?—A. Saskatchewan the highest that it has ever been was 19, it was never more than 19.

Q. Is it not a fact that the average for 10 years has been 18 bushels?—A. Somewhere about that.

Q. Then you are a little too high in your average?—A. Yes.

[Mr. Hugh Thomson.]

By Mr. Nesbitt:

Q. You are a little too high for the land, too?—A. No, I am not for good land but there is a lot of land that should not have been taken from the ranches that is now under cultivation.

Q. But there is lots of good land that can be obtained for less than $75 per acre?—A. Well, for a really good farm you cannot get it at much less now.

By Mr. Pringle:

Q. Between Regina and Moosejaw there is not very much less than $75 per acre.—A. And north of Moosejaw.

By Mr. Davidson:

Q. How much land had you Mr. Thomson?—A. A section and a half.

Q. When did you sell?—A. I sold last summer, a year ago this spring.

Q. Then the last crop you had was in 1918?—A. I had it worked on a half crop share.

Q. What did you make the last crop you had?—A. The last crop I think I got $6,000.

Q. That is for your half?—A. Yes, then I have to furnish the seed and feed the cattle.

Q. You mean to say that you got $6,000 off a thousand acres?—A. That is off 960 acres.

Q. Then you would not get very much return on the value of your property?—A. For the last few years it has been the best we have had for years.

By Mr. Davis:

Q. There are some things about that statement that are not average at all, for instance you have not accounted for any cattle that were pastured on the land?—A. No, I have not.

Q. And you have not taken into account the value of the manure?—A. We do not count the manure of any value with us.

Q. You have not charged up anything there for insurance?—A. I know there are lots of items I have missed.

Q. Nor have you included the taxes nor anything for seed?—A. No.

Q. What is the value of your buildings? You have only charged depreciation upon implements and horses, etc.; what do you value the buildings on the farm?—A. I thought that the allowance I made for depreciation would cover the whole thing.

Q. What were you paying a good man last year?—A. Last year the wages were from about $65 per month.

Q. The $1,000 you have included in that statement you reckon was enough to pay the wages and the board?—A. That did not cover the board at all, that board came in under the $1,500 for house expenses; that did not mean board at all.

Q. That $1,500 is really no part of the charge in a case like that if you included the board of the men.

By the Chairman:

Q. If you worked it out on the principle that you would work out any ordinary business that statement will show a profit of 15 per cent on producing wheat of those varieties at that price.

Witness discharged.

Mr. FRANK JAMMES, called, sworn and examined.

By the Chairman:

Q. Mr. Jammes, you are the Superintendent of the co-operative committee of the Civil Service Association?—A. Yes.

Q. Your statement is that you have a grievance. Is it against this Committee?—A. No.

Q. Whom is it against?—A. The Retail Merchants' Association.

Q. What is the character of your grievances?—A. I claim the Retail Merchants Association are trying to prevent us from obtaining any goods.

By Mr. Nesbitt:

Q. Preventing whom?—A. The co-operative committee of the Civil Service Association.

By Mr. Reid:

Q. Have you a store?—A. No.

Q. What have you got?—A. Our system is that we simply take orders from the civil servants, collect the money from them, and then go to the wholesaler and dealer and get the goods and distribute them.

By Mr. Davidson:

Q. Who does the collecting?—A. The members of the committee.

By Mr. Reid:

Q. Have you got rigs of your own—delivery rigs— to deliver these goods and distribute them?—A. No, we have not.

Q. What have you got?—A. We have in most cases a "cash and carry" plan. We have our office at 91 Rideau street, and the goods are received there.

Q. That is really your store then?—A. Well, yes; although we don't carry any stock. We don't buy goods and hold them subject to sale. Everything that comes in is sold before it comes in at all. In that way we don't have any money sunk in goods.

Q. Your idea is that all the civil servants in Ottawa will place their orders with your office?—A. Yes.

Q. Your office goes to the wholesaler or commission men, get the orders, the individual orders, and bring them back to your office?—A. Yes.

Q. And then the civil servants take them home?—A. Yes. We don't require the wholesaler to put up individual orders.

Q. How do you do that?—A. We put them up in our room.

Q. Then you must have scales, etc., there?—A. We have not bought anything yet that requires the use of scales.

By Mr. Davis:

Q. Your goods are all in cans now and things like that?—A. Yes.

By Mr. Davidson:

Q. Who has charge of the office?—A. I am generally there myself.

By the Chairman:

Q. Who does this work of parcelling up the goods?—A. The members of the committee, and whoever other civil servants we can get to help us.

Q. It is a voluntary organization?—A. Yes.

[Mr. Frank Jammes.]

By Mr. Reid:

Q. Do you find that it interferes in any way with your regular duties?—A. No.

By the Chairman:

Q. What hours do you have in your Association?—A. Through the noon hour, after five o'clock, and in the evening.

Q. From where do you carry on your correspondence?—A. From 91 Rideau street, and from my own residence.

Q. Are there any other officers of this association besides yourself?—A. Of the Association?

Q. Yes.—A. Oh, yes.

Q. What other officers are there in the Association?—A. J. C. O'Connor is President.

Q. In what Department is he?—A. The Post Office.

Q. Does he do any of the business of the Association in the Post Office Department?—A. He has nothing to do with the Co-operative Committee. He is President of the Civil Servants' Association.

Q. Don't let us get mixed up there. Take one thing at a time. Take the Civil Service Co-operative Committee. Who are the other members?—A. The other members are Mr. M. H. Hughes, Department of Marine.

Q. What is his position in connection with the committee?—A. He is a member of the committee.

Q. Just a member of the committee?—A. Yes. There are no other officers excepting myself.

Q. Who is the secretary?—A. We have no secretary.

Q. You do all the correspondence?—A. Yes.

Q. And collect all the accounts?—A. Yes.

Q. You do all that from your own residence or from 91 Rideau street?—A. Yes.

Q. You do not do any of your business from your Department?—A. No.

By Mr. Nesbitt:

Q. What Department are you in?—A. The Post Office.

By the Chairman:

Q. None of your business is done in the Post Office Department?—A. No.

Q. I want to be perfectly frank with you, because I have been informed that not only one, but several members of the civil servants are spending more than half their time in doing business for the Civil Servants Co-operative Association, and that is why I wanted you to know why I was asking all these questions?—A. There is just this; that I wished to say that when this co-operative committee was first formed there were several who came to my office and tried to place orders with me there.

Q. Did you take any orders in your Department?—A. I did. I took a few orders. When those orders were already prepared and it was simply a case of taking the order and the money and initialling a receipt and sending the man away about his business, and telling him not to come back again.

By Mr. Davidson:

Q. What are your duties in the Post Office?—A. I am attached to the Inquiry Department.

Q. What salary are you getting?—A. Twelve hundred now; thirteen hundred after the first of July, I hope.

By Mr. Reid:

Q. Do you still continue to take orders in the Post Office?—A. No. I only took a few orders.

[Mr. Frank Jammes.]

Q. About how many?—A. There were at most a dozen.

Q. How long would that continue? How many days?—A. Well, I cannot exactly say. I can say this, however, that since we opened our office at 91 Rideau I have taken absolutely no orders.

Q. That continued until you opened your office on Rideau street?—A. Yes.

Q. Then you stopped that?—A. Yes. Absolutely.

By the Chairman:

Q. Let me ask one or two more questions. You sell goods only to the members of your own association?—A. Only to the civil servants.

Q. Are you in a position to furnish the members of your association with all their requirements? Take any one line—take groceries, for instance?—A. No, not everything.

Q. Where would they get the balance of the stuff that you cannot furnish?—A. They have to get them from the stores.

Q. In order to do that, then, in order that the needs of your own members would be supplied, it would be necessary that there be some retail stores?—A. Yes.

Q. You cannot at the moment see a substitute for that unless you establish a store? —A. No, only unless we could go to any wholesaler and place our order with him and get our goods.

Q. We will assume, for the time being, that you could go to a wholesaler and place your order. Are you in a position at the present time to furnish the members of your Association, and handle goods in such a way, that you can furnish them with all the requirements in the grocery line?—A. I think we could.

Q. You could get all the variety of goods and handle them in the way you are doing?—A. I think we could.

By Mr. Nesbitt:

Q. Including green groceries?—A. Yes.

By the Chairman:

Q. And including imported goods?—A. Yes.

By Mr. Nesbitt:

Q. How would you take in strawberries, and cabbages and lettuce, and things of that kind?—A. We would have to deal with local wholesalers. If we had a local wholesaler who would supply us with goods at wholesale prices, we would be able to.

By the Chairman:

Q. Supposing you did, how would you handle it?—A. We have notices posted up giving the prices of the various articles and goods, and do it that way.

Q. If you had a wholesaler?—A. Yes.

Q. Are there any here who would do that?—A. There are two dealers from whom we could get goods here. That would include green stuff, as you say.

By Mr. Reid:

Q. How do you get paid for your services?—A. We don't. This is an absolutely voluntary organization.

Q. You don't get any commission?—A. No.

Q. You just give your time?—A. Yes.

By the Chairman:

Q. We had a co-operative association here before us, a short time ago, protesting against the very thing that apparently you want to have done. The Merchants' Con-

[Mr. Frank Jammes.]

solidated Co-operative Association of Western Canada, I think, of Winnipeg, came before this committee and protested. They, as a matter of fact, went so far as to say that they thought, in their judgment, there should be legislation to prevent the wholesalers from doing the very thing you want done. Their opinion is that no wholesaler should sell to any institution, unless that institution has a store and give the public the service, a store in which I could walk in to-morrow, if I wished, and buy anything that I wanted in the grocery line that you would carry, and now, to carry that along a little further, supposing you did that, your object would be the elimination of retail stores. Is that the idea?—A. Well,——

Q. (Interrupting): What we are aiming at is this, to find out if this is feasible. We are not antagonistic to your idea at all. Don't get that into your mind, but we want to see if it is feasible to do away with the retail stores altogether, and make it possible for the consumer to get his goods direct from the factory where they are produced?—A. To see if the consumer can perform the distributing service for himself.

Q. Yes, if he can. That is the point.—A. My contention is he should be allowed to do so. There should be no obstacles placed in his way. If wholesalers are prevented from selling to us, that means to say we are not allowed to perform that service for ourselves.

Q. Let me say to you that we can find no evidence anywhere of any wholesaler being prevented from selling to anybody in the world. It is a matter for the wholesaler to decide for himself, so far as we can tell. The wholesalers take the position that the retail store is a necessity and that the public cannot be served without these stores, and the retailers take the position that the wholesalers are a necessity in order that they shall get their goods. If you can show us some means by which we can close up every retail store in the city of Ottawa of every description, if it is feasible, and eliminate the 23 or 25 or 28 per cent that it is costing to do business, which these people are paying their employees to do the business, that is the problem. Do you think that service is necessary? Is it necessary there should be retail stores to which the people should go to get what they want, or should they go to the factory and get it themselves? —A. I do not think everybody could go to the factory and get what he wants. I do not think you could do away with the retail stores completely.

By Mr. Davidson:

Q. Tell us how the retailer discriminates against you?—A. Their tactics consist in intimating to wholesalers that if they deal with us they cannot deal with the retailers.

By the Chairman:

Q. Are you sure it is the retailers who are doing that?—A. Last winter there was a certain merchant who was supplying us with fish at wholesale prices, and I saw in his office a circular signed by an official of the Retail Merchants' Association. This circular started with the statement that civil servants had organized a co-operative committee, and were buying from wholesalers at wholesale prices. It also contains a statement that wholesalers selling to civil servants would be liable to lose the patronage of local retailers.

Q. How could you prevent that? If the wholesaler sold to you, could you enact a law to compel him to sell to me, whether he wanted to sell to me or not. What you are aiming at is something to compel the wholesaler to sell to the retailer, or in other words to compel the retailer to buy from him?—A. Well, not so much that as to prevent an organized association of retailers from exercising combined pressure on the wholesalers. That is what they seem to be doing.

Q. This is an age of organization. The civil service is organized to put pressure on the retailers too, are you not?—A. How do you mean?

[Mr. Frank Jammes.]

Q. In order to get them to bring down their prices?—A. Yes, that is our ultimate aim.

By Mr. Davidson:

Q. Do you think it would be well for the employees in large establishments to club together and have a co-operative industry?—A. I think it would.

By Mr. Pringle:

Q. What became of that co-operative store on the corner of Slater and O'Connor Street?—A. It failed.

By the Chairman:

Q. Why did it fail?—A. I had absolutely no connection with it.

By Mr. Pringle:

Q. They had a nice store and carried a large line of goods, but they did not seem to be able to compete with the retailer. I have heard the reason why.—A. I have never been able to get to the bottom of it myself.

By Mr. Nesbitt:

Q. What do you save on the goods that you have bought?—A. The first thing that we handled was frozen fish last winter, and we got Qualla salmon and pink salmon. We got pink salmon for 15 cents a pound. It was retailing at the time at from 25 to 30 cents a pound.

Q. What were you able to give it to your customers for?—A. Fifteen cents. We did not make any profit.

By Mr. Reid:

Q. You would have to make profit to keep up the office?—A. The expense of the office is borne by the association, by the membership fees of the organization.

Q. It is all the same? You have to charge it up to the goods? (No answer).

By Mr. Davidson:

Q. Do you hold any office in the association?—A. I am a member of the executive.

Q. Do you buy sugar?—A. We have not bought sugar. We have been buying sugar in this way; there is a grocery here in Ottawa with whom we have made an arrangement. The arrangement is this: That we will give him orders from the civil servants of at least five dollars cash, and in consideration of giving at least a five-dollar cash order, he gives us special prices. That includes a full line of groceries. He has at his own expense printed a special list of prices, and any civil servant who comes along with a five-dollar order gets the advantage of these prices.

By Mr. Nesbitt:

Q. Does he deliver it?—A. Yes.

By Mr. Pringle:

Q. Your complaint is that there is an effort in restraint of trade?—A. Yes.

Q. And that the Retail Grocers' Association, rightly or wrongly, are restraining the wholesaler from selling to you?—A. Yes.

Mr. Pringle: We have had before this committee from the Retailers' evidence that they will not buy goods from wholesalers who distribute their goods to their customers. They claim that the retail store is a necessity, and the wholesaler on his part says "I won't buy goods from the manufacturer who sells to my customers", They each say "If we are an evil, and an incumbrance which can be got along without, why, get rid of us altogether and let the consumer go right to the manufacturer and get his goods direct".

[Mr. Frank Jammes.]

By Mr. Nesbitt:

Q. You have no complaint against that chap who sells goods to you at a certain price if you put up five dollars?—A. No.

By the Chairman:

Q. He is a retailer?—A. Yes.

By Mr. Pringle:

Q. It is his business if he wants to get your custom on a low margin of profit?—A. He calculates these reductions are compensated for the fact of his getting a five-dollar order, and every time he takes out an order for delivery it is five dollars, it is not fifty cents, and, furthermore, it is cash.

By Mr. Nesbitt:

Q. That is his business. You cannot ask us to stop that?—A. I am not complaining about that. That is an arrangement in fact that we made with him.

The CHAIRMAN: Nobody has come before this committee who has been able to show us a plan which we could recommend for the elimination of retailers. Nobody has come forward and said that you could shut off all the retailers in Ottawa and get along without them.

Mr. PRINGLE: I do not understand that his proposition is to eliminate the retailer.

Mr. NESBITT: To stop the retailer protesting to the wholesaler.

The WITNESS: The point I make is this: That if, for instance, the civil servants or any other group are able to organize themselves in such a way that they can do their own retail distribution they should be enabled to do so.

By Mr Pringle:

Q. That any body of individuals acting in co-operation, should have the right to go to the wholesale and purchase?—A. Yes.

Q. Is there not a difficulty there? Supposing the community is small and your orders are very small, and the wholesaler does not wish to go into that class of business, why should you compel him to sell two or three people when he does not want to? He says "I do not want that business; my business is to sell to the retailer, who will look after small bodies of that kind"?—A. He would be quite justified in doing that, but no matter what quantities we are willing to buy, the attitude of the retail merchant is that we should not be allowed to buy.

By Mr. Davidson:

Q. You think you should be allowed to buy from any wholesaler?—A. Yes, provided we could meet his conditions. If we are dealing with a man who only sells in car-load lots, I quite understand we should not go to him and say "We want half a car-load".

Q. You think the retailers should have the privilege of saying what wholesaler they shall buy from?—A. No, you cannot do that. I think it would be unfair for all the retailers to get together through their institution in that way and exercise pressure on the wholesaler. Take the wholesalers here; they are to a large extent dependent on the trade of the retail merchants here in Ottawa. If those retail merchants, through

[Mr. Frank Jammes.]

their association, all unite together, and say "We are going to boycott you people", it means they are practically forced out of business.

The CHAIRMAN: The retailers know that if the wholesalers are going to sell to the retailers' customers there is only one thing for the retailer to do, and that is, to get out of business, and the retailer says "we might as well get down to it now".

By Mr Pringle:

Q. In the case of certain articles, the wholesaler may sell at eleven cents, and if you go into a retail store you pay thirty cents. There is a spread of nineteen cents. I see you are able to buy your canned goods at a dollar and a half a dozen?—A. Yes.

By the Chairman:

Q. You could not buy tomatoes at that price?—A. No. One dollar and seventy-five cents.

Q. What sized tins?—A. Two and a half pounds.

Q. What did you have to pay for the three-pound?—A. We did not have the three. These prices for canned goods were obtained through a man who went to the wholesale house here in Ottawa and handled those things for us on a small commission, so that they are not strictly wholesale prices. The man who sold to us made a profit through the wholesaler.

By Mr. Davis:

Q. Have you any suggestion as to how this matter should be dealt with. I feel with regard to co-operation that it is one of the ways in which the cost of living might be dealt with. We meet on all hands the very thing you have met with in your business. Have you thought out any way in which it could be dealt with?—A. Well, if action could be taken to prevent any organized attempt to prevent wholesalers from selling to others than the regular retailers, that would be one method.

By Mr Pringle:

Q. In other words, if some step could be taken to permit wholesalers to sell to co-operative associations?—A. Yes, and particularly some legislation, Federal legislation, giving a proper status to co-operative organizations.

By the Chairman:

Q. Is not the solution of it this: Let your people go right ahead and establish a store, and then you would have no difficulty whatever?—A. The point is that if we establish a store, it will help along to a certain extent, but at the same time you will still have that opposition, because if you establish a store you will either sell at cost, you will be cutting prices just the same as we are now.

By Mr. Reid:

Q. You could not sell at cost?—A. I mean cost, plus overhead, because if you had a store you would have overheads, you would have to have clerks and delivery of some sort.

Witness discharged.

The Committee adjourned.

SARURDAY, June 28, 1919.

The Special Committee appointed to inquire into the cost of foodstuffs and the necessaries of living met in Room 318 at twelve o'clock this morning, the Chairman, Mr. G. B. Nicholson, presiding.

Members present: Messieurs Davidson; Davis; Devlin; Douglas (Strathcona); Nesbitt; Nicholson (Chairman); Reid (Mackenzie) and Vien. Mr. Pringle, K.C., assisting as counsel.

Mr. RICHARD THOMPSON, called, sworn and examined.

By Mr. Pringle:

Q. Where do you live, Mr. Thompson?—A. For your purposes you may as well put it as Carleton Place. That is where the business is.

Q. But where do you live?—A. At Paris.

Q. Paris, France, or Paris, Ontario?—A. Paris, Ontario.

Q. You are president of an association?—A. The Canadian Woollen Manufacturers' Association.

Q. Now, sir, you have some information which the Committee would be pleased to have you give them. I won't ask you any questions at first. Just go ahead, and tell us what you have to say in regard to the woollen situation.

Mr. NESBITT: The costs.

The WITNESS: I would start this way that naturally the information I have with reference to the proceedings before this board has been gathered from the newspapers. I know nothing of the whole examination or of what has transpired, but from what I gathered there would appear to be at any rate a misapprehension of the newspapers and the public generally as to the profits made in the woollen business as shown by certain companies, or at any rate as shown in the reports in the papers. I wish to say that the woollen business of Canada has not made large profits, and I speak with the knowledge for the past thirty odd years. I have been engaged in the woollen business in Canada for 37 or 38 years. Until the time of the war the manufacturers in Canada, both of woollen clothes and knitted goods, have had a very precarious existence. This is not a set speech. I am only talking as I go along.

Q. If we see you run dry, we will interject something, and keep the flow going. I might interject here that there has been evidence before this Committee which showed that at least one industry engaged in the woollen trade made—I won't say an abnormal —but a very large profit during a period covering the last three or four years, during the war period. The profits prior to that time—the Committee are all agreed—were not excessive. In fact, they were very small.—A. The business, as I say, has had a precarious existence as shown by the great diminution of businesses engaged in the woollen industry during those long years. It has only been the survival of the fittest and the few larger concerns who have really made reasonably fair money or profits. Now, I speak with absolute knowledge. The smaller mills throughout the country, whether in Quebec or Ontario—and the industry is largely in Ontario and Quebec though there are some in the lower provinces, of course—the major portion of the business in Canada has not made money at all. And the larger ones have only made what I believe your Committee and the people generally, if they knew, would consider a reasonable profit.

By Mr. Devlin:

Q. What would be about the net profit?—A. Well, for those concerns that really did well—and naturally I can speak of the actual profits only of those I might know of. I consider that if a company makes from eight to ten per cent on the turnover they have done reasonably well, and we rarely do as well as that. Rarely. I am speaking of well-organized companies.

Q. You are speaking now apart from any net profits which might be turned back into the capital?—A. No, I speak of the profits on the turnover of the sales. I don't speak of capital profit at all.

Q. What would be your net earnings on capital invested?—A. I am not prepared to speak of that. I would have to speak of a particular concern with a particular capital. I am speaking in a general way of the woollen situation as it existed in Canada and does exist in Canada. I am giving you this information——

Q. You might speak on your own business, and tell us what would be your return on capital investment?—A. Yes, I could, but I won't.

Q. You won't?—A. No.

Q. You have got to?—A. No, I have not got to.

Q. Just a moment. We are a committee of inquiry. I want to know your reason for such an answer?—A. I will tell you that shortly.

Q. No. You can't adopt these tactics with this committee. Why did you refuse? Have you a sensible answer, or just that you won't do it?—A. Oh, well, if you will bait me, why bait me. I don't care. I will tell you my story if you will listen. If you won't listen, and you ask me some things and I cannot answer until I am ready to answer, I won't answer.

Q. This gentleman seems to take a very high-handed way with this committee. He says he will answer when he feels disposed to answer the questions put to him by a member of this committee, that in his own good time he will answer them. If we are not satisfied with that we won't get any answer at all.

Mr. Davis: It is something like handling a high-spirited horse. Give him his head for a while.

By Mr. Pringle:

Q. I think it would be only fair if we asked him to make his statement. I asked him to do that and then we should let him finish. Then I have some questions to ask him. Then let the members of the committee put theirs.—A. He threw me off my discourse.

Q. Like throwing a monkey-wrench into the machinery, isn't it?—A. Yes, it is like throwing a monkey-wrench into the gear and the blessed thing stops.

By Mr. Devlin:

Q. Well, get on to the gear again, and we will not forget our questions in the meantime.—A. Now you have me balled up. I cannot remember where I was.

By Mr. Pringle:

Q. You are trying to explain to us the general condition of the woollen trade over a period of years, and you did not consider they had made unreasonable profits, and you thought they had made approximately 8 per cent on the turnover?—A. Certainly. That was the profit on the turnover. They were very few in number making that. And it must be recognized, gentlemen, that there is more than capital in business. Mr. Devlin, I may say to you that it must be recognized that in a business there is more than capital. There is brains in businesses that are progressive, and do make profits.

Q. Yes, I belong to such a business myself, where there is no capital?—A. May I ask what is your business?

[Mr. Richard Thompson.]

Q. I happen to practice law.—A. Well, there is brains in that, as I understand it, but as for the woollen business and indeed with most progressive manufacturers, those who are successful, those who have their goods on the market and are well known have been progressive, and have worked hard.

By Mr. Pringle:

Q. You might tell us how business stands to-day as compared with some years back. Is there more capital invested in the woollen business to-day than fifteen or twenty years ago? I am rather of the opinion that there isn't. I don't know.—A. I have not statistics of the past years but I do know the investment and the business to-day. I mean the overall investment, or about the overall investment. As an association we have a secretary who gathers statistics for us, and tabulates them. There is invested in the woollen industry to-day or about nineteen hundred and eighteen about sixty million dollars. The raw material used during 1918 was something like fifty million dollars. The pay-roll was twelve million dollars, and the output was just about equal to the capital as nearly as I can remember. I am giving this quite from memory, and I think I am quite correct, or within a little.

By Mr. Nesbitt:

Q. Your output is about sixty million dollars?—A. Yes.

Q. And the raw material that you purchased costs fifty million dollars?—A. Yes.

Q. And the wages you paid amount to twelve million dollars? Then you must have operated at a loss of two million dollars?—A. That cannot be right. No, seventy-five millions dollars is right.

Q. That is a thirteen million dollar spread?—A. Yes, I was trying to say that this business—and I speak from full knowledge and it can be fully verified. You live in different parts of the country, and you know the history of your own part of the country, whether it was a knitting or a woollen business—I mean by that a blanket or cloth business. These small businesses have merely furnished the owner with a livelihood or a small wage. Many of them have not taken more than a living wage out of the business, and not a big living wage at that. Prior to the war, the great difficulty in the woollen business was the great diversity of goods that are made in each manufacturing concern. Variety militates against efficiency. Then when the war came on, the orders were very very large for one class of goods, which might be given to one or other of the mills, and in having a straight run of these goods, naturally the production was greater, and there were fair profits. Now, in reference to profits in the woollen mills, it must not be forgotten that a large portion of last year's business, that is, the year 1917-18, was business that was obtained from the United States. I have no figures, and I don't know where we could procure the figures, but I venture to say there was twenty million dollars worth of business taken from the United States from October, 1917, to October, 1918. I was in Washington and brought one order for five million dollars worth of blankets alone, and I know that the underwear that was sold was very very considerable. The socks sold were very very considerable, and puttees ran into several million dollars. So that that business we obtained, and if it was profitable, as it was profitable, I don't see that the people of Canada should censure us for making a profit out of these goods, the orders for which were obtained at our own expense and in our own way from the United States. We did not fix the price. We took their price. Would you suggest to us that we should take less for these goods and say, you should not make more than six per cent? Now, that is not business.

By Mr. Vien:

Q. You must not take for granted that that is what we are after?—A. I am merely taking for granted what I have read in the newspapers.

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Q. No newspaper said the Committee was after such a thing?—A. I will not then suggest to you these things. I will merely state that we got business from the United States and made a profit out of them and we are not ashamed of it.

Q. That is fine.—A. You do understand that under the abnormal conditions existing under the war, we were all under an exceedingly great strain in operating our business. It cannot be denied that when you run your business night and day as was required in our business and as it had to be carried on in the early stages of the war. Britain was without goods; France was without goods; Italy was without goods. Our own Canadian army had to be supplied, and our civilian population had to be taken care of. When you remember that probably eighty per cent of the clothing sold in Canada was made of cloth made and brought here prior to the war, you will understand that with our business having been a diminishing business throughout the country, there was a tremendous load thrown on these mills. The mills had to run night and day. The management had to work exceedingly long hours. It was no eight hour day or forty-eight-hour week for them. The man who is progressive or makes money, does not know any hours.

Q. With what manufacturing concerns are you personally interested?—A. I am only interested in the Hawthorne Mills, at Carleton Place. At one time I was General Manager of Penman's.

By Mr. Devlin:

Q. You are not at present President of it?—A. No. Sir Charles Gordon is the present President.

By Mr. Vien:

Q. You are President of the Hawthorne Mills?—A. Yes.

Q. Where is it?—A. Carleton Place.

Q. I would suggest, Mr. Chairman, that Mr. Pringle might take this in detail as to the Hawthorne Mill, and come to some concrete facts.—A. I may say that so far as that mill is concerned, personally I was out of business when the war broke out. I offered my services to the Government though they didn't see fit to accept them. I didn't see fit to ask for anything through any of my political friends, and I have many of them. I offered myself as a competent woollen manufacturer without remuneration of any sort, but they didn't see fit to accept my services. I had to do something, and what should I do but go to the business I belonged to. I purchased that mill in Carleton Place and have been running it since the war began.

By Mr. Devlin:

Q. You mentioned Sir Charles Gordon as President of Penman's. Is he the same gentleman who is President of the Dominion Textile Company?—A. The same.

By Mr. Pringle:

Q. Complete your statement, and then I will have some questions to ask you. I don't want to interrupt your general review of the woollen industry in Canada.—A. I don't know that there is much to say. I made the statement as a fact, and I swear to it that there has not been during the last twenty-five or thirty years any large money made in manufacturing woollens. There may have been one or two exceptions.

Q. Is that an essential industry for the Dominion of Canada? Do you think it is?—A. I certainly do.

Q. I just wanted an expression of your personal opinion. You say that it has proved itself at least a useful industry during the war in Canada. Does that to your mind prove that it is an industry that is desirable in this country?—A. It does.

Q. I think that this committee knows that the woollen industry has had a hard struggle for years prior to the war just as you have told us. Your profits were not

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abnormal at any rate for many years prior to the war. Could your industry have survived without modern protection? We want to get your view.—A. Not at all.

Q. When the preferential tariff was introduced what effect did it have on your industry? Did any of the mills go out of business in this country?—A. This is a little pamphlet we prepared some weeks ago. That shows the increase on socks and goods with the duty added. This is correct. It is taken from your own statistics.

Mr. PRINGLE: You have here what I wanted to get at. Here is the question, "Is the woollen industry of sufficient value in Canada to make it worth protecting?" The answer given to that is: "(a) It gives employment to over twenty thousand employees, who support many thousands more people. (b) The pay-roll of the Canadian woollen mills in 1918 exceeded twelve million dollars. (c) The value of raw materials used by the Canadian woollen mills in 1918 was about fifty million dollars. (d) During the war years that Canadian woollen industry supplied enormous quantities of clothing not only to the Canadian militia, but also to England and her Allies without which we could not have effectively participated in the war." Prior to the war what was the measure of protection?—A. The same as now exists, with the exception that we did not have the added war tax, the added war tax which was in the new schedule has been reduced.

Q. What was it?—A. Seven and a half per cent against the United States and five per cent against Britain.

Q. Apart from the war tax?—A. The duty was thirty per cent on cloth, on blankets and flannels, twenty-five per cent on underwear and twenty-two and a half per cent on socks.

Q. Isn't there a preferential in favour of Great Britain?—A. That includes the preferential. These goods are mostly imported from Britain excepting stockings coming to us from Germany. The general tariff was a little higher. I have not got that schedule with me. The greater portion of woollen goods came from Britain. Cotton stockings came from Germany, a great many of them.

Q. I see you have a little statement here that, on cheap imported tweed in the year before the war, when woollen goods were costing as much as at any time in the previous ten years, the duty on the cloth for a man's three-piece suit was thirty-three cents, and for a youth's two-piece suit it was twenty-six cents. What about a better grade of tweed? What difference would it make on a suit of clothes? What about the duty on a better grade of tweeds? The answer given here is that it was from about forty cents to about eighty cents on a suit.—A. There are about three and a half yards to a suit, Mr. Pringle.

Q. This question is asked, "Was the duty higher on good worsted cloth?" The answer was, "Yes, it was a little higher. On a good line of fine worsted cloth made of pure Australian wool, it was: ninety-seven cents on a man's suit and seventy-seven cents for a two-piece suit." Then I see you have the figures here: Taking the customs returns for 1913 and 1914 the following figures are arrived at: In 1913, two million five hundred and thirty yards of tweed were imported; in 1914 two million sixty-nine thousand six hundred and ninety-four yards of tweed were imported. The duties collected in 1913, were seventeen and one-tenth cents per yard average, and in 1914 were eighteen cents per yard average, making the duty on a man's suit of tweed cloth average sixty cents. In 1913, four million seven hundred and five thousand eight hundred and forty yards of worsted cloths of all qualities were imported. In 1914, two million six hundred and fifty thousand three hundred and nineteeen yards of worsted cloths of all qualities were imported. The duties collected in these two years averaged nineteen cents per yard, making the average duty on a man's suit of worsted cloth sixty-seven cents." I have another pamphlet that somebody left with us, and it shows that in 1914, that the invoiced price of a suit

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of clothes under a thirty per cent duty would be ten dollars, and that the duty added would be three dollars. That is not taking the cloth as a manufactured product but it takes a suit of clothes possibly that would be ready.—A. Quite possible.

Q. Then, in 1918, a suit which would be invoiced at twenty-five dollars, under a thirty-five per cent duty, would have added eight dollars and seventy-five cents, bringing the cost of the importer to thirty-three dollars and seventy-five cents. Would you say in taking the material tweed of which these suits are manufactured, that the added cost would be less than a dollar in many cases?—A. From forty to eighty cents.

By Mr. Pringle:

Q. Now, then——A. (Interrupting): I might say, Mr. Pringle, that there is not such a tremendous lot of ready-made clothes imported. The cloth is bought by the cutters-up, whose name is legion throughout the country, Jew and Gentile alike. They get this yardage which is taken from the Government statistics.

Q. Prior to the war, your competition was very keen from Great Britain, and tweeds came in at a price that made the woollen industry of this country hustle to meet, and I suppose that was one reason why your profits were not so large during that period?—A. Yes, competition.

Q. Now, let us come to the after-the-war period. In the after-the-war period you found a great falling off of the importations of tweeds into Canada, and consequently you were in a position to increase your prices? I think Mr. Paton admitted that the other day?—A. That was not the reason for increasing the prices. The prices have been constantly increasing throughout the war, in nineteen hundred and fourteen, nineteen hundred and fifteen, nineteen hundred and sixteen, nineteen hundred and seventeen, nineteen hundred and eighteen and in nineteen hundred and nineteen, because the raw materials have constantly increased, but at the cessation of hostilities, and the signing of the Armistice, woollens broke momentarily for a period of a few weeks.

Q. It has gone up again?—A. At the same time, we were loaded with vast stocks, because we had these orders on hand. There were many many millions of dollars worth of stock cancelled by the United States Government for whom we were working, and by the Canadian Government, for whom our Canadian mills were also working, and we necessarily accepted the cancellations, with adjustments.

Q. What I want to get at is this, Mr. Thompson. We had some merchant tailors here before us the other day, and they showed us samples—one of them, Preston, showed us samples of cloth of British manufacture which have now got to a very very high price. That would have the effect of enabling the Canadian manufacturers to bring the prices up?—A. That would enable him, but it was not necessarily the case. You must remember that there was an embargo from Britain on raw wool and wool stocks, which would be what we call waste and this re-worked stock, which enters into woollen goods and cloth. As a matter of fact, it still exists. There is only so much allowed to be exported, by the British Government yet.

Q. It is exported under license?—A. So, as far as taking the duties, the custom duties, during the latter part of the war and to-day are concerned, it does not particularly pertain, but the conditions will change and are changing all the time.

Q. That is what we want to get at. What would be the position, in normal times and under normal conditions—I don't suppose the fact of your having a protective tariff cuts much figure at all the last two or three years, because the goods cannot come in; there was an embargo?—A. The world has to go wherever the machinery could make the goods.

Q. Assuming, now, that we are back to normal times, and normal conditions, what effect does your protection have to the man who has to buy the cloth, and has to get a suit of clothes. How much would it increase the price of his suit of clothes?—A. In the first place—I don't believe we will ever get back to what we called "normal

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times" again. I don't think we will ever get back to the old normal times. We do not figure on the old normal times occurring again. Do you?

Q. I don't know.—A. Do you believe it?

Q. That is in the lap of the gods. I think that things have now got up to a higher level, and will probably remain there for a considerable time.—A. If the working people must have double the wages they were receiving, we are certainly not going back to the old normal times. If wages are high, the raw material will be high, because it costs more to produce them.

By Mr. Vien:

Q. Unless the profits are assured?—A. Profits are not the whole thing, sir; profits do not constitute the whole thing.

By Mr. Pringle:

Q. Why not reverse the position; if the cost of living comes down, the wages will come down with it?—A. They may and they may not.

Q. It is not so much the dollar to the labourer to-day, but what he can buy for his dollar?—A. Yes.

Q. A man before the war could have bought a suit of clothes for a few dollars; he would only have had to work a few days to get a suit, while to-day he has to work for quite considerable time to get enough money to buy a suit of clothes?—A. The very fact that there is so much money in the United States, as well as Canada, make goods high.

Q. I will ask you a few more questions, and then perhaps some members of the committee will no doubt have something to ask you. You can only speak in a general way in regard to the industry?—A. Yes.

Q. You cannot tell us what the mills here and the mills there have been making in the way of profits, during the last two or three years?—A. No.

Q. But you can tell us what your mill has been doing at Carleton Place?—A. I could if I had my documents with me.

Q. You could if you had your documents here?—A. Yes, but I have not got them with me.

Q. What class of goods did you manufacture?—A. During the war I manufactured largely blankets and hosiery, almost wholly for the war.

Q. Was that manufactured for the custom trade, or was that manufactured for the Government?—A. Largely for the Governments; Canadian Government, British Government, American Government, French Government and the Italian Government.

Q. You did not so much for the wholesalers?—A. Some, but not a great deal.

Q. It was limited?—A. Yes.

Q. I hope you made a very good profit. Did you?—A. I made a fair profit, naturally. The mill was an idle mill, and I had to create the business, and you cannot make very much profit doing that.

Q. It was all on that class of work?—A. Yes, I have made a profit.

Q. Did you get into the class with Paton?—A. Naturally not.

Q. You may have aspired to it, but did not reach it?—A. I would not say that, Mr. Pringle, I would not sneer at Mr. Paton——

Q. (Interrupting): I am not sneering at him at all.—A. I would not suggest that Mr. Paton made any undue profits. He has been in the business a long, long time. He has been in business for fifty years.

Q. Never mind that. I know all about that. We heard all that here. We read the whole story.—A. I have read in one paper where he said he made a profit of seventy-two per cent; and I read in another paper where he said he made thirteen per

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cent. I think the smaller profit is much better, because, you, in asking him these questions, did not deduct the amount he paid to the Government. You cannot do that and have it left as profit too.

Q. What he paid to the Government, no doubt, came out of this seventy-two per cent?—A. Yes.

By Mr. Nesbitt:

Q. He made thirteen per cent on his turnover?—A. Yes.

By Mr. Devlin:

Q. You are reading his correction in the Gazette?—A. Yes. And it should have had the same headlines as the original article, too.

By Mr. Pringle:

Q. We don't want to go back to Mr. Paton—A. (Interrupting): Mr. Paton's concern does not belong to our organization. Perhaps if it did we might control him somewhat. I don't think, however, that he needs any controlling.

Q. I suppose you think that conditions will control the matter?—A. Competition always controls.

Q. It may in time, but during the war there was no competition to keep him under control?—A. Don't overlook the fact that a lot of goods made during the war were made for the United States.

Q. We have no objection to Mr. Paton having the chicken, but we don't think he should have it all at once. That is the difficulty. He wanted to get it all in a couple of years.

Mr. THOMPSON: I would not discuss Mr. Paton's business, because I have no more knowledge of their resources nor their capital than I could gather from the papers.

Q. You cannot give us any details in regard to your business at Carleton Place, apart from the fact that the business at Carleton Place was a mill created owing to the war conditions, for the purpose of supplying war needs?—A. Yes.

Q. And the work you did was largely for the Canadian Government, and the British Government, and the American Government, and——A. (Interrupting) The French Government.

Q. (Continuing):——the French Government and the Italian Government?—A. Yes.

Q. You manufactured at prices which these Governments were willing to pay?—A. Yes.

Q. And you made a reasonable profit?—A. Moreover, I assisted with the War Purchasing Commission, to adjust the prices between the manufacturers and the War Purchasing Commission, at their request, because I was more competent, perhaps, than many in the business.

Q. If the Committee wants to know anything about these details, it is open for them to do so, but, personally, I think that the class of goods which you manufactured were manufactured for a special purpose and not for the use of the people of this country, that is, the civilians of this country, and has very little effect on the cost to the ordinary individual?—A. I am continuing with this business now; I am back in the business.

Q. Are you back in the business manufacturing for the——A. (Interrupting): The Canadian trade.

Q. (Continuing): ——the Canadian trade?—A. Yes.

Q. You might go into that. Are the prices that you are charging for your tweeds a reasonable price? What are you manufacturing?—A. I am not manufacturing tweeds.

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Q. Manufacturing blankets?—A. As a matter of fact, I am manufacturing just now some export goods and manufacturing hosiery for the Canadian trade, but I was too late to get into the market to any great extent last year, because the cessation of hostilities came on after the woollen period. If I could give you any enlightenment on my business, I would be very glad to do it. If my balance sheets are of any use to you, gentlemen, I will be glad to send them in to you.

Q. If the Committee desires them, you can send them in.—A. I felt it was my duty to my trade and a number of my competitors to state these things. My reputation is known throughout the trade and I have a certain standing in the trade, and it was suggested that I probably knew the trade as well as any other. I was re-elected President, perhaps because of these things, and it is possible that I could give you certain information.

By Mr. Devlin:

Q. You came here of your own free-will?—A. Quite so.

By the Chairman:

Q. What would you say, Mr. Thompson, as to the statement that there is no such thing as "woollen goods" containing anywhere near pure wool manufactured in Canada?—A. I would say that is all foolishness. It is a misstatement; put it in that way. We can prove that to you any time you like.

Q. What would you say as to the statement that high prices on tweeds and suitings guaranteed by the Canadian manufacturers as containing wool, contain not as much as ten per cent of wool in any of the cloth, but are made up of wool rags, with a small amount of wool, and fur clippings from the various fur-bearing animals?—A. I should say the man who concocted any such statement as that one there (indicating) either has an ulterior motive or is a fool. It is the easiest possible thing to prove the contrary any time you like.

Q. Here is a statement made and circulated very widely through the press——

A. (Interrupting): It was written in the Globe?

Q. Yes, it was written in the Globe and re-printed in a number of pewspapers——

A. (Interrupting): I saw the article, and did not think it was worth while to refute it.

Q. (Continuing)—which is being quoted very widely, and this Committee is being urged to investigate it. I have been bombarded with letters in regard to this, and I thought I would get your opinion?—A. Mr. Nicholson, shall we produce goods for you to disprove that statement? We will produce the goods and you can have them chemically tested, or make any test you like.

Q. I thought it would be well to have your opinion while you are here?—A. As a matter of fact, I have never had the statement made to me guaranteeing that a garment was all wool. I had an idea of bringing down some English goods, but it isn't for me to say anything about the English goods that are imported. They make the best goods in England. You all have pretty good clothes on here, and you know that the cloth from the West of England is the best there is, and even in the goods imported from the West of England there is a cotton cord running through it. I could demonstrate that in a minute, if I had the goods here. I will mail you some samples.

By Mr. Devlin:

Q. What about the Scotch tweeds?—A. The Scotch tweeds are very very good, as made in Scotland, but you can make the same tweeds in Canada, and make them as good as anywhere else. It all depends on what you put into them.

By the Chairman:

Q. I was going to ask you another question. In the conduct of the woollen business in Canada, would you say that prices are fixed on the basis of the cost plus

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a reasonable profit, or are prices fixed on a basis of cost plus a reasonable profit plus the full amount that the tariff will permit, in addition to that?—A. No. The latter is not in consideration at all.

Q. Or any amount?—A. No. The prices are fixed largely—in fact, invariably by what the other fellow is fixing as his price, or by competition. The competition is very keen. The internal competition is very keen. The small man is afraid he does not get his share, and he is putting his price lower than the union manufacturer. There is a certain manufacturer in Canada who makes union overcoatings. I do not suppose you want me to mention names. Many heavy woollen mills, or mills that can make heavy wools, make an overcoating. They have not the same run or the same machinery or experience to manufacture that cloth that this well-known manufacturer has. He has the lower price all the time. He is trying to make something that will fill his mill, and that is the bane of the whole business. That is why they do not make money. They have not nerve enough to ask the price.

By Mr. Vien:

Q. It looks as if they had received quite a lot of nerve since the beginning of the war, because the competition was to increase the price all the time?—A. During the war the governments largely set the price. The goods were bought at a price set by the Government. The major portion of the profits were made out of war goods.

By Mr. Davidson:

Q. How does the rise in Canadian prices compare with the rise in prices in England?—A. I cannot say to the exact percentage, but the prices have risen in England considerably.

By Mr. Nesbitt:

Q. In what proportion?—A. I have the prices of goods sold by all departmental stores in England before and during the war, Harrods', Selfridge, and all these people, and they had risen very materially.

By Mr. Vien:

Q. Not in the same proportion as in Canada?—A. More, sir.

Q. You are prepared to swear that?—A. I do swear to it. You know if you buy a well-known hat what you pay, or what you usually paid for the Dunlop. You pay $5 ordinarily. Is that right?

Mr. Nesbitt: Yes.

The Witness: Do you know what you pay for it to-day? You pay $8 to-day. Is that right?

By Mr. Pringle:

Q. Or ten dollars?—A. The last one I bought was eight. I have a straw hat I paid ten dollars for, but I was extravagant.

Q. It depends where you are?—A. Yes. Now that price is not doubled, and in England they are selling at seven and a half.

By Mr. Nesbitt:

Q. That is where they are made?—A. Yes, and prior to the war they sold at half that price.

Q. You sent a man by the name of Yapp to Europe to get the trade for your mills after the Armistice?—A. No. Mr. Yapp is our secretary. We sent a man named Carley.

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Q. It was stated in the House the other day that you sent a man named Yapp to Europe to get your orders, and that you paid him five per cent?—A. He is sitting over there—no, we did not pay him five per cent.

Q. It was stated in the House that you sent him to get orders and paid him five per cent?—A. The gentleman is mistaken. If you really want to know, it was arranged that we were to pay him a commission, but the trade board would not let us pay him a commission, so we are paying him remuneration. We are paying him what we agreed to pay.

Q. For trying to get orders?—A. To get orders, or try to get orders.

By Mr. Pringle:

Q. Was not the suggestion thrown out by the trade commissioner that if Canada wanted to participate in the European business they ought to have somebody on the ground in England?—A. We have been very highly commended as an organization. We are the first organization that had a man in England, and Lloyd Harris, the Trade Commissioner over there, praised us very much for being sufficiently organized to have our man there with our samples and prices ready to do business.

Q. Did you succeed in getting business?—A. Yes.

Q. What orders?—A. Roumanian orders and some Belgian orders.

Q. Not only your organization, but other manufacturers, also at the suggestion of Lloyd Harris, had men go to London?—A. Yes.

Q. So that they would be on the ground and get a portion of this business that was going?—A. Quite so.

Q. And as a matter of fact, Canada has got some millions of business in that way through the activities of Lloyd Harris and the representatives of the manufacturers?—A. Quite so.

Q. Objection was taken to paying the men on the basis of a commission; they simply had to pay a remuneration?—A. Of course.

A. Of course sales' agents in most lines of business are paid a commission. They may be paid a salary and commission, but as the Trade Board, as then constituted, objected to the arrangement we made, it was done, although we thought it was our business.

Q. Every million dollar order that comes into the country must be a benefit to the country?—A. I think so. You know the balance of trade is against us, and I anticipate that the business we brought from the United States during the war was a very material benefit to Canada. If we ship $20,000,000 worth to the United States——

Q. Have you any idea, as President of the Association, what your American business meant in dollars and cents to Canada, what money came from it?—A. I say about $20,000,000.

By the Chairman:

Q. Your agent in Europe would be on the same basis exactly as the agent of other manufacturers' associations, the Canadian Lumberman's Association, for instance?—A. I know nothing of what others do, but I presume that is the way men sell goods. That is the proper way to sell goods. It so happened that, however, our friend, who had so much to say in the House, was talking about something he really had not investigated, he was trying to speak for one particular industry in his own particular town that did not participate in the business and did not wish to participate in it, and he was not fair enough to go and find out from the other manufacturers in the same town—that is the town of Renfrew—about the matter. The other manufacturers participated in that business to the extent of about $300,000, and if he had gone he would have found out from the others.

Q. I do not know who the gentleman you are referring to was?—A. I know, because it is on "Hansard."

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Q. As an association you had a representative in England in an effort to secure business for your firm in Canada, and you succeeded?—A. Yes. With regard to the manufacturers of cloth which is taken to the clothiers and made into clothing—the manufacturer of cloth does not make any clothing, but with regard to manufacture of hosiery and that sort of thing, the spread between the manufacturer and the consumer has increased very materially during the war. I will give you an instance like this. A line of stocking that prior to the war was sold at $4.50 from the mill, which would be 37½ cents a pair, would reach the consumer at $9 a dozen, or 75 cents a pair. During the war that same line of stockings we sold by the mills at $10.50. That is considerable increase. That is an increase of the cost of the yarn that went into it, and the increase in prices, and the wages, and all that pertain to manufacturing, and even the manufacturer got a profit. These goods are sold. Whether they are being sold at the moment or not I cannot say, but they were being sold last year at $30 a dozen or $2.50 a pair. There is spread that is much greater than accounts for the sum of the increased price. The same stocking that was sold at $4.50 from the mill sold at $10.50 and the stocking sold to the consumer at 75 cents was sold at $2.50 a pair.

Q. Do you mean to say that the stocking which reached the consumer at 75 cents a pair is now selling for $2.50 a pair?—A. I do not say it is selling to-day, because I do not know to-day's price, but within three months.

Q. I do not want to confine you to a minute or to a second, but you say it has been selling within a recent period at $2.50?—A. Yes, and scarce and hard to get.

Q. Well, where does the spread go?—A. That is part of the business of this committee to find out.

Q. I think somebody ought to find out if the people who use these goods have got to pay $2.50 for an article which you turned out for 75 cents and there is a spread of $1.75 on that article—somebody should find out where it goes?—A. I am speaking of a line I know something about.

Q. It is sold for 75 cents a pair you say?—A. No, prior to the war.

Q. I thought you meant now?—A. No, do not misunderstand me.

Q. You told me prior to the war that stocking was selling at 37½ cents a pair?—A. No, the manufacturer got $4.50 a dozen. Divide that and you get 37½ cents, and then the retailer or consumer, your wife or daughter, or anybody would buy that at 75 cents a pair.

By the Chairman:

Q. That is a spread of 100 per cent?—A. That is the normal spread of the goods from the manufacturer.

Q. Now then, coming to the cost of the other line?—A. It is $10.50.

Q. That means 87½ cents a pair?—A. Yes.

Q. And that is selling for $2.50?—A. Yes.

Q. There was not very much difference in our statement. We have got it about right?—A. I misunderstood you, perhaps.

Q. That is a spread of $1.62½. Why establish such a large spread on a pair of stockings which are a necessity?—A. Well, you must allow for all these expenses. The wholesalers' expenses have gone up and wages and freight have gone up, and I suppose rentals are up.

By Mr. Vien:

Q. Do you sell to the wholesaler or to the retailer?—A. I sell to the wholesale trade myself.

Q. Exclusively?—A. Yes.

Q. Are there any manufacturers selling to the retail trade?—A. Yes, some sell both ways.

[Mr. Richard Thompson.]

By Mr. Pringle:

Q. So the spread is \$1.62½ cents. Supposing, we will take it roughly, say at 88 cents, supposing the wholesaler got 20 per cent and the retailer got 20 per cent, that would be 40 per cent?—A. They won't do business on such a basis. They don't

Q. Why?—A. Because they cannot afford it.

Q. Let us put it at 20 per cent?—A. You have to put the gross on it.

Q. Let us put it at 25 per cent, and make it 50 per cent?—A. You have got to put one per cent on and the other——

Q. Let us put it at 30 per cent, which will be 44 cents?—A. That won't work. You know what I mean; I am trying to get it square for the other fellow. If you take it that way, you have to put other 25 per cent on that.

Q. Do it that way. We will take \$10.50 and add 25 per cent?—A. You will not do business on 25 per cent. His expenses are 17 or 20 per cent.

By the Chairman:

Q. We have evidence from two or more wholesalers that the average spread on woollen goods, that is the average charge that the wholesaler puts on to cover his costs and profits in the distribution of woollen goods is 25 per cent to 28 per cent?—A. If he states that, put it on.

Q. We also have evidence that would indicate that the average retailers profit should be 50 per cent on the wholesalers. So if you add 25 or 28 per cent to \$10.50 and then 50 per cent, you will come reasonably near to what the selling price should be?—A. You all know that in selling goods—that goods are scarce. They don't get back to that point. What they figure is that they get what they can get.

By Mr. Pringle:

Q. Should they be permitted to get what they can get?—A. I do not know. What machinery can stop them?

Q. Some machinery. There is no wrong without a remedy that somebody can get. Take your goods at \$10.50 and let us add 25 per cent——

Mr. NESBITT (Interrupting): Add 30 per cent.

By Mr. Pringle:

Q. I have figured it out on the basis of 25 per cent?—A. Don't mention that they are my goods. They are not my goods, they are the goods of the manufacturer.

Q. They are sold at \$10.50 a dozen to the wholesalers. We will add to that 25 per cent. That brings his goods to \$13.12 a dozen. Let us pyramid as you say. Take 25 per cent to the retailer. That adds another \$3.28, or brings you up to \$16.40. Now, the consumer ought to get these goods at \$1.35 or \$1.36, instead of which he has got to pay \$2.50. Is that fair to the consumer? Of course if you think that the wholesaler ought to get 100 per cent?—A. I am not thinking at all; that is not my business.

Q. What would the manufacturer of these goods get? Would he get over 25 per cent net on his production?—A. No, he would not get 25 per cent net on his production, because there is no such money in the business.

Q. To the manufacturer?—A. No, we have to supply all the intrinsic value in the goods——

By Mr. Devlin (interrupting):

Q. You cannot possibly make 25 per cent on the manufacture of these woollen goods?—A. Yes.

By Mr. Davidson:

Q. Do you say that there is any higher percentage of spread now than previous to the war?—A. I would think so, naturally.

Q. Why?—A. Because of the general extra expense that is in the world to do anything.

[Mr. Richard Thompson.]

Q. You mean to say that if the retailer gets, say, 30 per cent for handling goods —— A. (Interrupting): There is competition amongst wholesalers as amongst everybody else. Every man does not get the same amount. He fixes his own policy, and what he shall ask.

Q. The very fact that the price of goods is raised enables the retailer to get a greater reward than on a percentage basis?—A. That is all right, but they don't do that in business. A man has to figure his expenses. I don't know what the wholesale man's expenses are.

By the Chairman:

Q. If you were selling these stockings, for instance, to a wholesaler before the war at $5.25 per dozen and he adds 30 per cent for profit, he gets $1.37 a dozen for handling the stockings. As things are the manufacturer gets $10.50. His expense of doing business has inevitably gone up, but he has added 30 per cent, so he would get $3.15 since for handling a dozen pair of stockings that he had formerly handled for $1.37?—A. You have to take specific lines. You could investigate by having men recite their general story before you as to their general profits in the wholesaling or retailing, and you would get certain information which is over all correct. But there is only one thing to do: take a specific line and find out what it was before the war, a certain price, and what it is now, a certain price.

Q. Your specific statement is that there has been a line of goods before the public, selling to the public, that the manufacturer is selling to the retailer at $10.50 a dozen, and the consuming public is paying through the retailer an average of $30 a dozen. Taking the opinion we have that the manufacturers' gross profits should be 30 per cent and the wholesalers' 25 to 28 per cent, as given to us by two reputable manufacturers who put it at 30 per cent, the goods would come to the retailer at $13.65 per dozen. Putting the retailer's profit at 50 per cent, which has been given to us as a reasonable profit at which the retailer can do business, the goods should be retailed at $1.70 instead of $2.50.

Mr. PRINGLE: That is allowing 80 cents.

The CHAIRMAN: That is allowing 80 cents spread between the manufacturer and the retailer. I would go further and say that the general evidence we have is that this spread—and here is a specific case—is causing a great deal of unrest among the people and is inflicting a direct injustice on the people, because no man can be justified in making such profits?—A. Quite true, and I find no man who is.

By Mr. Pringle:

Q. We want to find out the actual individuals, who they are, and see if we cannot expose them?—A. I understood the information you get here from the wholesaler or retailer or manufacturer is honestly given; and given as to the facts that he understands. I think these spreads are probably the general spreads in the business.

By Mr. Vien:

Q. Do you notice any such spread in the blankets and other woollen goods?—A. No, I have not in mind that sort of thing. There are certain classes of goods that have become very scarce; that is, the importation to us. Stockings from Germany ceased altogether, and these goods were hard to get. Besides which, the goods I have in mind are made of imported yarns, and imported yarns were hard to get.

By Mr. Pringle:

Q. We get back to this position that owing to the goods not getting into this country, the manufacturers of this country were in a position to get very high prices? —A. No, you have not got that right.

Mr. PRINGLE: I think that is absolutely right.

[Mr. Richard Thompson.]

By Mr. Vien:

Q. Not only that, but the merchants took advantage of the situation and sold at higher prices than if competition had taken place?—A. The manufacurers certainly got more. The manufacturer could make some profit while prior to the war he made little or none.

By the Chairman:

Q. In your judgment, is there any responsibility on the manufacturer, or on you as president of the Manufacturers' Association to expose the cause of profiteering such as you have indicated here in the interest of the public?—A. I think perhaps there is.

The CHAIRMAN: So far as I am concerned I am positive there is.

Mr. PRINGLE: Why don't you do it?

By the Chairman:

Q. Let me say this: One of the responsibilities the manufacturer has to the consuming public is to see to-day that these causes are exposed and that his goods get into the hands of the consumer at a reasonable price?—A. We only get this information when those who actually do the purchasing report to us.

Mr. PRINGLE: You have had a knowledge; you are president of a very important body, and you have had the knowledge that practically 200 per cent spread is going on in this country.

The CHAIRMAN: It is more than 200 per cent, it is 280.

Mr. PRINGLE: No, it is approximately 200 per cent. It would seem to me that it is not in the interest of the manufacturer of this country who says he is only getting a reasonable profit that on the goods he sells to the wholesaler he finds 200 per cent being charged on the price at which he sells to the wholesaler. I should think that you have some duty in the matter to see that that sort of thing is stopped.

By Mr. Devlin:

Q. You say it is absolutely necessary for you to have protection besides?—A. Yes, sir.

Q. At the beginning I was asking some questions when the evidence drifted onto the tariff. I wanted to leave the tariff question alone. Have you absolutely ceased all connection with the Penman Company?—A. Absolutely. I have no share in it whatever.

Q. And you cannot offhand give any information as to their turnover or profit on the capital invested?—A. I probably could, but I do not know that it would be wise for me to state anything in reference to that firm.

Q. You are not competing with them?—A. Yes. I cannot give it from memory. Their balance sheet is published.

Q. There is a certain John Robinson in Toronto who is very anxious that we should ask every possible question of everybody that comes along. He might say that that was one of the things that we had neglected to ask about when you were in the box?—A. Well, I do not think even if I had the information it is up to me to produce it, but I haven't it.

Q. You have not the information?—A. I have not.

Q. That satisfies me; only if you had with you the information which would show in your own line of business?—A. No, I came down to-day, in a general way, I did not know what you wanted.

Q. I just wanted to know if you had it?—A. I did not mean to be rude to you but I haven't it.

Witness retired and Committee adjourned till 3.15 p.m.

[Mr. Richard Thompson.]

The Committee resumed at 3.15 p.m., the Chairman, Mr. Nicholson, presiding.

Mr. Harry Stirling, called, sworn and examined.

By Mr. Pringle:

Q. You are connected with the Fort William Grain Company, Limited?—A. Yes.

Q. Are you an incorporated company?—A. Yes.

Q. Are you incorporated under the Provincial or the Dominion laws?—A. Under the Dominion law.

Q. How long have you been in business?—A. About 3 years.

Q. And have you got your last annual statement?—A. I have (produces statement).

By Mr. Nesbitt:

Q. What are you, Secretary of the Company?—A. I am President of the Company.

By Mr. Pringle:

Q. Now this the balance sheet of Fort William Grain Company, Limited, as of December 31, 1917, also balance sheet of the same company as of December 31, 1918; accounts receivable and small items deductions, show $111,041.93 and you have among your assets, 3 seats on the Fort William and Port Arthur Grain Exchange at $100 each and one seat valued at $200, making $500; goodwill valued at $40,000; grain inventory you value at $9,072.04, hay inventory, $4,642, or a total assets of $161,740.39. Now your capital stock is $40,000 and you apparently owe the bank $103,565.44, and you owe Davidson and Smith $3,069 and the Stevens Grain Company, Limited, $1,115, or a total liabilities of $149,655.64, as against total assets of $161,740.39, leaving a balance at the credit of loss and gain of $12,084.75?—A. Yes.

Q. Now you do a commission business?—A. Yes.

Q. And your commissions for the year ending December 31, 1917, were as follows: by commissions, $6,558.38; grain, $5,299.71; screenings, $3,411.28; and your general expenses, interest and discount $267.46, travelling $349.51; stationery and printing, $297.22; salaries, 2,773.75; telegraph, telephone and postage, $376.68; furniture and fixings, $1,167.14; automobile, $1,040.15; rent and janitor, $629.96; licenses, law charges, $692.58; which made $24,923, and balance net gain, $7,325.39. You have carried forward on December 31, 1916, $4,759.36; this added to the balance of $7,325.39 as of December 31, 1917, makes a total of $12,084.75.

Q. Now then you have a statement here in regard to screenings?—A. That is stock.

Q. Grain inventory of December 31, 1917, showing a total of $394,690 pounds at $22.50; that is per ton is it?—A. Yes.

Q. Making $4,440.26. Then you have flax and broken wheat at the different elevators, 124,229 of flax at $1.40, $1,759.32; mixed grain, 152,240 at $1.40 per 60 pounds; $3,552.26; making a total of $9,072.05. Is that over and above what was shown in the other statement?—A. No, that is included in it, this is just a detail of the inventory.

Q. Now then your profits were apparently $7,325.39 on a capitalization of $40,000?—A. Yes.

Q. Is that capital all paid up?—A. That was created by taking over the Fort William Brokerage Company, the goodwill of that concern and the assets of it.

Q. Then your capital is only the goodwill of that concern?—A. Yes.

Q. And it is put in at $40,000?—A. Yes.

Q. It is not a cash capital at all?—A. No, not a cash capital.

Q. Then your percentage would be about, not quite 20 per cent?—A. Yes, roughly about 18 per cent.

[Mr. Harry Stirling.]

Q. Roughly about 18 per cent so that you have 18 per cent on $40,000 which represents nothing but goodwill?—A. Yes.

Q. How do you manage to carry that out, you are an incorporated company under a Dominion charter; what was the limit of your power in regard to capital, $50,000?—A. $40,000.

Q. You just took it for $40,000?—A. $40,000.

Q. Then you transferred the business?—A. We transferred the business of the Fort William Brokerage Company and the Fort William Grain Company.

Q. In consideration of $40,000 of stock in this company?—A. Yes.

Q. Who owned the Fort William Brokerage Company?—A. It was originally a partnership company consisting of J. W. Wolvin, M. McCullough and myself.

Q. You had no assets?—A. Well, practically none, outside of our trade connection.

Q. Your trade connection, that was the whole consideration?—A. Yes.

Q. Your trade connection, and you valued that at $40,000 and you gave that trade connection to this company in consideration for $40,000 stock?—A. That is it.

Q. Do you consider your profits unreasonable?—A. No, I do not because if you compare them with next year we lost practically the whole thing.

Q. Now we will take the balance sheet for December 31, 1918?—A. That was 1917.

Q. Now I am not going into all the details, let us get down to your profits; you carried forward on December 31, 1917, as shown by your statement for 1917, $12,084.75, which apparently were the profits for 1916 and 1917?—A. Yes.

Q. And you seem to have lost $10,288.21?—A. Yes.

Q. So that the balance on December 31, 1918, instead of being $12,084.75 comes down to $1,796.54?—A. Yes.

Q. That does not look like a very profitable business. At the same time how many were interested in it?—A. Practically only one, I am not actively engaged in connection with the business outside of holding the office as president.

Q. Who is the manager?—A. R. S. Dell is manager and secretary.

Q. What salary does he get?—A. $2,400.

Q. I see that in your general expenses you charge wages $4,285 and $2,400 of that would go to him as manager?—A. Yes.

Q. Where would the balance go?—A. It is spread out in incidentals.

By Mr. Davis:

Q. What is the line of your business?—A. A commission business.

Q. It is a commission business?—A. Largely, yes.

Q. Are you buying grain from the West?—A. We buy from the private local elevators, from the local grain company.

Q. Is it a general business or just buying grain?—A. Just grain and grain products.

Q. Do you buy for treating?—A. No, we are not in the elevator business at all, we are just simply buying grain to a limited extent from the farmers direct.

Q. Are you connected with any other firms?—A. I am manager of the Canadian Feed Manufacturing Company.

Q. Is that an affiliated company?—A. It is in a way.

Q. What is the connection with your company?—A. No more than that I am connected with it, and with the Canadian Feed Manufacturing Company.

Q. Is that another Davidson and Smith organization?—A. Yes.

Q. Have they any other subsidiary companies?—A. Oh, several.

Q. What are they?—A. It would be rather difficult for me to enumerate them now, the B. J. Osler Company, the Winnipeg Grain Exchange, the Henderson Transfer and Lighterage Company, Winnipeg, newspaper publications, shipbuilding.

[Mr. Harry Stirling.]

Q. What are the publcations?—A. Well, the Winnipeg *Telegram,* the Port Arthur *News Chronicle,* they are also interested largely at the coast. Mr. Davidson is in the Vancouver *World*—I cannot enumerate the western companies, I am not familiar with them.

Q. Sometime ago a question was asked in the House about the feed, "Was there an embargo against the export, except under license, from Fort Willam by the Fort William Grain Company of a ground manufactured feed contained in cars," and the numbers of the cars are given "during December, 1918, and January, 1919." Do you know anything about that shipment?—A. I know about that shipment, yes.

Q. What are the facts with regard to that?—A. The feed was manufactured by the Canadian Manufacturing Company, and handled by the Fort William Grain Company, and shipped to Duluth. We had our license in the regular way inspected by the Inspection Department.

Q. How did you ship it out? What did you bill it as? Ground screenings?—A. Ground refuse screenings.

Q. Was that after the change on the other side so as to count it as ground feed? —A. Not to my knowledge.

Q. You do not know anything as to that?—A. No, the question was raised at the time; the only classification under which the Inspection Department could place it was refuse screenings. They did not call it ground refuse screenings, although as far as I remember now it was billed as that.

By the Chairman:

Q. What was it?—A. Ground screenings. We put it under the name of ground special, but it was ground screenings.

By Mr. Davis:

Q. You certify these goods to be refuse screenings?—A. Yes.

Q. They were ground? You say that you do not know whether the allegation is true or false that was changed to ground feed on the other side?—A. No, I have no knowledge of that.

Q. So as to enter it at a lower rate of customs over there?—A. I have no knowledge of it.

By Mr. Nesbitt:

Q. Your invoice called for what?—A. Refuse screenings.

Q. Have you been largely in the feed business?—A. We just started about last August, just been about a year in it.

Q. How long has the Canadian Feed Manufacturing Company been in that business?—A. Since last August.

Q. Who were the shareholders in the Fort William Grain Company?—A. Here is the list.

Q. They are M. McCullough, George Gale, J. W. Wolvin, R. S. Dell, L. M. Sterling, F. E. Kilvert, all ten shares each, and H. J. Stirling and J. R. Smith, each with 170 shares, making a total of 400 shares. Are any of these in trust?—A. No.

Q. They are all, so far as you know, absolute owners.—A. Issued straight.

By Mr. Pringle:

Q. Is that the feed company?—A. The grain company.

By Mr. Davis:

Q. Can you give any information with regard to the Canadian Feed Manufacturing Company?—A. Yes.

Q. As to its shareholders?—A. At the present time it is just in the form of a partnership.

Q. Who are they?—A. J. R. Smith, D. G. Riegger, of Minneapolis, and myself.

Q. Are those absolute ownerships?—A. The capital is supplied by Davidson and Smith. Practically they are the owners, although we have an agreement to the effect that we are partners.

Q. Do you hold an interest in trust for them?—A. For whom?

Q. For Davidson and Smith, or for any other party?—A. No.

Q. Do you know whether Riegger is trustee?—A. No. Possibly inside of a month it will be in the courts to get Mr. Riegger out.

By Mr. Reid:

Q. Who is J. R. Smith?—A. Of Davidson and Smith.

By Mr. Davis:

Q. I presume that the statement you have given there is a statement just of the screenings that you have. It does not show what amount you handle?—A. No, I could not give you that information.

Q. Is there a statement as to the total turnover?

Mr. Pringle: That is here.

By Mr. Pringle:

Q. Annual turnover $713,253.50?—A. Yes.

Q. Lakeport $372,148.99, commission $6,558.38, expenses $7,676.52. That is 1917. The annual turnover in 1918 was $279,882.06, Lakeport $147,876.34, commission $2,540.39, expenses $7,290.13. That statement shows your turnover for two years?—A. Yes.

By the Chairman:

Q. You gave us a figure of $22.50 per ton for screenings?—A. 1917.

Q. That is the value you placed on the screenings?—A. Yes, selling as high as $25.

Q. What was it in 1918?—A. They varied. They dropped down in the spring of 1918 as low as $10.

Q. What were they during the past season?—A. I would say the average price during the past season has been round $12 to $14.

Q. What are they selling for now?—A. At the present time we are buying original shut-outs from $10 to $12.

Q. What you call original shut-outs would cover what?—A. That covers the actual inspection of the car as placed by the inspectors; that contains a certain percentage of broken wheat, wild buckwheat.

Q. It is selling now from $10 to $12 a ton?—A. Yes.

Q. It has raised from that figure up to $22.50?—A. It has not yet hit $22.50 in 1918.

Q. What is the highest figure it has come to?—A. I cannot say offhand.

Q. You apparently did not operate an elevator?—A. The Fort William Grain Company did not operate an elevator—just commission.

By Mr. Nesbitt:

Q. Do you buy screenings from the elevator company?—A. Yes, some.

Q. And then grind them up?—A. No, the Fort William Grain Company does not, the Canadian Feed Company does that.

Q. You just sell to the Canadian Feed Company?—A. Yes.

Q. And the Canadian Feed Manufacturing Company buy them from the Elevator Company?—A. Yes.

[Mr. Harry Stirling.]

Q. Neither of your companies has an elevator?—A. The Canadian Feed Manufacturing Company has an elevator in connection with their feed mill. We have an 85,000-bushel capacity elevator.

By Mr. Davis:

Q. Is that used for anything except your feed?—A. Yes.

Q. Is it terminal?—A. No, it is what they call a private hospital elevator.

Q. Do you receive shipments from other parties?—A. No, only what we buy ourselves.

Q. Do you trans-ship through that elevator?—A. Yes.

Q. You are interested in this question of overages?—A. No. Far be it from me to get into that discussion. Mr. Rice-Jones can deal with that.

Q. You have none in your elevator?—A. Oh, no. All the grain in our elevator is owned outright by us. We do not take farmers' grain for store. We buy that before it comes in.

Q. You only put into that elevator what you have bought, and as it goes out it is your grain?—A. Yes.

By the Chairman:

Q. What you buy is what the other fellows have left over? (No answer.)

By Mr. Davis:

Q. Did you run this elevator before as a terminal?—A. No, this elevator was just built recently. You are thinking of the Davidson-Smith elevator; I am not connected with it.

Q. You do not know anything about that?—A. No.

By Mr. Nesbitt:

Q. You grind up these seeds, do you?—A. Yes. We grind them so they will not germinate. We guarantee them.

By Mr. Reid:

Q. About those cars that you shipped to the States, how many cars did you ship out?—A. I am not sure, seven or nine.

Q. Nine, I believe during December and January, the last shipment in January, 1919, ground feed?—A. Ground screenings.

Q. Perhaps you were not aware at the time that there was an embargo against ground feed going out of Canada?—A. We had a permit. We would not have had an inspection certificate without a permit. The permit was issued by the Customs Department at Fort William.

Q. It seems to me, according to this Order in Council, that there was an absolute embargo against ground feed going out of Canada?—A. Not ground feed of that nature, I don't think.

Q. My information is that those cars were billed out as refuse screenings. Some one, I do not know who, perhaps yourself, secured an American consular invoice from the consular service at Fort William, and this invoice was made out and typewritten by the Fort William Grain Company and sworn to in the consular office. Is that the company you have charge of?—A. Yes.

Q. And that the shipments moved forward in the regular way, and that when these shipments from time to time arrived at Duluth, they were consigned to whom?—A. I think to the Duluth Canadian Grain Company.

Q. What was the duty that you paid on that shipment?—A. I cannot tell you.

[Mr. Harry Stirling.]

Q. Suppose I tell you. When it was discovered that the commodity was manufactured ground feed and not refuse screenings, the United States importer changed the description of the commodity from manufactured ground feed and entered it through the United States Customs at Duluth on a consumption entry at 15 per cent. What rate do you pay on your screenings entering in United States Customs Port? —A. I think it is 10 per cent, I am not sure.

Q. This was evidently entered at a higher rate, 15 per cent.

By Mr. Pringle:

Q. You do not pay the duty?—A. No, they pay at the other end.

By Mr. Reid:

Q. So it was evidently rich screenings that were shipped?—A. It was not. I can show you a sample. I defy anybody to find any wheat in it.

Q. It was charged higher at the other side than what you had previously shipped? —A. That may be. I did not hear anything to that effect. This is all news to me. It is strange that they never came back on us. So far as the Inspection Department was concerned, no matter whether it was ground or in a raw state, or was refuse screenings, they could not put any other grade on it. When they sampled that stuff they would naturally have to take our word for it in order to get our permit. It had to be called refuse screenings at the price we invoiced it, I think it was $18. At the time, we would have been foolish to have put anything else into it, any greater value because at $18 it barely covered the cost of the screenings and the manufacture of them.

Q. Are you engaged in any way with this Duluth Company?—A. I was at the time; I am not now.

Q. So it would not be very far wrong if you had mixed some?—A. You are insinuating. I have nothing from the Duluth Grain Company.

Q. But you were connected with the Duluth Grain Company?—A. Yes, so was this man Riegger. We have severed our connection.

Q. When did you sever your connection?—A. Some months ago.

Q. How long ago?—A. Two or three months ago.

Q. So you would still be connected when the shipment of seeds was sent over there?—A. At that time, yes.

By Mr. Nesbitt:

Q. Did you say you had a sample?—A. The Inspection Department at Fort William could give you a sample.

Witness discharged.

George J. Guy, called, sworn and examined.

By Mr. Pringle:

Q. What company are you connected with?—A. The Gillies-Guy Coal Company.

Q. Where do you have your business?—A. Hamilton.

Q. Are you an incorporated company?—A. Yes, sir.

Q. Dominion or Ontario charter?—A. Ontario.

Q. Have you your annual statement for last year?—A. They are here for six years.

Q. We will take the year ending March 31, 1919. That is the last you have. There are two accounts, one merchandise and the other assets and liabilities. There is also a profit and loss account. I see your gross profits for the year ending March 31, 1919, were $151,109.42, plus $396.40 for sundries, and your expenses, salaries and taxes,

[Mr. Harry Stirling.]

$29,036; wages and so on. Then you have a charge for depreciation, $1,000 in buildings and machinery, etc., and your net profit for the year was $17,249.19. What is the total amount of your capital stock. I see it is $100,000 in this statement?—A. That is right.

Q. Is that all paid up?—A. Yes.

Q. Cash?—A. Yes.

Mr. NESBITT: What is the turnover?

Mr. PRINGLE: Anthracite, 70,147 tons; bituminous, 69,100 tons; wood, 1,371 cords. The total value, including duty and war taxes and freight is $997,212.27. The the total sales were, anthracite, sixty-five thousand, eight hundred and fifty-eight tons, bituminous, sixty-five thousand five hundred and eighty-six tons; wood, ten hundred and sixty-six cords. Then they have a balance on hand on anthracite four thousand five hundred and eighty-five tons; bituminous, three thousand five hundred and thirteen; wood, two hundred and ninety cords. Their gross profits on coal and wood were one hundred and fifty-one thousand, one hundred and nine dollars and forty-two cents.

Mr. NESBITT: What were the gross sales in dollars and cents, Mr. Pringle?

Mr. PRINGLE: I have got it here, but it is not added up.

By Mr. Nesbitt:

Q. Do you know?—A. No. I don't know. We only had a half a day to find this out. Here is six years' work and we only had one day to get it out. We only got your wire on Thursday night.

Mr. PRINGLE: I make it——

The WITNESS (interrupting): What year is that?

Mr. PRINGLE: Nineteen hundred and nineteen?—A. I have got only the totals here myself.

Q. I make it one million, eighty-seven thousand nine hundred and seventy. Just check that up and see if that is right. You can do it from that statement (indicating): —A. Yes, the three added together; that would be right.

Q. Just check up my figures and see if they are right.

By Mr. Nesbitt:

Q. With a net profit of seventeen thousand dollars?—A. Yes, sir.

By Mr. Pringle:

Q. That is right, is it?—A. Yes, sir.

Mr. PRINGLE: A net profit of seventeen thousand two hundred and forty-nine dollars and nineteen cents, which would be practically seventeen per cent on the capital stock, and would be——

Mr. NESBITT (interrupting): 1·7——

Mr. PRINGLE (continuing): 1·7 on the turnover.

Q. Now, what profit did you make per ton on coal in Hamilton?—A. It is altogether the soft coal, and the coal and coke and wood, and bituminous and anthracite. We cannot get at the profit, but we were well within the regulations; we are well below what the Government regulated of fifty cents a ton. I think it would average about thirty-five.

Q. About thirty-five cents?—A. Not more than that.

Q. You can get that?—A. Oh, yes.

Q. Leave the wood out. Your sales seem to be one hundred and thirty-one thousand four hundred and forty-four tons of coal. Then there are one thousand and sixty-six cords of wood. Suppose we take it just the same as coal—— ?—A. (interrupting): Yes, it is all in there together.

[Mr. George J. Guy.]

Q. (Continuing): that is one hundred and thirty-two thousand five hundred and ten, we will say, tons. Now, you say about thirty-five cents?—A. Well, it would not average thirty-five cents, the wholesale and retail. You see, that is all there, the wholesale and the retail, and it would not average thirty-five cents then. It would not begin to average that. You cannot figure it quite that way, because we only got fifteen cents a ton on some of it, and on some of it we got more. I suppose the wholesale and retail would not average over twenty-five. Try it at twenty-five and you will come nearer to it.

Q. You don't think you have been getting any undue profits?—A. We know it. We know what we are selling it for. We know what we were selling it for before the war. There (indicating) is the maximum price since before the war. I don't think anybody else in Canada has sold coal as low as we have done.

Q. Excepting the Ottawa people?—A. I will bet if you find out, you will find they have not even done it.

By Mr. Davis:

Q. From whom do you buy?—A. We buy from the mines.

By Mr. Pringle:

Q. You ought to sell cheaper than Ottawa, inasmuch as you get your coal via the lake?—A. No, we get it by rail.

By Mr. Nesbitt:

Q. You could get it by lake?—A. Yes, we could get it by water.

Q. But the rail competes?—A. Yes. It was fifty cents when we built our yard on the rail, but now it is ninety cents; nearly double.

By Mr. Pringle:

Q. After looking over the statement which you handed to me showing the maximum prices of coal sold in any year from nineteen hundred and eight, to nineteen hundred and nineteen, I ask you if you consider that those prices are reasonable prices?—A. Yes, sir.

Q. I see that it was not until nineteen hundred and seventeen that coal got to ten dollars a ton?—A. Nineteen hundred and seventeen? Yes.

Q. That is the first year it got to ten dollars?—A. Yes, that is the first year of very much fluctuation on the other side.

Q. Then in nineteen hundred and eighteen, it got up to eleven dollars a ton. Let us take egg and stove coal. That is the coal which is sold the most?—A. Yes, egg, and stove, and nut.

Q. That got up to ten dollars and a half in nineteen hundred and eighteen?—A. Yes.

Mr. Nesbitt: Ten dollars and a half?

Mr. Pringle: Yes. It got up to ten dollars in nineteen hundred and eighteen, on February fourth; then, in August, nineteen hundred and eighteen, it got up to ten dollars and fifty cents; then in November, nineteen hundred and eighteen, it got up to eleven dollars, and then it remained at that until January.

Q. It has remained at that figure ever since?—A. Yes, until the first of July when it will have to be put up fifty cents more.

Mr. Nesbitt: I guess he was selling as cheaply as any one who has been here.

Mr. Pringle: I would have to go over the statements here to ascertain what the freight is.

Mr. Guy: I can give you that right now.

Mr. PRINGLE: Yes, but I would have to go through the other statements submitted to us to see what their freight was, but I am inclined to the view that your freight is a little less; that you are in a better position. I don't want to go into all these statements. I have glanced over them, and you don't seem to have made any unreasonable profits.

Mr. GUY: They are certified to. That is what we give the bank every year. When we borrow money we hand that statement to the bank, showing them what we are doing, so they are certified. I brought the information, according to what your wire requested.

Mr. PRINGLE: I don't think this Committee wants all these statements filed.

Mr. GUY: I can give you copies of all these statements.

Mr. PRINGLE: The statements, to my mind (but I don't know what the mind of the Committee is) show that you have not been charging exorbitant prices.

By Mr. Reid:

Q. Are you not about twenty-five cents higher than in Ottawa, with a lower freight rate?—A. What is the price in Ottawa? What are the prices you are speaking of, sir?

Q. Eleven dollars and twenty-five cents.—A. We never were over eleven dollars during the war, and it was only just recently, in fact, on May twenty-sixth, nineteen hundred and nineteen, that we reached eleven dollars.

Mr. NESBITT: My memory is that Ottawa is higher, but I may be wrong.

Mr. DAVIS: There are so many different qualities that you cannot be sure.

Mr. NESBITT: Well, egg and stove and nut are supposed to be the same. We did get some bad coal last year, I know that.

By Mr. Nesbitt:

Q. We have a statement here that there was more coal imported into Canada in nineteen hundred and eighteen than there was in nineteen hundred and seventeen?—A. Personally I had more coal during the war than we ever had since we have been in business. We are one of the fortunate ones. We had about twenty-five thousand tons more last year than before the war.

Mr. PRINGLE: I think you are twenty-five cents less than in Ottawa. I think perhaps the difference would be accounted for by the advantage you have in freight. You can keep that. We want that, and that will do in place of all those statements you brought here, and we will attach that to it, then they can all go in.

Witness retired.

Mr. PHILIPPE FUROIS, called, sworn and examined.

By Mr. Pringle:

Q. You are connected, in the province of Quebec, with the Canada Food Controller?—A. Yes.

Q. Did you or did you not ascertain that there were unreasonable quantities of foodstuffs hoarded by the cold storage people in Quebec?—A. The cold storage people had to make a report every month of the quantities of certain foods that they had, and it had to conform with quantities allowed them by the Canada Food Board. The order of the board specified that each of them should have a certain quantity of eggs, cheese, fats, butter or other foodstuffs, there were six or seven articles of which they were allowed a certain quantity to meet the actual requirements for a stated period, and if the reports that they made of the quantities on hand exceeded what was allowed them it was subject to confiscation.

Q. Did you have to do any confiscating?—A. We have, yes, we have done some, not very much. As a rule they complied pretty well with the quantities they were allowed to keep.

Q. I was advised there had been a great deal of hoarding in the city of Quebec?—A. It is not so.

Q. There were only reasonable quantities as fixed by the Canada Food Board?—A. As a rule, yes, there have been but few exceptions.

Q. Now you were acting in connection with the local Food Controller?—A. I was provincial secretary for the Canada Food Board; the board had appointed in every province a special representative which they called the provincial secretary of that board.

Q. But you did have to make complaints against some of them?—A. The way the thing was worked out was this: whenever I had reasons to think there was any hoarding done, or whenever complaints were made—and sometimes they were made without foundation—if anybody came to me and gave me any intimation that there was any hoarding done I would immediately send a complaint to the head office at Ottawa, because there were a number of inspectors throughout the province, and throughout the country, whose duty it was to ascertain the facts.

Q. Then do you or do you not know whether some plants had to be ordered to close, and the foodstuffs that had been hoarded were seized?—A. Yes, there have been a few cases where plants have been closed; they were closed only in one or two instances, I think, but there were a few cases where the excess quantities were forced on the market or turned over to the Allies Purchasing Commission.

Q. Now, what would you say in regard to the effect that would have on the cost of living? What would you say, supposing there had been no regulations of the Canada Food Board and these people hoarded larger quantities even than those you found hoarded, what effect would it have on the cost of living in your district?—A. It would increase it.

Q. It would increase it you think?—A. Yes, enormously.

Q. I suppose from the information you have, your opinion would be that there ought to be control of these plants as to the quantity they store?—A. There should be control, yes, and a still better control than the one obtained so far, either by the Canada Food Board or other authority.

Q. It has not been satisfactory?—A. Not quite.

Q. Will you tell us just in what respect that control has not been quite satisfactory?—A. Well, for instance, the cold storage plants subsidized by the Government are subject to control from the Dairy and Cold Storage Branch of the Department of Agriculture here for the short period during which the plant is being built, organized and started, and when the Government has ceased giving them money it seems, they had little more to say. It is a very doubtful control any way. On many occasions I came up here to see Mr. Ruddick, who is the Chief of that Branch, or his assistant and they admitted that really they had no absolute control, but as a rule the cold storage people were willing enough to meet us.

Q. I am not familiar with any regulations in connection with the cold storage plants; apart from the regulations issued by the Canada Food Board is there any permanent system of inspecting and regulating these plants?—A. No, divided authority and divided responsibility and none of them effective; the municipalities have a certain authority, also the provincial and the Federal Governments.

Q. I have not had time to read all this correspondence from the Hon. Frank Carrel; what is he, a Minister?—A. No, he is a journalist, and a member of the Quebec Legislative Council.

[Mr. Phillippe Furois.]

Q. I see from his letter, which I have read over, that he complains in regard to the control over these plants?—A. Yes.

Q. I find that he was advocating that the Government should take absolute control of these plants?—A. Yes.

Q. I will just quote that portion of his letter?—A. I am familiar with this correspondence, I have seen it several times before and it is along these lines, he is advocating the Government ownership of cold storage plants; that is the general trend of the whole correspondence.

Q. This letter is addressed to the clerk of this committee, I will quote a portion:

> " Through a campaign in our newspaper we implored the Government and the Food Board to establish severe penalties upon cold storage establishments in similar form to those of England and France in order to balance up the growing unrest among all classes of our population. It was publicly recorded in the papers over a year ago that the Government had discovered one of our local cold storage plants contravening the limited laws of boarding——"

You have personal knowledge of the contents of this letter have you?—A. Yes.

Q. (Continuing to read):

> " ——by having in its possession over three hundred thousand pounds of butter. The nature of the punshment was not such as to create any great loss or suffering upon this firm. In my mind the attitude of the Government towards this firm was one of open solicitation to carry on, even in the face of the slowly rising revolutionary disposition of the people."

Then he goes into a criticism of the Food Board; he and the Food Board evidently did not get along very well?—A. No, they did not.

Q. He goes on to say:

> "One of the great obstacles of one of the cold storage plants, as far as the consumption of fish was concerned, in the city of Quebec, was the fact that the proprietors were the largest wholesale fish distributors in our city. I have been informed that they supplied eighty per cent of the fish and fruit merchants of the city of Quebec, which made it extremely difficult for any individual firm to supply fish to the trade, as can be proved by cases that came to our attention, and which will be found fully covered in the accompanying correspondence."

Then I see he made a very strong complaint in regard to the price of potatoes; you, in Quebec, were paying $1.50, according to this letter, per bushel of potatoes, while they were selling in Prince Edward Island for 40 and 50 cents a bushel?—A. Yes, he makes that complaint.

Q. According to this letter the cars that were going east loaded and were returning empty could very well have been utilized to bring back potatoes from Prince Edward Island and thus relieve the situation in both Eastern Ontario and Quebec, because the prices at that time were unfortunately very, very high?—A. Yes, he says that.

Q. That is also gone into in the corresondence between the Canada Food Board and the Hon. Frank Carrel. He was connected with the Food Board in the Province of Quebec, was he?—A. No, he was not, he is a journalist; he is the editor of the *Daily Telegraph.*

Q. The *Daily Telegraph,* Quebec?—A. Yes, and as such he had a great deal to say about the food situation generally.

Q. Evidently, he wrote a lot of letters and he got a lot of replies?—A. There is some exaggeration in that, although there is considerable truth in it also; the potatoes were not as dear in Quebec, and they were not as cheap at the other end as he states.

Q. Tell us about that part of it, as to the cars travelling empty from the lower Provinces to Quebec.—A. I made an investigation at that time, and found it was not a fact.

[Mr. Philippe Furois.]

Q. You found that they were not travelling empty?—A. Oh no, the cars were travelling very much loaded indeed, all the time.

Q. Now, as to the cold storage in Quebec?—A. There is a large cold storage plant in Quebec, one of the finest in the country, it has been subsidized by the Federal Government, it received $65,000 as subsidy and it cost about $200,000, and the owners think more of the difference between the $65,000 and the $200,000 than they think of the $65,000 they have received from the Government, they are the owners of the place, and they use it for themselves first, it was claimed.

By Mr. Nesbitt:

Q. Are they a trading company?—A. They are dealers in fish, fruit, meat and produce.

Q. What is the name of the company?—A. The Dominion Fish and Fruit Company, they have not given as bad a service as claimed by some but they could have done better, and they have been improving since, I must say.

Q. You do not agree with everything that Mr. Carrel says in the correspondence? —A. No, I do not agree with everything he says there.

Q. In any case whether he is right or wrong in the statement he is making, you have knowledge of the facts?—A. Oh yes, all these matters came before me.

Q. Is that cold storage plant also a public cold storage? Can any one else store goods in it? What are their charges?—A. Their charges are all right. But there is one thing about it: when outsiders have goods coming in the cold storage people would naturally be inclined to give themselves the preference.

Q. If they did not have plenty of room?—A. If the space is limited, they would naturally say we need some space ourselves. When keen competition set in, in the course of our fish campaign, I think they might have given better accommodation to other fish dealers. For all that, I will not say that they were positively antagonistic to the others, but they should have done better. Representations were made to them, and they came round to a better point of view. But it is the system that is wrong. They have put in more money than the Government and they want to help themselves.

Mr. Pringle: It is human nature.

The Witness: There is considerable room for improvement along those lines of control of cold storage.

By Mr. Pringle:

Q. I appreciate your point. You think the Government could by the exercise of proper control assist very much the consumer?—A. The Government have one cold storage plant now. It is somewhere in Ontario; I do not know exactly where.

By Mr. Reid:

Q. Which Government?—A. The Federal Government.

By Mr. Nesbitt:

Q. A cold storage plant run by them?—A. Yes.

By Mr. Reid:

Q. Where is it?—A. It is somewhere in Ontario; I don't know where. Mr. Burgess, who is Mr. Ruddick's assistant, was showing me a photograph of it.

Q. What would you recommend that the Government should do by way of improving the cold storage system; of improving conditions for the consumer in supplying cheaper food?—A. A great deal could be done through inspectors, I suppose. We of the Canada Food Board usually manage to have the goodwill of these people. I never had a cold storage refuse me permission to inspect it.

By Mr. Pringle:

Q. Do you think the control by the Canada Food Board was beneficial to the consumer?—A. Yes, as far as it went.

Q. In your opinion it did not go far enough?—A. No, it did not.

Q. And you think a control could be devised which would be beneficial to the consumer?—A. Most decidedly.

By Mr. Nesbitt:

Q. You say it did not go far enough? Will you tell us just where?—A. We did not really have the authority at all times to make them come up to all our expectations as to the various matters of administration.

By Mr. Pringle:

Q. I am not familiar with the regulations with regard to these cold storage plants. I should have thought that if the cold storage plants are subsidized by the Government that the Government for that reason would have felt that it had an absolute right to control the operation of those plants and I should have thought that it did that. Are you familiar with the regulations?—A. Yes. The cold storage Act is rather weak on that point. I have had occasion to study it carefully with some officers of the branch and it is weak in some features.

Q. You think improvement could be made to the cold storage Act which would bring these plants under proper control, all of which would accrue to the benefit of the consumer?—A. Yes, sir.

By Mr Nesbitt:

Q. Leaving the Canada Food Board out. As a matter of fact if a person or company built a cold storage palnt the Government would put up a certain percentage?—A. It did in a few cases. It does not do so any more. That has been suspended for some years, and the latest suggestion made, I don't know if it is law yet—Mr. Crerar suggested giving a subsidy of thirty per cent on the cost of cold storage plants under the control of municipalities.

By Mr. Pringle:

Q. I found that Colonel Talbot was also one of the Food Controllers?—A. No, no. Colonel Talbot is a very close friend of Mr. Carrel's. At one time, about a year or a year and a half ago they interested themselves in Canada Food Board activities in Quebec City.

Q. Well, he has not come forward to give any evidence. I understood he was one of the Food Controllers?—A. No, he has had no official connection with the Canada Food Board since I have been connected with it.

Q. I see that he wrote a pretty strong letter to the Food Controller?—A. Yes, one of them particularly was pretty strong.

By Mr. Reid:

Q. What would you suggest the Dominion Government should do to improve conditions with regard to cold storage?—A. I would suggest that power be given to inspectors to visit the places and find out if there is hoarding of food—that is whether they have quantities in excess of what the normal trade calls for, which is directly along the lines of the Canada Food Board, namely, to force them to dispose of the surplus. I don't know how it is elsewhere, but in the Province there is no such hoarding of food as is generally believed. The demand for food is so tremendous that it can hardly accumulate in great quantities.

By Mr. Pringle:

Q. That is the condition to-day?—A. Yes, sir.

[Mr. Philippe Furois.]

By Mr. Nesbitt:

Q. In other words, there is a shortage of food stuffs?—A. Yes, sir, in the Province of Quebec we must have this season less farm labour than we had at this time last year.

The WITNESS (continuing): I believe that the cost of living could be reduced in the province if better work were done towards a greater consumption of fish. I don't know of anything that is so little attended to and where so much can be done.

By Mr. Pringle:

Q. The great trouble is it is not that the lower province people, not the fishermen, but the companies, keep control of the fish situation, and keep working prices up from one company to the other and by the time the fish reaches us it has got to a very high price?—A. I am speaking from the standpoint of greater propaganda, for the development of a wider home market for our fish. The Canada Food Board did something for a few months. We increased the consumption in fish in the province of Quebec some two hundred or three hundred per cent, but since the Canada Food Board's activities ceased this winter, everything dropped and it is going back to the old order of things. With the greater consumption of fish we had the retailers improve their methods of handling it. In the old days they would carelessly display their fish. We had the municipalities everywhere pass special rules and ordinances forcing them to put their fish under cover and to keep it under proper conditions. As the demand was increasing, they were encouraged to handle more of it. I believe there is a great deal to be done; the increase could be several times what is now consumed, if there were somebody with sufficient authority to organize throughout the country a strong propaganda to reach everyone, all along the line from the time the fish comes out of the water to the time it reaches the consumer.

Q. And put down the spread if possible between the amount the fisherman gets for the fish and the amount the consumer pays for it?—A. There is always a missing link somewhere. Sometimes it is the retailer, sometimes it is the wholesaler. It is very seldom that the fish gets to the consumer in perfect condition and there is no one at any stage who has supervision. There is a weak link somewhere. Each puts the responsibility on the other. The retailer blames the wholesaler. The wholesaler the transportation company and the transportation company, the producer. The Food Board started a campaign and I have been trying to induce the Department of Fisheries to continue that campaign. I wrote a letter about it addressed to the Hon. A. K. Maclean which is as follows (reading):—

103 ST. JOHN STREET,
QUEBEC, March 17, 1919.

Hon. A. K. MACLEAN,
Acting Minister Marine and Fisheries,
Ottawa.

Honourable Sir,—Following up the conversations I have had with you on the subject of fish.

As the activities of Canada Food Board are coming to an end more responsibility now rests with the Department of Fisheries for the building up of a strong home market for our fish, and as I have been actively engaged in such propaganda in this province, as Provincial Secretary of the Canada Food Board, I may be permitted to make a few suggestions, giving the outline of an aggressive policy.

(1) The public must be kept interested in fish, its value in the diet demonstrated as well as the monetary advantages of a greater consumption, from a personal and national standpoint. See that a good quality and right prices prevail.

(2) Co-operate with producers and the trade generally, increase and give practical effect to the work of research of the Government, contribute to putting the industry on a sound basis, help the small fishermen.

The WITNESS: I see in the estimates that considerable amounts are voted for scientific research along various lines and interesting reports are prepared but little is done towards increasing our markets. The letter continues (reading):—

(3 Particular attention to the problem of transportation, particularly for fresh fish.

(4) Make sure of proper cold storage facilities, prepare a comprehensive plan for a given territory to meet present requirements and those of the near future. In this matter the Departments of Fisheries and Agriculture should come to an understanding and to co-ordinate efforts.

(5) Encourage improved methods in retailing fish, including the establishment of modern fish stores.

(6) Investigate if the amount of $160,000 spent as Atlantic fishing bounty, and other expenditures could not be used in a more practical manner.

The policy briefly outlined above would somewhat alter the complexion of the Fisheries Department; it would call for the services of active men specially trained in those various activities, and these may be found with the Canada Food Board staff that is becoming available. This policy, furthermore, would be popular and certainly would receive strong support in Parliament.

Believe me, honourable sir,

Very sincerely yours,

(Sgd.) PHILIPPE FUROIS.

The WITNESS: I received the following letter from Mr. Desbarats (reading):—

DEPARTMENT OF THE NAVAL SERVICE,
DEPUTY MINISTER'S OFFICE,
OTTAWA, April 14, 1919.

DEAR SIR,—I beg to acknowledge your letter of the 2nd instant, and your telegram of the following day, with regard to the retention of the office at 103 St. John street, Quebec. Your kind offer to remain in fish propaganda work without wages until this department completes its details, if the office were taken over, is noted.

It will necessarily take some time before the details of the propaganda to be conducted by this department are decided upon and after consideration of your kind proposal, which is very much appreciated by the department, it is thought unwise for the department at this moment to commit itself in any way as to the character of the work it will undertake. It is, therefore, not prepared at this time to arrange for office accommodation in Quebec at this time.

Yours truly,

G. J. DESBARATS.

PHILIPPE FUROIS, Esq.,
103 St. John street, Quebec.

The WITNESS: I had represented to them before they closed the provincial office that I was willing for a time to continue the propaganda without any salary. I said: "There is a little office belonging to the Government which is fully equipped. We have records and if you want me to run it along, I will do it." I have read a reply to that.

Mr. NESBITT: They don't appreciate it even when you work for nothing.

Mr. J. A. NELSON, called, sworn and examined.

By Mr. Pringle:

Q. You are the store superintendent of the William Davies Company?—A. Yes.

Q. How many stores have you?—A. We have thirty-eight in Toronto, eleven in different parts of Ontario and sixteen in Montreal.

Q. That is sixty-five altogether?—A. Yes.

Q. How is this business conducted. Where does your meat come from?—A. Our hog products and bacon come from our own plant. Our meat products, such as beef, veal and lamb, come from our own plant and any other plant where I can buy. I am a free lance in the market and buy wherever I can to the best advantage.

Q. Now the price of your hog products. Is that based on the price to you plus a percentage which you consider necessary for your profit?—A. I have a weekly price list which comes from the head office. It shows what I am charged for the product and what we would sell it for wholesale but there is no wholesale inasmuch as we sell to our own stores.

Q. Then the price the stores are charged for bacon and ham and everything connected with the hog?—A. I make out my retail price list from my costs.

Q. These are sent to you cost. There are no selling expenses connected with them. Do you get them at a price lower than they would be sold to the ordinary trade?—A. Yes.

Q. Do you know how much lower these are put into your retail stores than they would be put into a retail store not in any way connected with the William Davies Company.—A. Possibly half a cent a pound.

Q. Then when you get this product in your store, you fix the retail price?—A. Yes.

Q. And what do you add for the retail price?—A. Around twenty to twenty-two per cent. Sometimes less and sometimes more.

Q. What would be the average percentage you would add in the case of the hog products?—A. About twenty to twenty-two per cent.

Q. What do you estimate that twenty to twenty-two per cent has to go to overhead expenses or handling expenses?—A. From seventeen to twenty per cent according to my columns.

Q. So you would expect to have a margin of about two per cent?—A. For the last six years my net margin was fractionally over two per cent or almost two and a half per cent net.

Q. That is on your hog product?—A. On the general business.

Q. Now then, what would the volume of business be in the 65 stores last year?—A. Close on three million.

Q. And you would have a profit on that of about 2½ per cent?—A. I could not say without giving you the data, to be close on that.

Q. Have you the data?—A. Yes. Here it is. I have gone back to pre-war conditions.

Q. You furnish a statement of the retail stores with the profit and loss. 1912-13 sales, $2,646,160.76; gross profits, $532,528.62; charges, $407,611.70; net profits, $124,916.92; gross 20·12 per cent, charges 15·40 per cent, net 4·72 per cent. That is net on the turnover?—A. Yes.

[Mr. Philippe Furois.]

APPENDIX No. 7

Q. You follow that down, some years smaller, and in no year do I see it larger. In 1915 your net profits were $59,277.48, gross 20·85 per cent, charges 18·55, net 2·30. I suppose the volume fell and consequently your profits were not as large?—A. Yes, and my charges were proportionately larger. They were going up.

Q. Take your profit, $124,916.92. Would it be possible for you to say the amount of money used in that business, not the amount of turnover, but the amount of capital? I do not know what the capital of the William Davies Company is?—A. No, sir, I could not tell you.

Mr. NESBITT: You could easily figure from the statement.

By Mr. Pringle:

Q. The sales were $2,646,160.76, gross profits $532,528. We can deduct that from the sales, and your net turnover is 4·72. I do not suppose you can tell us about any other class of business? (No answer).

Q. 1918 is smaller still. In 1918-19 your sales amount to $2,900,098, gross profits $595,361.19, your net profits $64,688.02, gross 20.53 per cent, charges 18·30 per cent, and net 2·23. One year, the year before that, your net profit was less than a cent; it was ·14 of a cent?—A. Yes.

Q. The average is 2·46 in seven years?—A. Yes.

By Mr. Nesbitt:

Q. Have you the average operating percentage?—A. Yes, 17·91.

By Mr. Pringle:

Q. You have the whole thing figured out pretty well. The total amount of business was $18,990,271.82; gross profits, $3,867,597.28; charges, $3,400,098.25; and net profits, $467,499.03?—A. Yes.

Mr. NESBITT: On what sized business?

Mr. PRINGLE: $18,990,271.82. The average gross profit was 20·37, charges 17·91, net 2·46. We had better file that statement. I do not know that there will be any great advantage in going into the fresh meat business. It is all included in this?

The WITNESS: It is all included in this. I can give you a copy of my beef report showing sales, average cost and retail price.

By Mr. Pringle:

Q. Will you file your statements?—A. Here is a statement of the beef.

Q. William Davies Company retail stores, March 31, 1918, to March 31, 1919, purchases 4,968,645 pounds, value $926,557.91; sales, 4,666,116 pounds; value, $1,176,-322.73; average price per pound cost 18·65, sold 25·21, gain for year, $249,764.82; percentage of gain for year, 21·23; weights lost, 6·48?—A. Shrinkage and evaporation.

By Mr. Nesbitt:

Q. What is the net profit?—A. There is no net there. It is all included in the other statement. For our own satisfaction we keep the fresh meat separate to see how we are getting along.

Q. You evidently do not lose any money on it?—A. I am trying not to.

By Mr. Pringle:

Q. What other statements have you got?—A. I have made inventories at each stock taking period, showing my daily average sales and so on. My average cost is shown in these statements.

Q. The ordinary retailer who goes to the William Davies Company to buy the hog products pays about a cent a pound more, I think you say?—A. No.

Q. Half a cent?—A. Yes. There is no selling charges in selling to our branches.

[Mr. J. A. Nelson.]

Q. That enables him to compete with you?—A. Yes.

Q. You do not get any advantage in that way that would put the retailer out of business?—A. No, sir.

Q. This shows the stock in the store, the stock being turned over every so many days?—A. Possibly about six days, outside points necesarily a little longer, having to carry a heavier stock.

By Mr. Davis:

Q. Six days in Toronto and outside points five days?—A. Yes.

By The Chairman:

Q. I would like to clear up something that has been brought up before the committee. When the goods are shipped from your packing house to the retail stores, are the retail stores charged the gross weight of the goods?—A. Just whatever the goods really weigh. If they weigh a hundred pounds, we charge for a hundred pounds.

Q. Are you given any credit for office? For instance, you get a hog shipped to you with a flat weight of 100 pounds?—A. I have nothing to do with the hogs being received. I only administer the retail business. We have no hogs shipped in to us at all, and we only buy from our own house or through any inspection house. We get absolutely nothing—We only get the hog, and if we get the offal we have to pay for it.

Q. You do get hogs from your own packing house?—A. Yes.

Q. And if a hog is shipped through your packing house to one of your retail stores, the retail store is charged up, and if the gross weight is a hundred pounds, that is what is charged?—A. Yes.

Q. Is there any allowance made for the offal in that hog?—A. There is no offal in it, if it is a dressed hog.

Q. When you ship a roast, for instance, and cut the bone out of it, you weigh the roast before the bone is cut out?—A. Yes.

Q. What do you do with the bone?—A. If the purchaser wants it, it is sent to him, and if not it is thrown in the waste box.

Q. Have you a system by which those wastes or offals are gathered up and sent back to your factory?—A. Or some other factory.

Q. You are credited then, when these are shipped back?—A. Yes, that is the way.

Q. Are the credits you will make on account of that part of the revenue of the store?—A. Yes.

Q. Or are they used in some other way?—A. No, they are part of the revenue of that store. They are put down on the beef record, and the beef department gets credit for whatever weight goes out as fat or bone.

By Mr. Nesbitt:

Q. Is that shown in that statement of your profit?—A. It is included.

By The Chairman:

Q. Have you any system then by which your stores will show an excess in pounds of meat sold over what they receive?—A. We have a system whereby we show what we actually sell and none of them ever show that they have sold more than they have received because necessarily there is always a shrinkage. There is an evaporation going on all the time.

Q. You will say, then, that instead of the retail store having an excess in sales over and above what they receive, there is a depreciation?—A. There is a shrinkage always.

Q. Always a shrinkage?—A. Yes.

Q. Have you any system in your retail stores by which the manager of a retail store would participate in any increase above what would be returned as the weight of the meat that you would be expected to get out of each hundred pounds that was shipped in there?—A. No, there would be no advantage accruing to him.

[Mr. J. A. Nelson.]

Q. Nor to any one unconnected with the retail business?—A. No.

Mr. Davis: I understand the matter is worked out, in this way: I go into your store and buy a three-pound roast, perhaps a shoulder roast. You weigh it with the bone in it. and I tell you take the bone out. Now you have charged me with that? And if you credit the manager of the store with the weight of that bone, that is an overage on the price. Suppose that you charge him with one hundred pounds of meat at the retail price, he must account for that. Well, he has got his money from the sales, and he has got so much for the weight of the bone.

Witness: That is infinitely small on a three or four pound roast. Most people people take the bones, and if they do not want them they are thrown into the box.

By Mr. Davis:

Q. You say that does not go in your stores?—A. No, sir.

Q. And there is never any surplus in the cash of the local store for what would be charged on the weight?—A. No sir, absolutely not.

Witness discharged.

Mr. C. R. Hickman, called, sworn and examined:

By Mr. Pringle:

Q. You are manager of the Matthews-Blackwell Retail stores?—A. Yes, sir.

Q. How many retail stores have you got?—A. Fourteen.

Q. Where are they situated?—A. In Ottawa.

Q. All in Ottawa?—A. One in Hull and thirteen in Ottawa.

Q. What is your system with regard to supplying your retail stores?—A. We draw all our supplies from the packing house at Hull with the exception of some that we buy outside when we can beat the prices the packing house has given you.

Q. You try to beat your own packing house once in a while.—A. Yes, sir.

Q. Do you manage to do it?—A. Occasionally.

Q. Can you show us any statement of your retail store system in Ottawa and Hull, and show what you are getting out of the public?—A. No, sir. I did not bring statements along. I was only asked to bring retail prices. I can tell you something about the stores from memory, but I did not bring any statement along with me.

Q. How are your retail prices fixed?—A. According to the cost of beef, for instance, we aim at making a gross profit of eighteen or nineteen per cent.

Q. With a gross profit of eighteen or nineteen per cent, what is your net profit?—A. Our net profit would be between two and three per cent.

Q. That is on your turnover?—A. On turnover, yes.

Q. Can you give this Committee an idea—take your turnover for last year—of what your profit would be. What was your turnover for last year?—A. About nine hundred thousand dollars.

By the Chairman:

Q. Do you remember what your net or gross profit was for last year?—A. No, I do not remember that.

By Mr. Pringle:

Q. Take it at nine hundred thousand dollars and say two-and-a-half per cent?—A. That would be twenty-two thousand, five hundred dollars.

By Mr. Nesbitt:

Q. What was your real net profit?—A. I do not remember that from memory.

By Mr. Pringle:

Q. I do not think your evidence is of much use unless you can file a statement showing us your gross and net profit.—A. We have a statement on file.

Q. Why cannot you show a statement showing the turnover for say the last three years and giving your gross profits, net profits, and the percentage on your turnover.—A. I could get that statement and let you have it.

By Mr. Nesbitt:

Q. You pretend to do business on a gross profit of about nineteen per cent?—A. Yes, sir.

By the Chairman:

Q. You have deliveries throughout the city?—A. Yes, sir.

Q. Do you handle butter and eggs?—A. Yes, sir.

Q. What gross profit do you figure on in butter, about the same percentage?—A. We average our cost and aim at making eighteen or nineteen per cent profit on our own turnover, everything.

Q. Do you place a larger percentage on one commodity than on another?—A. We average it up.

By Mr. Pringle:

Q. You are making a larger average on your stores than the William Davies Company.

By Mr. Reid (Interrupting):

Q. What do you figure your delivery costs you?—A. That is all embodied in the expenses.

Q. I am aware of that, but what do you consider your delivery costs you. In other words, what could you sell your goods for over the counter, cash and carry?—A. We have not had that figured out.

By the Chairman:

Q. It would make a very material difference?—A. Probably about one cent a pound. We could probably sell one cent a pound less by taking off our delivery system.

By Mr. Pringle:

Q. You make a little more than the William Davies Company. They make a thousand dollars net on each store. Take last year, their net profit was sixty-four thousand, six hundred and eighty-eight dollars and two cents for the sixty-five stores. That would be a little less than one thousand dollars for each store. Yours is about two thousand dollars each for thirteen stores. Your average is a little higher.—A. A larger turnover.

By the Chairman:

Q. You heard the question I put to Mr. Nelson?—A. Yes, sir.

Q. Have you any system of surplus weights or overages in connection with your retail stores?—A. No, sir. Apparently our system is carried out very similar to the William Davies Company. If the purchaser wants the bone, the bone is sent along with the parcel. If not it goes into the waste box and is returned back to the plant.

Q. The point I was trying to bring out was this: Have you in any of your stores returned a greater weight in sales than the weight of the goods that has been charged up to this store?—A. We do not keep track of our beef sales separately.

Q. Take your meat sales in the aggregate—I do not care whether it is beef or pork—do you ever have a store that will handle twenty-five thousand pounds of meat shipped into it and sell out of it twenty-six thousand pounds?—A. We do not keep track of our meat sales separately.

Q. Have you any system by which your store managers or employees would participate in profits earned in that way?—A. No, sir.

Q. None, whatever?—A. No, sir.

By Mr. Davis:

Q. What is your system of keeping a check on the managers of your local stores. How do you know that they do not get ahead of you?—A. He is put in there to take charge of the store, and according to the prices we figure on eighteen or nineteen per cent gross profit. We take stock every four weeks. If he is not showing eighteen or nineteen per cent, but is showing less, there is something wrong, either waste or dishonesty. We are able to check that up by taking stock every four weeks. The cashier handles the cash entirely.

By Mr. Pringle:

Q. You have a cash register?—A. Yes. It could only be in the handling of the goods. If he was giving goods away or wasting them his gross profits would not come out.

By Mr. Reid:

Q. Could he not slip out a roast by the back door?—A. That would not materially alter the figures. I suppose that could be done.

By Mr. Nesbitt:

Q. But he would be shy a little if he did that often?—A. Yes, we do have cases of dishonesty.

Q. Do you ever have any trouble with your managers?—A. Frequently.

By the Chairman:

Q. But you have no system by which there is a premium placed on a man getting more out of the goods than they actually contain?—A. Oh, no, not getting more.

Q. That is the point I want to have made definitely clear, because, to be frank with you, it is alleged that they have.

By Mr. Nesbitt:

Q. (interrupting). That is they say you charge a customer for more goods than the customer receives?—A. We issue a retail price list, the same prices to every store, and we insist that it shall charge that price to the customer, not any less or any more.

By the Chairman:

Q. It is alleged that you have a system by which your store managers will participate in profits earned through giving light weight.—A. No, sir.

By Mr. Davis:

Q. Suppose you served out one thousand two hundred pounds of meat and on that you averaged say twenty-five cents a pound. That would be three hundred dollars. It is all weighed out bones and all, and the man at the end of the time has a certain amount of bones and refuse which he accounts for as well as his cash.—A. It is a very small percentage.

By the Chairman:

Q. Does he participate in a revenue that a store would earn in that way?—A. No, sir.

[Mr. C. R. Hickman.]

By Mr. Davis:

Q. He has weighed it out to the customer and then taken out certain things.

By the Chairman (Interrupting):

Q. There is no inducement for the Manager to do anything but give the customer exact weight, and at the price you set out he shall do it.—A. None whatever.

By Mr. Reid:

Q. How do you know that you get back all the bones from your retail store which they may get out of the roasts? There might be a fat bone disappear?—A. We don't know that. If the customer desires to have that bone, we send it up.

Q. Supposing your customer is getting a roast, in taking out the bone, there is considerable meat left on the bone?—A. We would hear from the customer.

Q. The customer would not want the bone I am speaking of.—A. No, but she would want the meat that is on it. If we took off the meat with the bone we would hear from her.

Q. But the customer would not be there watching that bone cut out. Supposing it was an order over the telephone?—A. They take that bone out just as carefully as they can, and just as cleanly.

Q. How is that customer going to know that that bone is taken out as cleanly as possible?—(No answer).

Mr. Nesbitt: What good would that meat be that was on the bone. What would you do with it? Sell it for cat meat?—A. They take the bone out clean. There is no meat left on the bone.

By Mr. Reid:

Q. Did you ever have a case of a customer telephoning back to any of your stores that the meat as delivered to him from your store was not according to his bill, not according to the weight as appearing on your bill?—A. Sometimes we have had calls of that description, where, say, two pounds of meat was ordered, and we have cut off a little more than two pounds and we have charged for it by weight.

Mr. Nesbitt: I have had that experience myself.

By Mr. Reid:

Q. You deal quite a bit with hotels and restaurants?—A. To some extent.

Q. As a rule they check up pretty closely, do they not? I know they do?—A. Yes.

Q. Have you ever had them check you up and tell you they were two pounds of meat short?—A. Yes.

Q. That has happened?—A. Yes.

Q. How has that happened?—A. Through the carelessness of the clerks.

Q. Through the carelessness of the clerks?—A. Yes. That is always rectified whenever we get a call of that description.

Q. I am sure. But, supposing they did not ask you, what would happen? There would be an average on that store?—A. Exactly.

By Mr. Pringle:

Q. I think you had better file that statement?—A. All right, sir.

(Witness discharged).

The Committee adjourned until 11 Monday, June 30.

MONDAY, June 30, 1919.

The Special Committee to inquire into the prices charged for Food Stuffs, etc., met at 11.30 a.m., the Chairman, Mr. Nicholson, presiding.

Members present:—Messieurs Davidson, Davis, Douglas (Strathcona), Euler, Nicholson (Chairman), Reid (Mackenzie), Sinclair (Queens, P.E.I.), and Stevens (Vice Chairman).

The CHAIRMAN: Are there any communications?

The CLERK: I have three or four communications here, Mr. Chairman.

The first is from the Paton Manufacturing Company, of Sherbrooke, as follows:—

"As other manufacturers have been allowed to produce samples of cloth before the committee with their selling prices and their figured costs, we beg to respectfully submit that it is only fair that we should be allowed to do the same. We are, therefore, taking the liberty of sending you herewith some samples of our cloths, with the selling prices and approximate estimated costs as figured by us, marked on each line for fall, 1918, and fall, 1919, and request that our samples be submitted to the Chairman and members of the committee for their inspection and consideration. We are informed by a clothing manufacturer who makes staple lines that he requires on the average of three and three-eighths yards of our cloth to make a suit and two and seven-eighths to three and one-quarter yards to manufacture an overcoat or ulster, according to style.

"We give below memo of our prices and cost of cloth per suit, and overcoat, from the undermentioned fabrics, and have calculated the yardage for overcoatings and ulsters at an average of three yards each.

3118 Overcoating, price	$2 00	Cost of cloth per overcoat	$ 6 00
2876 " "	2 55	" " "	7 65
2876 " "	2 80	" " "	8 40
No. 4 Beaver, price	4 00	" " "	12 00
3128 Tweed, price	2 35	" " suit	7 94
3069 Serge, price	2 95	" " "	9 97
1775 Fine Worsted Mixture, price	3 45	" " "	11 66

"The above is for the fall of nineteen hundred and eighteen.

"Now, the fall of nineteen hundred and nineteen:—

3190 Overcoating, price	$3 00	Cost of cloth per overcoat	$ 9 00
2876 " "	3 25	" " "	9 75
No. 4 Beaver, price	4 40	" " "	13 20
3145 Suiting, price	2 35	" " suit	7 94
3134 " "	2 50	" " "	8 45
3069 Serge, price	3 05	" " "	10 30
1775 Fine Worsted Mixture, price	3 65	" " "	12 33

"The business War Profits Tax is not taken into consideration in the above statement of estimated costs as figured by us."

It was moved by Mr. Davis and seconded by Mr. Reid, and carried unanimously that the above letter be printed as a supplement to the evidence given by Mr. Paton.

Here is another letter from the Great War Veterans Association from Guelph, Ontario.

Then I have some voluminous correspondence here from Vancouver in reply to the request made by an earlier motion of the Committee, and telegrams which we sent to the various mayors of the different cities of Canada. This correspondence is from Mayor R. H. Gale, of Vancouver.

The CHAIRMAN: Here is a matter which I think should go on record. You will recall at the commencement of our sittings a regulation made with regard to a large number of large firms in Canada buying all the space on the Canadian-Australian steamships, and prohibiting the importation of meats and perishable products, and this (indicating) is the evidence taken by this Committee, which Committee, as appointed by Mayor Gale, have confined themselves exclusively into going into this particular subject and their final paragraph in their report I think should be inserted in the record. (Reading) "Your Committee therefore after investigating the matter thoroughly from every possible angle is of the opinion that there is no foundation whatever for the charge complained of, and if the Cost of Living Committee, or the Government deem it necessary to make any further inquiry this could possibly be done by referring same to the Canadian Trade Commissioner in New Zealand for which purpose we are enclosing copies of the evidence of Mr. Irons, so that he may more easily be made cognizant of what has occurred here."

Mr. DAVIS: The sum of it is that they cannot get the evidence there.

The CHAIRMAN: The part they cannot get was in regard to the reason why meat was not being shipped.

Mr. DAVIS: Would it not be wise and perhaps advisable to lay that on the table for the present.

The CHAIRMAN: I think it should be further considered.

(Report tabled.)

The CLERK: Here is a very lengthy petition, it is the usual petition from the Presbyterian Church at Westminster, British Columbia, recommending the appointment of a Board of Food Commissioners with powers such as those of the Railway Commission.

The CHAIRMAN: File it with the rest of the petitions.

Here is a letter from the Merchants Consolidated containing information with regard to the leather situation which would seem to make it imperative that we get some evidence from the tanners.

Mr. ISRAEL MONTREUIL, called, sworn and examined.

(The evidence of this witness was given in the French language and was translated into English by Mr. Clement Beauchamp, sworn interpreter.)

By Mr. Pringle:

Q. Are you connected with the Dominion Fish and Fruit Co.?—A. Yes.

Q. In what capacity?—A. I am the president.

Mr. DOUGLAS: What company is that?

Mr. PRINGLE: The Dominion Fish and Fruit Company of Quebec.

Q. Do you carry on a cold storage business?—A. Yes.

Q. Are you an incorporated company, and if so, under what laws are you incorporated—the Dominion or the Federal laws?—A. We have a provincial charter; it is a limited company.

Q. Have you got your annual statements for the last three years?—A. I have forwarded the annual statements for the last three years to the Committee.

Q. Do you store a very large quantity of butter?—A. We keep quite a quantity in storage for our own purposes and for storage purposes.

Q. During the time the Food Board made the regulations in regard to the quantity in storage did you exceed the quantity very much?—A. The Food Board took five thousand boxes.

Q. What did these boxes contain—how much?—A. From fifty to fifty-six pounds.

Q. That is rather a difference from five thousand pounds?—A. Yes, sir.

Q. About two hundred and fifty thousand pounds?—A. Yes, sir.

Q. What was the object in storing two hundred and fifty thousand pounds in excess of the quantity permitted by the Food Board?—A. The Food Board sent no notification on to my company; they sent a formal notice to the Montreal companies, but my company was not notified with regard to these regulations.

Q. That is the reason you had an excess of two hundred and fifty thousand pounds?—A. Yes.

Q. And the Food Board ordered that to be distributed amongst the consumers?—A. The Food Board took possession of my butter and had it sent to Montreal.

Q. I am rather of the opinion that it was sent to the British Government. Do you know anything about that?—A. Yes, that is correct.

Q. I do not find those statements of yours—I do not find that they have been sent to this Committee?—A. The Committee asked me to forward the annual reports since nineteen hundred and thirteen. No request was made in respect to these.

Q. I do not know what the desire of the Committee is, but I do not see how we can get on without your statements.

Mr. DOUGLAS: Has he none at all?

By Mr. Pringle:

Q. Have you no statements at all?

Mr. DOUGLAS: Could we not let this witness go until these reports are produced?

Mr. PRINGLE: Yes, we could do that.

Mr. MONTREUIL: I don't know to whom I forwarded these reports. I mailed them last Friday.

By Mr. Pringle:

Q. Do you know who the person was who requested this information?—A. No, my accountant receives the information.

Q. What did you store in your cold storage plant? Did you handle fish, fruit, meats, butter, and so forth?—A. We store practically everything, provided it is in good condition when we receive it.

Q. Do you purchase large quantities of produce and hold it in storage for a rising market?—A. Not at all, positively. We keep what we want for the regular trade.

Q. What is your regular trade—retail trade?—A. Wholesale business.

Q. You sell to the wholesalers?—A. We keep a wholesale business. We sell to the retail merchants.

Q. I cannot very well proceed without your statements. Is there a fixed rate for storage?—A. I have a fixed monthly rate for fruits and vegetables and I have a special rate for freezing meats. I have another rate for keeping goods in storage.

Q. Is there any limitation on your profits?—A. We take the ordinary profits.

Q. But you are not limited in any way on the profits which you can take?—A. No limitation at all.

Q. Do you store large quantities of eggs during the summer season for sale in the winter?—A. We rent rooms to the wholesalers in Quebec where they put their own eggs in storage, and beside that we purchase eggs and sell them in the winter—seven or eight hundred boxes.

Q. Can you give us an idea of the price at which you purchased eggs in the summer, and the price at which you sell them in the winter?—A. We are paying at the present time forty-eight or fifty cents for eggs wholesale.

[Mr. I. Montreuil.]

Q. What did you pay for eggs this time last year?—A. There is very little difference in the price.

Q. What did you sell eggs for in the winter?

By Mr. Douglas:

Q. The highest price?

By Mr. Pringle:

Q. The highest price you obtained for eggs during the winter; that is, the eggs you got into the store during the summer?—A. Seventy cents.

By the Chairman:

Q. What were you paying for the eggs?

Mr. PRINGLE: He said forty-eight and fifty cents.

By Mr. Pringle:

Q. These are the eggs which were purchased for forty-eight and fifty cents during the summer?—A. Forty-eight and fifty cents.

Q. Let us take it at fifty cents?—A. I want to make an explanation. I claim there are quite a quantity of eggs which are loss. My employees have to sort them—

Q. (Interrupting) What we are trying to get at is—I want to know the spread between the cost of the eggs during the summer season and what you charge for them during the winter. You give us that spread as 20 cents a dozen. What does that cover? If you want to explain any shrinkage or loss you can do so. Does that cover the charge for storage for a period of five or six months, or does it cover anything else? —A. That margin of 20 cents will represent the storage of these eggs that has to be paid for.

Q. You buy the eggs at 48 to 50 cents and sell at 70, a spread of 20 cents?—A. And there is the interest on investment.

Q. Then that 20 cents is to cover storage and interest on your investment?—A. Yes, and the loss of the eggs that are sorted out. I want it understood that it is 70 cents a dozen in winter. That is the maximum.

Q. What was the average price in winter?—A. It varies from 65 to 70 cents, and sometimes it may be 60.

Q. And sometimes it is even higher than 70, is it not?—A. Not last winter; I did not sell at more than 70.

Q. What do you think would be a fair price in the winter months for eggs?—A. We did not store eggs or sell them on a big scale. It is just a small business. It is rather the other wholesalers that put the eggs there, the regular egg business.

Q. Between yourselves and the wholesalers, who are able to store a very large quantity of eggs?—A. I rent the rooms to the wholesalers, and leave them free to do what they want.

Q. Can you give us any idea how many dozens of eggs are stored in your plant in a season, everything included?—A. No, sir, I cannot give any information in regard to the maximum quantity of eggs that are stored. I rent these rooms, and do not bother to find out.

Q. You evidently were getting a higher price on account of the scarcity. It would appear that the average winter price for eggs was about 51 to 52 cents, and you were enabled to get in Quebec 70 cents a dozen?—A. We looked after our own business, and did not bother about the other, and my company does not regulate the price of eggs.

Q. It is rather the wholesalers who have the eggs in cold storage?—A. Yes.

Q. I do not know whether you follow the wholesalers or the wholesalers follow you, but the fact remains that eggs which cost 48 cents you keep in cold storage for

[Mr. I. Montreuil.]

a few months, and the people of Quebec have to pay 70 cents. I find that in Toronto the price apparently was 54·4 cents a dozen, in Montreal 51·81, and in Quebec it was 70 cents. I see the average cost throughout the Dominion as shown in this statement which I have in my hand is somewhere about 48·9 cents. You see they average between 48 and 50. Why is it necessary to get 20 cents to cover interest on investment and storage. They are not an expensive commodity to store, are they?—A. You are placing a wrong construction on my evidence regarding the margin of 20 cents. The eggs have been sold at times at 70 cents a dozen, but that was at a time when there was great scarcity.

Q. It was the great scarcity that enabled you to get 70 cents?—A. I wish it to be understood that the firm does a very small business in eggs.

Q. You have already tried to impress that upon us, but your firm rents space to wholesalers, and between the wholesalers and yourselves you gather in all the eggs that you can in that market, and hold them for the winter months and sell them in that market, and you are enabled to get an advance of 20 cents a dozen. Why can you not tell the Committee about the number of dozens of eggs that you store, that you purchase in the summer months at the 48 cents and sell at the 70 cents? Roughly how many hundred dozens—the wholesalers and yourselves?—A. I cannot give any information in regard to the number of eggs stored in the rooms rented to the wholesalers.

Q. Do you sell at the same price in winter as the wholesalers?—A. When we have some in stock, we sell at the same price.

Q. You keep them in stock till you sell at the high price?—A. We sell the eggs regularly when we have any. We follow the fluctuations of the market.

Q. And it is the scarcity of eggs that enables you to get the 70 cents a dozen?—A. The price of 70 cents is fixed by the wholesaler. When they charge 70 cents we act accordingly providing we have the eggs.

Mr. Davis: I ask that this witness be dismissed for a few minutes until we get Dr. McFall's report, and then we can resume.

By Mr. Pringle:

Q. I find the records show that the average price during last winter of strictly fresh eggs was 70 cents. Were you selling these eggs as strictly fresh eggs?—A. No, sir.

Q. You were selling these eggs at the market price of strictly fresh eggs?—A. I sold these eggs as storage eggs.

Q. Did you sell any strictly fresh eggs?—A. No sir, I did not sell any fresh eggs.

Q. How was it you were enabled to get the price of 70 cents—which was the price for strictly fresh eggs—for storage eggs?—A. I sold these eggs which were stored at the same price as the wholesale merchant, and another reason, why should we offer these eggs as a gift?

Mr. Douglas: Another glory of God man!

By Mr. Pringle:

Q. Do you know what the price was for strictly fresh eggs in Quebec at the time you were selling these storage eggs at 70 cents—A. I bought strictly fresh eggs for my own personal use at the grocers for 90 cents a dozen—I paid as much as that.

Mr. Pringle: This witness might stand aside until we get the papers and we can take him up afterwards.

Witness: I have to leave at 3 o'clock, and have to be in Quebec without fail to-morrow morning.

Witness retired.

[Mr. I. Montreuil.]

Mr. GEORGE HENRY PRECIOUS, called, sworn and examined.

By Mr. Pringle:

Q. You are the manager of the Miles Coal Company of Hamilton?—A. Yes, sir.

Q. Is the company incorporated or is it simply a partnership?—A. An incorporated company.

Q. Under what laws?—A. Ontario.

Q. Provincial?—A. Provincial.

Q. Who are the shareholders in the company?—A. Mr. Miles, his son, his wife and four daughters.

Q. You have handed to the committee a statement of your business for the years 1914-15, 1915-16, 1916-17, 1917-18, 1918-19. I see from this statement that your profit in 1914-15, your net profit per ton, was 38 cents; that your total profits were $9,085.78. For 1915-16 your profits were 19 cents per ton, and your total net profit $4,654.40. In 1916-17 your profits per ton were 99 cents, and your total profits $25,695.13. For 1917-18 your profits were 62 cents per ton, and your net profits were $14,878.35. For 1918-19 your profit was 17 cents per ton, and your cash profit $3,586.28. In going into these figures, there does not seem to be any allowance in them for your manager's salary. He manages other businesses, and that will be deducted from that?—A. You are speaking of Mr. Miles?

Q. Yes?—A. Yes, that comes out of this afterwards.

Q. Your average profit for five years is 47 cents per net ton. I find that your total profit for the period of five years is about $57,500. What is the capital invested in this business?—A. $170,000.

Q. Do you know whether it is paid up capital?—A. Paid up capital.

Q. So that your average return for the five years would be $11,500 a year, less such proper allowance as would be allowed to Mr. Miles for his being engaged in the business. As I understand he only devotes part of his time to this business and part of the time to other businesses?—A. Yes.

Q. That would be $11,500 a year less whatever that allowance should be. Your net return would be between six and seven per cent on your capital?—A. That is correct.

Q. It is not quite seven per cent and it is a little more than six per cent. In this statement you have given us the quantities of coal handled each year and the price paid for it at the bridge? What do you mean by that?—A. During those years we paid at the bridge. After 1917 they changed that to the mines, so we are buying to-day at the mines.

Q. Prior to 1917 you paid at the bridge, that is the boundary line?—A. Yes.

Q. This statement gives the net ton price at the bridge. It also gives after 1917 the net ton price at the mine. Then it gives the net ton transportation charges at the bridge?—A. From the bridge.

Q. It gives the transportation charges from the mine. Then it gives the average total cost per net ton at Hamilton:—$6.05 for the year 1914-15; $6.46 for 1915-16; $6.52 for 1916-17; $7.18 for 1917-18; and $9 for 1918-19. Then you have your cost, net ton delivered, and the average selling price. In 1914-15, your net cost delivery was $1.32; in 1915-16, $1.35; in 1916-17, $1.49; in 1917-18, $1.70 and in 1918-19, $2.33, so that your average selling prices were:—in 1914-15, $7.75; in 1915-16, $8; in 1916-17, $9; in 1917-18, $9.50, and in 1918-19, $11.50. That coal you are now selling at $11.50 stood you delivery $11.33?—A. Yes. We handle a coal that costs more than the ordinary coal.

Q. You have other accounts in detail which show this balance?—A. That is our general statement taken out of our business. That has been figured out for the income tax. That is our other business, the interest on notes, mortgages, rent, apartment houses and profits from the warehouse.

[Mr. G. H. Precious.]

APPENDIX No. 7

Q. Generally speaking, Miles charges up against all the business a salary of $5,000, and no portion of that $5,000 has been charged against the coal business. That would have to be deducted if we are to get at the actual net profit?—A. Yes.

Mr. PRINGLE: You do not seem to be getting more than you are entitled to, so far as I can see.

By Mr. Douglas:

Q. How do you account for the distinct difference between 1915-16 and 1918-19? The ratio of profit seems to have been very heavy in 1915-16.

Mr. PRINGLE: They got a very good profit that year; I do not know why. Your coal gave you that year, delivery, $8.01, and you had a net profit of 99 cents a ton. That is the only year in which they seem to have made a large profit.

By Mr. Douglas:

Q. They got up to 74 or 75 cents and dropped down to 17 cents?—A. The only reason I can give is that in other years we used to estimate large piles of coal. Now we keep an account to send into the Government. We take stock of all the incoming cars and all the outgoing cars, so that we have now a better account of the actual amount coming in and going out.

Q. Are we to deduct from that that in 1916 your ratio of profit was not very accurate?—A. I would think that the estimation in the old days—we used to estimate piles of coal, and I do not think any two men would estimate them alike. I think the system we have now of keeping a real stock book with all the cars coming in is better. We check every month by the accounts we pay, and then we put against that the outgoing. Of course, at the end sometimes there will be a shortage, because there is a shortage in coal.

Q. Had the regulations of the Fuel Controller anything to do with it?—A. When we had to make these reports, we felt we would have to adopt a new system. In those days it did not matter so much, but now we have a stock book, and last year was taken from the stock book.

By Mr. Davidson:

Q. Those regulations would make for less profit on your part, and for cheaper coal to the consumer?—A. I think in years gone by we used to guess a good deal at our piles.

Q. You guessed too big?—A. Naturally.

Q. You were not making the profit you thought you were making?—A. I don't think we were. If you go to a pile of coal, as I have done, and say to one man, "What do you think is in that pile?" He says, "There is a thousand tons there". You go to another man who is working in another bin and say to him, "Here, look at this bin, what is in there". He says five hundred tons.

Q. When the pile is cleaned up there may be a loss?—A. Yes, and the screenings.

By Mr. Pringle:

Q. I find that in 1916-17 you had 90 cents a ton, that seems to have been the largest year in the delivery of coal. You ran to 25,832 tons as against 19,281 tons in 1919. How do you account for that difference?—A. As I say, it might be that in those other years there was more coal in the piles than what we estimated.

Q. You sold in 1916-17, 25,832 tons, while you only sold 19,281 tons in 1918-19? A. Supplies were suspended at the mine from May until August. They would not give us any more. In March we had ceased to get a big stock, and we got that opportunity to put it in, so we carried it over to last year.

Q. Do you know if this $170,000 capital is all paid up and used in this business? —A. Positively.

[Mr. G. H. Precious.]

Q. I suppose it takes more to run the business?—A. We have to borrow from the bank every year.

Q. There is no doubt, as Mr. Douglas has pointed out, that you seem to have had a very large profit in 1916-17?—A. It shows that.

Q. Your coal cost you almost as much in 1915-16 and you sold it at $8 a ton. In 1916-17 you were enabled to get $9 a ton?—A. Wages were going up and different things. It was pretty hard to get at the exact amount until the end of the year. It is a difficult thing to put a price on coal and then come out at the end of the year. Last year, if we had sold a little cheaper, we would have lost on last year's business.

Mr. DOUGLAS: You were regulated last year.

WITNESS: It is difficult to set a price on coal with the price of labour.

By Mr. Douglas:

Q. Your delivery charge ran over $2; is that the cost of delivering the coal?—A. That is the cost of the delivery, office expenses and wages; the cost of the coal after it leaves the car and goes to the consumer.

By Mr. Pringle:

Q. As a matter of fact, you have had this as high as twelve dollars and a half and as low as ten dollars and a half. Your average is eleven dollars and a half?—A. Yes.

Q. What is your price now, twelve dollars and a half?—A. If we feel we are a little too high we go back again, perhaps, to a lower price. We have some great expenses—one month, I know in particular, the expenses were three dollars and a half a ton, because we were not getting the coal; they were not shipping to us; we had twenty horses in the stable, and we could not let the men go because we were afraid to, and it was a very difficult matter at that particular time to run our business.

By the Chairman:

Q. Following up Mr. Douglas' point the difference between the cost of delivering coal in nineteen eighteen and nineteen nineteen and nineteen fourteen and nineteen fifteen is one dollar and one cent per ton. It rose from a dollar and thirty-two cents to two dollars and thirty-three cents per ton. That was due to, as you say, the difficulty in regulating the size of your forces, the number of men and teams which you kept available, or was it due to an advance in the wages paid?—A. It was principally due to our coal not coming along last year. Our expenses were very high last year. We had practically three months with nothing doing at all. I was going to New York and Philadelphia and trying to get them to ship our coal. I have letters here to show you if you wish to see them. We could not do a thing. The whole situation was under the control of the United States Fuel Administration, and they would not do a thing for me. While I was away for these three months, there was practically very little doing around our yards, and we had to keep the men; we could not let the men go; if we did, perhaps we would have gotten busy the next week and then we would have had no men.

By Mr. Reid:

Q. What do you pay your men to-day?—A. Nineteen dollars for a single, and eighty-five cents if we hire them for teaming.

By the Chairman:

Q. Eighty-five cents an hour?—A. No, eighty-five cents a ton.

[Mr. G. H. Precious.]

By Mr. Reid:

Q. You hire them to haul by the ton?—A. Yes. We used to pay twenty-five cents years ago.

Q. Those men of whom you were speaking were they paid by the week or by the ton?—A. By the week. We have to hire extra men when we are busy.

Q. How many men do you have on a weekly pay?—A. About twenty-five men.

Q. By the week?—A. Yes, by the week on the average.

By the Chairman:

Q. You pay them nineteen dollars a week?—A. Yes, from that up to twenty-two.

By Mr. Reid:

Q. How many men would you put on to haul at the rate of eighty-five cents a ton?—A. According to the business. If we were busy and had a lot of coal in we would hire tbe men to get the coal out.

Q. What were you paying these same men in nineteen hundred and thirteen?—A. about eleven dollars.

Q. Eleven dollars a week?—A. Yes.

Q. And what commission if they were delivering by the ton?—A. Thirty-five to fifty cents.

By the Chairman:

Q. And now it is eighty-five cents?—A. Yes. I beg your pardon. It is eighty cents a ton.

Q. So the weekly wages have risen from eleven to nineteen dollars a week?—A. Yes.

By Mr. Reid:

Q. Did you say the president was Mr. Miles?—A. Mr. C. J. Miles.

Q. What is his annual salary?—A. Five thousand dollars out of all the businesses.

Q. How much of that do you figure the coal business pays?

Mr. PRINGLE: They have not charged anything.

Mr. PRECIOUS: We have not charged anything, and I don't know whether we will get at that, it has never gone through our books that way.

By Mr. Pringle:

Q. Have you a manager outside of that?—A. I am the manager.

By Mr. Reid:

Q. What is your salary?—A. I am getting three thousand now.

Q. No commission?—A. No commission. I formerly got twelve hundred and bonuses.

Q. You say that Mr. Miles and family compose the company?—A. Yes.

Q. Is it a joint stock company?—A. Yes.

Q. What are the ages respectively of the family? Give us the eldest and the youngest?—A. The eldest is about fifty and the youngest about twenty-eight to thirty.

Q. From fifty to twenty?—A. No, from fifty to about twenty-eight.

Q. Mr. Miles must be a rather old gentleman?—A. He is seventy-six, and has been in the business sixty-seven years in Hamilton, and is at the office every morning at seven o'clock and stays until six o'clock every day in the week.

Q. Do you weigh your coal as it comes into your place of business to check up the weight from the mines?—A. We have to take it, but recently we ordered them to reweigh it as we were finding a lot of shortages.

Q. Is the weight coming from the mines for a long ton?—A. Yes.

Q. What is the difference between a long ton and a short ton?—A. Two hundred and forty pounds.

Q. You are supposed to get the two hundred and forty pounds more from the mines than what you sell?—A. Yes, but we figure it on the basis—the prices I have given are net prices.

Mr. PRINGLE: I inquired on that from Mr. Precious before the committee heard him and he said: they figured it down to the net, and made the cost as if they were purchasing net tons instead of gross tons, and their statements show that.

By Mr. Reid:

Q. Yet you say you are short even in that?—A. Yes, I claim every car is short about a thousand pounds.

By Mr. Douglas:

Q. Have you any redress in a case of that kind?—A. Just recently I have been looking into the matter for that reason. I did not know what would happen with the railroads; they would send us in a statement of the weights of the car and the inspection showing the shortages, and I at once put in a claim for that. I have to-day from thirty to forty claims on different cars. Some have been paid. Then it stopped suddenly and I asked why we were not getting these reports. They said, "you did not ask for them, did you?" I said, "no." Well, I thought it over and I supposed they thought there were going to be too many claims, so I at once looked into the tariff and I found that I could by paying a dollar a car for all cars of hard coal—with bituminous coal it was a little different; you paid three dollars for that—but, if there was a difference only of five hundred pounds either way it would not cost anything at all, so we decided we would have an order given to the railroad to weigh all our cars, and we would pay the dollar on every car that came in. Now, we have had since then about ten or twenty cars weighed and some weighed five hundred pounds over, and one, I think, ran twelve hundred pounds over, but on the rest we were a thousand pounds short, up to two thousand or twenty-five hundred pounds short. I have known some cars to be as much as five tons short, that was the smaller sizes, as there seemed to be an opportunity for that to fall out of these iron cars as they are getting in such bad shape.

By Mr. Davidson:

Q. Do the railroads make up for the shortages, or the mines?—A. We put in a claim and then we have to keep writing to them. They ask for all kinds of documents, and they make it as difficult as they can for us.

Q. You put your claim into the railway?—A. Yes, and after we waited quite a while, and after we threatened to go before the Railway Board, we got our money. We may have to wait one month or six months. I have some on file now since last March, and no settlement yet. We have to give them even the freight receipts, and sometimes I think that is hardly fair to have to give them the freight receipts.

Q. They weigh the coal when they take delivery at the mines?—A. We asked them to be weighed in Hamilton. It is weighed at the mines, or some place convenient to the mine, and we asked them to weigh them in Hamilton.

Q. If it is weighed at the mines, how does it happen that sometimes there is more in a car?—— A. (Interrupting): Sometimes when they chute the coal in, it is over and they say "let it go."

By the Chairman:

Q. Have you ever been at the mines where they handled that?—A. Yes.

Q. They weigh the cars after they are loaded?—A. Yes. Sometimes the car is water-soaked and the weight is different than what the tare shows on it.

[Mr. G. H. Precious.]

Q. You could demand that the empty car be re-weighed?—A. Yes, but in a large business, it is pretty hard to do that, because of the time it takes. I had a weight the other day and the railroad did not want to re-weigh it, they did not want to do it, and, (I would not say that they actually do not want to) but it seems as if they want to make all the delays they can for us, so we will get tired of asking them to re-weigh the cars. Sometimes when we are very busy we let a ton or a half a ton go, rather than lose all the time.

By Mr. Reid:

Q. You said you have had to threaten to bring this matter before the Board of Railway Commissioners before they settled.—A. Yes, we feel thirty days is long enough for them to settle our account.

By the Chairman:

Q. Did you ever get any settlement in thirty days?—A. I would not like to say we have not. I do not think we have had many; we might have had one or two.

By Mr. Davis:

Q. Is twelve dollars and a half your highest charge for coal during the last year? —A. Last year it was, yes.

Q. You did not sell any above that?—A. No; unless it was on the mountain or outside of the city limits, but for the city deliveries it was twelve dollars and a half.

Q. Outside of the city limits you made a special charge for delivery?—A. Yes, you see when they go away over the mountain in Hamilton, the men take half a day to do it. They are so far away they keep out of our control.

(The witness discharged.)

Mr. Israel Montreuil's examination continued.

(The evidence of this witness was continued in the French language and was translated into English by M. Clement Beauchamp, sworn interpreter.)

By Mr. Pringle:

Q. Now, Mr. Montreuil, I see that you have forwarded to Dr. McFall, Commissioner, of the Department of Labour, certain statements to which you have attached a declaration as to the correctness of these statements. Now, we will take the statement for nineteen hundred and nineteen, you show a profit for the year nineteen hundred and nineteen of twenty-four thousand eight hundred and ninety-eight dollars and twenty-eight cents. What is your capital stock?—A. Two hundred and forty thousand dollars.

Q. Is that all paid up stock?—A. Yes sir.

Q. Paid in cash?—A. The profits are added to the capital.

Q. I understand that the profits are added to the capital, but I want to know how much of this two hundred and forty thousand dollars represents cash and how much represents profits made in the business. Perhaps we could go back and get at that?—A. The capital of the company in nineteen hundred and twelve was eighty thousand dollars, and we got a federal subsidy of sixty thousand dollars.

Q. The capital in nineteen hundred and twelve was eighty thousand dollars?—A. Yes.

Q. That was paid in cash?—A. That was the assets of the company, buildings and everything else.

Q. Did that cost you eighty thousand dollars?—A. Our buildings and plant cost about that.

Q. Cost about eighty thousand dollars?—A. Yes.

Q. Then you got a subsidy from the Dominion Government of sixty thousand dollars?—A. About that.

Q. And that gave you this one hundred and forty thousand dollars. Then the balance has been made up—— A. (Interrupting): It was a hundred and eighty thousand the first asset.

Q. Oh, a hundred and eighty thousand dollars?—A. Yes.

Q. That gave you a capital then of two hundred and forty thousand dollars?—A. Yes sir.

Q. Now, let us go back to nineteen hundred and twelve. In nineteen hundred and twelve your net profits apparently were five thousand and sixty-six dollars and twenty-five cents?—A. The profits of five thousand and sixty-six dollars and twenty-five cents was realized on eggs, butter and cheese.

Q. Now, let us get your total profits?—A. Mr. Pringle, I wish you would read the letter at the beginning of the report which contains all the explanations.

(Mr. Pringle reads the letter attached to Mr. Montreuil's report.)

By Mr. Pringle:

Q. Now, can you (and if you cannot, perhaps your accountant can) show us the profits—what were the net profits, we will say for nineteen hundred and fourteen and we won't bother going back to nineteen hundred and twelve. Twenty-six thousand two hundred and seventy-one dollars and fifty-six cents?—A. Surplus on merchandise, twenty-one thousand four hundred and twenty-four dollars and eighty-seven cents.

Q. Now, get the balance sheet. April 18, nineteen hundred and fourteen, showing a surplus of twenty-six thousand two hundred and seventy-one dollars and fifty-six cents?—A. When you take into account the surpluses on merchandise you must add the net profits on eggs, butter and cheese.

Q. Yes, and how much was that?—A. Five thousand nine hundred and two dollars and sixty-six cents.

Q. Then what is the total? I think it is twenty-six thousand—— A. (Interrupting): Twenty-six thousand two hundred and seventy-one dollars.

Q. Was this your net profit for the year?—A. Yes.

Q. For the year nineteen hundred and fourteen?—A. Yes.

Q. Ending April, 1914, $26,000. Go to 1915 and give us the net?—A. $27,722.80. That is for the year ending April, 1915.

Q. Give us the year ending April, 1916.—A. Our surplus was $16,304.82.

Q. Give us 1917? I have it—$27,054.25.—A. That is correct.

Q. August, 1918?—A. $29,375.40.

Q. Give us the last year, 1919?—A. $24,898.28.

Q. You commenced paying dividends in 1916, at what rate?—A. At the rate of 10 per cent.

Q. There was 10 per cent paid in 1916. What was paid in 1917?—A. The company paid no dividend in 1917.

Q. What did you pay in 1918?—A. 11 per cent.

Q. And what in 1919?—A. The 1918 dividend is for the year ending April, 1919.

Q. You have only paid two dividends since you started, one of 10 per cent and one of 11 per cent?—A. Only two dividends were paid; that is since 1912.

Q. And you have a reserve now of about $166,318.42?—A. Yes, that is correct.

Q. What year were you incorporated?—A. I cannot say positively, but I think we were incorporated as a limited company in 1912.

Q. You have been doing business some seven years, and during that period you have paid out in dividends 21 per cent in all?—A. That is correct.

[Mr. I. Montreuil.]

Mr. PRINGLE: And they made their balances go to build up a reserve. They paid 10 per cent in 1916 and 11 per cent in 1918. Those are the only two dividends paid.

Mr. REID: It is an average of 7 per cent, is it not?

Mr. PRINGLE: No, an average of 3 per cent, but they have built up a reserve of $166,000.

By Mr. Pringle:

Q. How do you handle your eggs when you take them in? Are they examined before they go into storage?—A. I do not want to make any positive statement in regard to the egg business, but I have a man who looks after that, and a man who looks after the cheese, and the butter business.

Q. I suppose they do the best they can not to get bad eggs?—A. Yes.

Q. Is your man not supposed to inspect them?—A. Everything is inspected as it goes in, and as it goes out.

By Mr. Reid:

Q. Who are the bad eggs charged up to? Does the firm lose them, or are they charged up to the producer?—A. We suffer the loss ourselves with eggs that are stored for our own purposes. As to any other eggs stored by other companies in these rooms that are lost, the loss is by these companies.

The Committee adjourned.

The Committee resumed at 3 p.m.

Sir THOMAS WHITE, Minister of Finance, appeared at the request of the committee, and was requested to make a statement.

The CHAIRMAN: Just a general question on the inflation of currency. Will you tell the committee what it is and what its effect is on prices?

Sir THOMAS WHITE: You will understand that I am not putting forward my views dogmatically at all, but it is a matter on which I have read a good deal and on which I have reflected much. There has been a good deal of talk about the effect of inflation on prices and it is necessary, first, to define what inflation is. During the last four years and more of war, there have been throughout the world a very large credit expansion and a large currency expansion. It is incorrect, in my view, to say that the expansion of the currency has an effect on the cost of living or on commodities. Carried to a certain point, it undoubtedly would have. It is more correct to say that production, on an increased scale, of commodities by a nation and the higher prices obtainable for them is the cause of the circulation expansion. In other words, instead of the circulation expansion being the cause of high prices, circulation expansion in countries such as Canada and the United States is due to the immensely increased production and the high prices which have prevailed for products. Let me illustrate what I mean. Take the Dominion note circulation and the bank note circulation of Canada. The purpose of that circulation is to provide pocket money and till money for business transactions. That is to say, a certain amount of currency is carried in the pockets of the people and a fairly large amount is carried in the tills of merchants. Now, if Canada is doing a certain business domestically and internationally and, owing to increased production and increase in prices of all products, we see the volume of business becoming double or treble what it was then, obviously the note circulation of the country must expand in order to take care of the needs of the public. Let me illustrate a little further. Before the war, wheat would sell, we will say, at eighty cents a bushel. If you had a crop of two hundred and fifty million bushels that would be two hundred million dollars. The banks would have to provide the credits to finance the movement of that crop, and the bills, that is to say, the currency would be paid out by the dealers, who purchased the grain, to the farmers of the West. It would be a two hundred million dollar financial proposition.

Let us take a condition that prevailed last year. Supposing you had a two hundred and fifty million bushel crop, as I have said, with wheat at two dollars and twenty-five cents a bushel. There you have a different situation. The banks must have the circulation to take care of the increased volume of business so, in that case, you can see that a greater volume of currency is required. Therefore it is clear that, so far as that illustration is concerned, it is not the expansion of currency which has caused the increase in the price of wheat. On the contrary, it is the increase in the price of wheat and the increase in production of wheat that, during the crop movement, caused expansion of currency. In the year nineteen hundred and seven, owing to the inflexibility of the American currency they found themselves unable to take care of the volume of business and they had to have resort to clearing house certificates as additional currency. Before the war we had and we have now a provision in our legislation whereby an excess note circulation was permitted for certain months of the year. Those months were from September to the end of February roughly corresponding with the crop movement. The purpose was to provide for an expansion of currency sufficient to take care of the increased volume of business.

When the war broke out, we permitted the issue or excess circulation for a longer period than from September to February charging the banks five per cent as was provided in the statute. There is another safeguard so far as bank circulation is concerned and it is a valuable one—that only the amount of note circulation that is provided can stay out. The farmer gets paid in bills for his wheat. He pays his account with the grocer and the other accounts which he owes. That goes back in the bank. The banks have their clearings every day. If the bank of Montreal for instance gets the notes of the Royal Bank, it presents them next morning and vice versa. Further, balances at the clearing house must be paid in legal tender that is in gold or Dominion notes.

So far as our bank note circulation is concerned, this is automatically taken care of and can expand only as the interests of the commercial situation require. Our bank note circulation necessarily increases as the volume of business increases. As the volume of business diminishes it automatically declines by reason of the notes of the various banks coming into the bank and being cleared through their clearing houses. In that way the bank circulation is adjusted to the business requirements of the Canadian people.

So far as Dominion currency is concerned, I think our position at the end of the war is a very good one indeed. Under our Bank Act, the banks may issue currency, first, to the extent of their paid up capital, plus the amount of gold or Dominion notes which they have in what is called the gold reserve. And then there is this further provision which I have mentioned in regard to excess note circulation. During the war this was found adequate for our requirements. The expansion which has taken place and which is due to the increased volume of business being handled is largely in issues of Dominion notes which are the basis of the bank's circulation. If you take the trouble to look up our exports and imports, you will find that the total trade of Canada, exports and imports has more than doubled since the war began and I am quite sure that our domestic business, that is interprovincial trade, shows also an enormous increase. Having regard to those facts our note circulation, in my opinion, is in a very satisfactory position. There is more gold in Canada than there was before the war. On July 31, 1914, the total note circulation of the Dominion was $112,000,000 in round figures, against which we held $90,000,000 in gold. On May 31, 1919, we had a note circulation of $304,000,000, against which we held $117,000,000 in gold and of that $304,000,000, $135,000,000 was issued against securities part of which were lodged by banks under the Finance Act as security for the advances they had obtained in Dominion notes, which become part of the gold reserve, and against which they issued their bank notes. Having regard to the great increase in the business of the country, both domestic and foreign and the increased prices, which together have made an enormous expansion of the business of the country, the note circulation of the Dominion is, in my view, well within bounds. I showed the other day in a speech I made in the House that the Imperial Government has only eight per cent of gold against its note circulation whereas we had thirty-eight per cent in gold and the principal part of the balance secured by securities.

Mr. DOUGLAS: That three hundred and four million dollars, was it in Dominion notes?

Sir THOMAS WHITE: Yes. Part, however, is used for clearing purposes between the banks and does not get out into general circulation. The question of inflation is really one of degree. There are countries in Europe where the Government has practically financed itself by issuing, instead of bonds taken up by the public, which is sound finance, by issuing note circulation. In those countries you will find their exchange will be at a very substantial discount and their currency depreciated because the public have not the confidence in it which they would have had if the financing had been sound. You will find in those countries that the inflation has caused a depreciation in the currency, and that means an appreciation in the prices of commodities.

Mr. DAVIS: There is a specific appreciation and a general appreciation. A specific appreciation means that so much paper money has been issued that gold is accepted at its face value and currency is not. There may be equally a general depreciation whereby the volume of goods does not bear the same relation to the volume of notes with the result that there is a general depreciation in the relation of money to goods.

Sir THOMAS WHITE: I have shown the reason in Canada. In my opinion the expansion of currency has been adapted to the increase of volume of business in Canada.

Mr. DAVIS: If the volume of currency had decreased and the volume of goods increased, that is, if you had an increase in the volume of commodities, there would be a lowering of prices in commodities.

Sir THOMAS WHITE: Yes, but take the movement of wheat as a specific example. You must expand the currency if the volume of your production is increased, and if the prices increase. Just let me follow that out. I pointed out that in European countries in which currency has become depreciated that there would undoubtedly be a rise in the prices of commodities including gold in relation to the currency. You may either say that gold has appreciated or that currency has depreciated. You could say the same thing in regard to commodities. A ton of coal for instance is worth ten dollars in gold, and afterwards a ton of coal may rise to twenty dollars. You could either say that the coal has appreciated in terms of gold or that vice versa the gold had depreciated.

Currency consists, generally speaking, of three principal things: gold, itself, of which a very small part is held in any country at any time, peace or war. I don't believe there was in the United Kingdom, outside of private hands, at the outbreak of war, seven hundred million dollars in gold, yet they carried on a business, export and import, of five thousand million dollars. Secondly, there is note circulation. The third, and the main instrument of currency, and one which is not generally recognized is the bank cheque. It is the instrument of currency throughout the world, and has been for generations. The great bulk of transactions in the businesses of all nations are carried on by the use of the bank cheque, which effects a transfer from the credit of one party to that of another. In times of peace the relationship of gold to the immense transactions of business is practically insignificant. It is very small,

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but very important. I don't believe I can carry it any further than what I said at the outset that in Canada and in the United States, that in my belief, so far as currency expansion is concerned, it has very little effect upon the price of commodities. On the other hand, in countries where the financing has been carried on by the issue of paper money which has become depreciated, it has a marked effect on the prices of commodities, all of which went up.

If you want to get a line on our currency, look at our exchange. Our exchange is favourable as against Great Britain. It is favourable as against France, favourable as against any European nation, unfavourable only with regard to the United States. The United States is on a gold basis and our exchange is off two and a half to three per cent and it would not be off at all if we could get outside money for our wheat. I have had to find within the last few months, since last Fall, one hundred and forty or a hundred and fifty million dollars for wheat, find it in this country to purchase wheat for Great Britain. If I had not been obliged to find that money, if that wheat could have been sold abroad and paid for by the drawing of Bills of Exchange on Europe our exchange with the United States would be normal. That is not a weak situation. It is a strong situation because we have the credit of Great Britain for the amount we have advanced. Exchange is a barometer. In European nations like Germany where exchange has fallen very low there you could argue there is depreciation of currency and a consequent rise in the price of commodities.

The phenomenon of high prices of commodities is world-wide. It includes neutral nations where they have not had an inflation of their currency and where they have only made issues to meet the increased volume of business just as in this country and in the United States.

There is just one other feature if you will permit me to speak about it. I have spoken of currency expansion. There is something more important which is generally overlooked and that is credit expansion. That is far more important in those countries which have been conservative with regard to their note circulation. Now let me show you what I mean. The world has been at war and all the nations have issued enormous volumes of securities and as the result of increased production and the high prices, the citizens of those nations have a great deal of credit at their disposal. There has been a very wide distribution of money in the community, and, I am sorry to say with regard to most people, their purchases are just about co-equal with their wages or salary; now, what do you get? You get all over the world that money has been made in trade, and that wages have been high. You get people living up to their means; what is the result? Increased buying, larger than ever there was before the war, the standard of living is raised, and at the same time, you get decreased production due to the withdrawal of tens of millions of men from agriculture and from other pursuits. The result is that the demand is higher than it ever would have been and the supply is reduced, and consequently you have high prices as world wide phenomena in every country to-day, and, principally, for this reason—I say principally, because there may be some minor factors entering into it. The nations at war are really somewhat like the case of a man that enjoys a salary of $2,000. He and his family have lived within that $2,000, but he sees his neighbours indulging in a much higher expenditure than he can afford and he says "We will put a mortgage upon the house" and he borrows $20,000 upon the house and it is obvious that while that money lasts he can and will buy a great many things that he did not buy when he had only his $2,000 salary. But what he has done is he has impaired his capital. If you apply that principle world-wide you see what has happened, wages have gone higher than ever before, the volume of business has been greater to business people, and the result has been an immense expansion in credit throughout the world subject to the indebtedness which has been incurred by governments, the payment of which has been postponed. The result is you find people in every walk of like spending more

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money than before the war, they are less economical than they were before the war, and that makes for a greater demand.

Mr. Davis: The increased credit has enabled greater borrowings.

Sir Thomas White: That is another point, the borrowings would not have been possible at all if it had not been for the increased production and higher prices. For example, supposing you had only the volume of business in this country that you had before the war, you could never have raised $700,000,000 in the last Victory Loan. What is really borrowed is the goods and the services of the people, and that is the reason why a nation in war times can raise very large loans, because all you had to do is to look at the increase in the deposits. Our deposits are two-thirds higher than they were before the war, but remember also that in addition to them there are all these bonds not in the hands of the people, and, to the extent they have paid for them, that is as far as they are individually concerned, they are wealthy. Now all over the world you have had the phenomena of decreased production on the farm with increased demand owing to the fact that the armies were fed on a scale higher than that to which most of the men had been accustomed before, and secondly those at home earned high wages and people lived on a scale they never lived on before. There have been many and strong appeals for economy, to cut that down, but most of the appeals were in vain because the average man will spend nearly all he makes. What is the remedy? It must be found in increased production, and especially in increased farm production. As far as food is concerned there is only one way to get it, and that is by working on farms all over the world, and the price of food is going to depend upon agricultural production all over the world, Europe, India, Egypt, South America, Australia, Canada and all the other food producing countries; and you can estimate, as well as I can, how long it will be before the agricultural production will be increased to the extent we should like to see it, to meet the situation. You have people in every country in the world, who were working on the farms before, coming into the cities where they have been engaged in war industries, working at high wages, and they do not demobilize from the cities very easily. The result is that the trend towards the cities is on a very much greater scale now than before the war. How are you going to get the cost brought down? More must be produced on the farm, there is no doubt about that, all over the world. I am not speaking about the local situation at all, but that is the problem. It is the same with regard to other production; if your demand continues so great through people buying things they do not need, I am not speaking of any one class now, it is just as much the duty of the rich man to buy economically as it is of the poor man, if the world does not become economical, if they buy to the extent of their means, that will create a greater demand; on the other hand if you do not increase the production of the farms, if it is going to remain stationary you are going to have stationary or diminished production and increased high prices. The remedy is increased production and reduced consumption; that is the remedy. In other words just simple thrift and hard work that is what it comes down to, it is as old as humanity. When you have high price phenomena all over the world, as I have said, constant, make up your mind it is not due to any local condition, and increased production and diminished consumption is the remedy. You can only reduce consumption by people becoming more thrifty and economical, and there are forces always at work in the world that tend to bring that about. Now, Mr. Chairman and gentlemen, I have said all that I desired, but I will be very glad to answer any questions.

Mr. Davis: I think I was pretty largely responsible for the committee going into this question at all and, I agree, Sir Thomas, with nearly all you have said, in fact I think I may say with all of it; still I would not think that all that you have said has been just along the line that I have had in mind our report should be. I am sure, we are all sure, that prices are about double what they were and the question is what chance is there of those prices coming back. You have spoken of the desirability of

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hard work and thrift but even with all that, if conditions are not otherwise altered that alone will not bring the prices down.

Sir THOMAS WHITE: I say there are economic forces at work which will fix it. Don't misunderstand me, as saying that nothing can be done. I am not saying that, but I am speaking of the general principles, and the principal causes.

Mr. DAVIS: There is no thought in my mind, Sir Thomas, as to the Government system of finances, because I think it is as good as any country to-day, and it was necessary for this country, and perhaps more so than for other countries up to the time of the war. The point I am making is, that if we don't recognize the fact that prices are doubling and there are conditions underlying which are going to hold them at the doubled——

Sir THOMAS WHITE: You mean world conditions?

Mr. DAVIS: World conditions, yes. The world conditions have doubled the prices, and I am afraid that they are going to stay doubled for some considerable time.

Now, the Committee, in dealing with this, (taking any particular article) finds that the prices have doubled, and taking it alone, it seems incomprehensible, but taking it in conjunction with other articles, it becomes comprehensible.

Sir THOMAS WHITE: It is a universal movement.

Mr. DAVIS: Now we cannot, when we look at the farmer's statement, say that he can produce things for half. There are underlying conditions.

Sir THOMAS WHITE: He has the wages to pay. We quite understand that.

Mr. DAVIS: The point is that there is only one way to express it, and that is, that there has been a general depreciation in the purchasing power of money.

Sir THOMAS WHITE: I would not say that. It depends on the country.

Mr. DAVIS: That is so——

Sir THOMAS WHITE: At least I would not put it that way. I think I know what you mean.

Mr. DAVIS: Suppose we take the case that you have mentioned, of neutrals in this war. Gold has accumulated. It is based upon credit, and they have expanded their credit even as we have, under the force of war conditions, so, in the end, they have high prices and we have high prices. The result is this, a world condition of high prices, and I think we have to recognize that, as one of the factors of the basis of our report. It is a question of how to deal with that, not a question of trade financing in Canada or England or France, but the conditions being as they are, they are trying in some way to moderate the disturbance that has been taking place because we know wages lag six months or a year behind the rise in prices. Prices are going up and we cannot see that they are coming down, and we cannot see to-day that they will be reduced.

Sir THOMAS WHITE: Because, Mr. Davis,—and I follow you clearly—you are dealing with a world situation. Take the price of commodities raised on the farms in Canada, the prices that they will get even locally, and taking into consideration the local factors that should be taken in, are really determined by the prices in the world's market for wheat, meat, and other commodities.

You ask what is going to be done? I think all over the world they are studying this same question as in Canada, and I think if there are any combines or anything of that kind that are fixing the prices, they should be dealt with, any unfair profits should be dealt with, but dealing with the world situation which apart from anything like that would invariably have produced high prices which are a universal phenomenon, I would say that Canada can do one thing as her part, and that is to increase her production and diminish, in so far as we can get the people to do it, their expenditures—I don't mean necessary expenditures; I mean extravagant expenditures.

Mr. DAVIS: Would it not be possible for us, outside of those things you have quite fully dealt with, to recognize that for the next five or ten, or possibly for the next twenty or thirty years, that the same forces that have raised prices during the war, are going to be in operation to maintain prices?

Sir THOMAS WHITE: I don't think so. I think what will happen is this; that they will gradually come down. That is what has happened after every other war.

Mr. DAVIS: What we have got to-day is this: We have neglected our (as you may call it) civil financing for some considerable time. We have got now, as you have mentioned, a large body of public securities, which are used as a basis for credit at the banks and that is going to have its effect upon continual expansion of credit.

Sir THOMAS WHITE: No, I don't think so, because those were soundly put out by securities which were paid for. In Germany they pyramided, but in Canada they are paid for by the people.

Mr. DAVIS: Not entirely.

Sir THOMAS WHITE: A very small percentage is being carried. They are paid for by the people. Here is a man with five hundred dollars in the bank, he buys a bond and pays for it, and takes it away with him.

Mr. DAVIS: Take our bank securities: they were holding five years ago something like sixty or sixty-five million of public securities; to-day they are holding about four hundred million.

Sir THOMAS WHITE: I will tell you what those are very largely. The bank loaned the Imperial Government for the movement of the wheat crop two years ago. Just as soon as the Exchange comes right between Great Britain and Canada that money is available. In fact it would be available to-day if we needed it. But, taking our bonds which have issued, to the surprise not only of myself but to all financiers, they were taken and paid for to the extent they were, and to-day bonds are scarce. Talk with any bond man to-day and he will tell you the great difficulty is to get investments. That is the amazing situation.

Take it in Germany where the loans were subscribed at the last entirely upon credit, that is, where a man would be given credit for the purchase of his bond and take it and subscribe and pay for it,—that is an unsound situation, but here the bonds have been paid for by the people, and the banks have some Dominion Government securities and some Imperial Government securities, but the amazing thing is that we have come through the war as strong as we have.

I do not think that either credit expansion or note expansion has any direct influence upon prices. The indirect influence is that the people as a whole, (through high wages and money made during the war) have developed a very high purchasing power. They could do with a lot less. Supposing all the well-to-do people of this country were to say "We will be economical; we won't use as much as we did", that would mean that demand would diminish and it would have an effect on price, if everybody did that.

Suppose everybody said "I will be economical about my clothing or my hat"—I went into a hat store (and I told this in the House of Commons) and they asked me eleven dollars for a Fedora hat. I said "I cannot afford it, I am sorry," and I went out. I think if everybody said "I think I can get along with this hat" you would find there would be a great tendency for hats to come down and I think the same way if people would set their regime from day to day as to diet—I am myself a very light eater, and I think everyone would be better off if they did not eat so much. I am not speaking now of the working man, the labouring man—I think you would find that would affect the prices locally. And it is the same way with many things, that people spend entirely too much money for non-productive luxuries, while everybody practically (I would not say "everybody") but a great majority of the

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people if they would only be economical, it would have a tremendous effect on prices, but if everybody says "We will have whatever we want, and pay whatever is asked", we will not have any fall in prices.

But, as far as the general commodities are concerned, that are used by the world —foodstuffs—the price is determined by the world's demand in other countries the same as here. That is what has happened after every other war, and it takes time for them to gradually come down. I don't put this dogmatically, but I am giving you my views, representing such reflection and thought as I have been able to give to the subject.

Mr. DAVIS: What immediately affects us now are the present high prices and the fact that our Committee cannot lay their hands——

Sir THOMAS WHITE: A world-wide phenomenon. You will find it in neutral countries that were not at war, you will find it in belligerent countries. Due to the same cause, the withdrawal of fifty millions men from production, to the line of battle and the communicating lines and industries behind. That is the biggest factor.

Mr. DAVIS: Now, people are expecting an immediate come down.

Sir THOMAS WHITE: It never has after any war. Not only that, but if it did come down very suddenly the economic consequences would be very serious to labour, and everything else. You take the Government policy at this time (I spoke in the House about it to-day—about our expenditures). Supposing we had shut down after November and said: "No further expenditures," you would have had serious consequences in this country. Economically speaking, it is well to avoid crises. Your basic facts are those which I have mentioned. There may be local causes due to causes which it is for you gentlemen to determine, but the phenomenon is world-wide.

The CHAIRMAN: I am sure we are very much obliged to you, Sir Thomas.

Sir THOMAS WHITE: I am giving you what I think about the thing.

Mr. DOUGLAS: I think that economics are really the thing.

Mr. WILLIAM H. MCWILLIAMS, called, sworn and examined.

By Mr. Pringle:

Q. Mr. McWilliams, you are the president of the Empire Elevator Company, Limited?—A. Yes, sir.

Q. When was that company incorporated?—A. In nineteen hundred and four or five.

Q. Is that a provincial or a Dominion incorporation?—A. Dominion.

Q. Who are the officers connected with this company?—A. I am president; Sir Rodmond Roblin is vice president; E. F. Brigg, secretary; and C. B. Piper, treasurer.

Q. What was you original capital?—A. The present capital of stock issued is one million dollars.

Q. I mean when you started, what capital did you start with?—A. Well, the elevator cost us about, in round figures, somewhere around six hundred thousands dollars, the elevator and plant or the elevator and the site rather.

Q. Did you issue stock for that?—A. Yes, stock was issued.

Q. To what extent?—A. There was a half million dollar preferred stock issued and one half million dollars of common.

Q. Did you say half a million?—A. One half, yes.

Q. That would be one million dollars?—A. Yes.

Q. And your preferred stock carried interest?—A. Yes, at seven per cent.

Q. It was cumulative?—A. Yes.

APPENDIX No. 7

Q. Now, did you issue any bonds?—A. Yes, we put an issue of three hundred and seventy-five thousand dollars worth of bonds.

Q. So at the start of this company you had preferred stock, five hundred thousand dollars, common stock five hundred thousand dollars, and bonds three hundred and fifty thousand?—A. Three hundred and seventy-five thousand.

Q. Three hundred and seventy-five thousand?—A. Yes.

Q. Now, that would be one million three hundred and seventy-five thousand dollars, and out of that you developed a plant which cost you six hundred thousand.—A. The plant and site, as I recollect, would cost about six hundred thousand dollars.

Q. What became of the balance of seven hundred and seventy-five thousand dollars for which securities were issued?—A. There was only five hundred thousand preferred stock issued.

Q. But I understand that there was five hundred thousand dollars and three hundred and seventy-five thousand dollars worth of bonds. That is eight hundred and seventy-five thousand dollars, out of which your plant cost you six hundred thousand dollars, which would leave two hundred and seventy-five thousand dollars, and then you issued five hundred thousand dollars of common stock. I suppose that was given to the promoters?—A. Yes.

Q. So the securities are outstanding for one million three hundred and seventy-five thousand dollars which really cost six hundred thousand dollars?—A. The bonds have been paid off.

Q. I mean at the start of the company, securities were issued to the extent of one million three hundred and seventy-five thousand dollars of which the real value is about six hundred thousand dollars. Now, I suppose somebody had to guarantee these bonds when you first started?—A. Yes, the bonds were guaranteed by the Four-country Elevator, that owned the Empire Elevator.

Q. And the Four who guaranteed the bonds, I suppose you gave them a certain amount of preferred stock and a certain amount of common stock?—A. Yes, I think there was some stock consideration.

Q. Some stock consideration for that guarantee?—A. Yes.

Q. Have you got a statement showing—what year did you say you were incorporated?—A. I think it was either nineteen hundred and four or nineteen hundred and five.

Q. Have you got any of your financial statements for the last few years?—A. No, I only brought this statement here. (Indicating).

Q. This is a statement of August 27, 1918?—A. I was asked to bring the last two years. For our present year our auditors do not get off the statement until July 15, and I have estimated what the profits for this year will be, which will show within one thousand dollars of what the result will be.

Q. Are these bonds outstanding now, or have they been paid off?—A. We are paying the last $25,000 to-morrow.

Q. Your auditors are Marwick, Mitchell, Peat and Company, chartered accountants?—A. Yes.

Q. Let us see what your gross earnings were for the year ending July 5, 1918. I see there is a gross profit of $102,573.41 in connection with your operations for the year ending July 15, 1918. I see from their statement that they say the net income for the year amounted to $225,954.89 odd, in comparison with $112,019.93 for the year previous, being an increase of $113,134.96. Your net operating income, according to this statement, shows $225,954.89?—A. I think you will see that is not all operation of the elevator.

Q. The net income is $225,954.89. Then you take out a reserve of $25,000, leaving you a surplus of $200,954.89. You give a statement here showing your expenses. What is this average $121,371.86, for 1916-17?—A. That is the surplus there

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was in the elevator brought forward from the year before; the value of the surplus the year before. We closed our books before the Government weigh-up.

Q. From investments, including the sum of $65,740.05, surplus Canada Grain Securities, Limited, upon the liquidation of the assets of that company, overage $121,371.86. This represents the proceeds obtained from the sale of surplus grain in the company's elevators in accordance with the Government weigh-up made as of July 31, 1917. That is the position?—A. Yes.

Q. What would you say your percentage of earnings on the really paid up capital of $600,000 amounted to?—A. Well, there is some working capital in there that I suppose should be added. The reproduction value of that plant to-day is close to a million—$990,000. That is to say if you had to reproduce that plant in practically war-time, it would cost you a million dollars?—A. Just about that.

Q. Take it on your original investment of $600,000, your net profits apparently, after providing for a reserve of $25,000, are $200,954.86?—A. You have to take something off that, or is that additional?

Q. That is additional income; that is what goes to make up your two hundred odd thousand?—A. It takes that to make up the two hundred and one thousand.

Q. Yes.—A. That would have to come off. That is the liquidated of the Canada Securities Company, and our share of the proceeds of that was $660,00.

Q. I see you hold quite a number of Dominion War bonds?—A. Yes.

Q. These exhibits that are attached to this statement will probably give us this in more detail. I see here "Income and Profit," Profit and Loss Account for the year ended July 15th, 1918. This shows a gross income of $266,917.25, and then you take deductions from income, interest on bonds, $2,692; interest on loans, $374.82; interest on depreciation reserve, $7,874.28; gross income brought forward, $266,917.25; deductions from income continued, depreciation reserve, $30,000; bad and written off, $20.55; total deduction from income, $40,962.38; net income, $225,954.89, appropriated as follows: reserve for reduction of bonds, $25,000; surplus of the $200,954.89. It is rather difficult to take a statement up in a hurry and get at it accurately. I see here you get your net operating revenue. Then you get a number of other matters, dividends from investment Canada Grain Securities, Limited—do you control that?—A. That company has been liquidated.

Q. And that $65,740.05 comes out of that liquidation?—A. Yes.

Q. Thunder Bay Elevator Company, Limited, $384; Dominion of Canada War Loan, $687.50. Then I see an item "Interest on Loans, $13,382.36." What would those loans be?—A. The company had some surplus money that they loaned out to various grain companies.

Q. Here comes the overage again 1916-17, $121,371.86. You have already explained that, so that we get the net surplus again for the year 1918 of $200,954.89?—A. It is really not quite a fair statement of the profits that year. I would like to explain that in this way. In 1916-17 the Empire handled 12,464,000 bushels, a very large handling, and the overage there was in the elevator that year was brought into the statement next year, because we get up our statement on July 15th, and the Government do not weigh up till August 1st. In 1917-18 we only have eight millions and the next year only five millions. The profits of a terminal elevator depend largely on the volume of business they handle through it. The profit for this year, you will see, as stated by the manager, the total earnings from all sources, including overage if there is any, is estimated at $100,000, and Thunder Bay, an elevator about the same size, only $50,000.

Q. Do you control that too?—A. Yes, I am President of the Thunder Bay too.

By Mr. Stevens:

Q. Is the Thunder Bay included in this?—A. No, but the Empire had the Thunder Bay leased up to the year before. I think there are two months and a half of the earnings of this year.

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Q. You did not lease the Thunder Bay this year?—A. No, it is run separately.

Q. How did you separate the overages account of 1916-17 between the Thunder Bay and the Empire?—A. The Thunder Bay was kept separate.

Q. The Thunder Bay overage for the year before would have been pretty nearly $200,000. The Thunder Bay and Empire were $309,644. The Thunder Bay for the year before was $188,273. Is that right?—A. I do not know I am sure. I have not got the Thunder Bay statement.

Q. I thought the Thunder Bay was operated under your company the year before? —A. No, about two months of 1916-17. The Thunder Bay had been leased about two or three years previous on a rental basis and the Empire handled both houses.

By Mr. Pringle:

Q. You have no objection to putting this statement in?—A. No, and I will have the Mitchell, Peat Company wire you the exact profits for this year, which will be made up in a few days. The only way you can properly get at the proper earnings of a terminal elevator is to take a term of years.

Q. I find that this statement shows the grain handled in 1918, 5,661,962; oats, 2,211,900; barley, 497,403; flax, 487,058. That is 1918—a total of 8,958,325, as against 14,732,397 in 1917, or a decrease of $5,774,056. You had a very large decrease in earnings between 1917 and 1918. In 1917 your earnings were very much higher?—A. Yes.

Q. You have not a statement for 1917?—A. In 1917 we got the overage and screenings from the largest crop Western Canada ever raised. The elevators handled a tremendous amount of stuff.

Q. From this statement, it appears that you make more money out of the overage than out of anything else. There is $121,000 out of a total of $200,000?—A. That is due to the high price that we had. The whole question is, are the terminal elevators making unusual profits, or undue profits.

Q. What would you say?—A. I would say that the profits have been fairly large during the past four years.

Q. It would look as if a net profit of over $200,000 for a company that, so far as we know, has not more than $600,000 invested in cash, although the present replacement value may be $1,000,000, it would seem as if a return of $200,000 net is a pretty liberal return?—A. Yes. On the other hand, the Empire Elevator Company is owned by four grain companies owning country elevators. It might be interesting to you to know what these elevators have earned during the last four years. The Northern Elevator Company operated eighty elevators in 1916-17 and 1917-18, and they show a profit in 1916-17 of $60,350, and show a loss in 1918 of $8,683, or a profit for the two years of $51,633. The Dominion Elevator Company, who are quarter owners in the Empire, operate about 60 country elevators. They had net profits in 1916-17 of $34,963. In 1917-18 they made $2,849, or a total profit for the two years of $37,812. The Winnipeg Elevator Company, which has also one-quarter interest in this terminal—they lease their elevators, fifty country elevators, and their profits for the two last years were $18,107. I got these wires from the auditor's statements. The Canadian Elevator Company, operating 117 country elevators—that is my own company—made net profits for the last two years, 1917 and 1918 of $137,240. You would not say that these profits are unreasonable.

Q. I do not know. I do not know how much money is invested in the business?—A. The Canadian Elevator Company has a capital of $1,000,000 and operates 117 elevators.

By Mr. Stevens:

Q. The Canadian Elevator Company, the Northern Elevator Company, the Dominion Elevator Company and the Winnipeg Elevator Company—these are the four companies you mention?—A. Yes, sir.

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The terminal elevator, if it gets a big volume of business and has the country elevators to feed them they naturally make a big profit in the years that they have a big volume of business and handle the screenings at quite high prices. I want to show you the profits of this year. (Hands Mr. Pringle statement.)

Mr. PRINGLE: This is a letter from the Empire Elevator Company's secretary to Mr. McWilliams of the Empire Elevator Company. (Reads):

> "Replying to your request as to the approximate earnings of this company and the Thunder Bay Terminal Elevator Co., Limited, for the year ending July, 15, 1919, I would estimate from our trial balance of May 31, that the Empire Elevator Company will show net earnings of about $100,000 and the Thunder Bay Terminal Elevator Company of about $50,000."

By Mr. Stevens:

Q. Does that include your overage?—A. That includes the overage. I will have the auditors send you a statement.

Q. You are coming down to earth again?—A. It is due to the difference in the handling. This year we have only handled 5,000,000, 10,000,000 bushels in the two houses.

By Mr. Pringle:

Q. I got a little off on the Thunder Bay Company. Was that absorbed by the Empire Elevator Company?—A. No, no.

Q. What relationship existed?—A. The same people owned the Thunder Bay elevator, exactly the same people.

Q. What is the Thunder Bay incorporated at?—A. Thunder Bay's authorized capital is a million.

Q. What is the paid up capital?—A. I think $750,000 or $800,000; I have not the figures.

Q. I understood that in September 1910, it was about $168,000. Since then you have built up a fund out of which you have redeemed bonds that you issued as against the stock amounting to $198,000, which makes your stock at present about $366,000?—A. I have not the figures.

Q. As I understand it, the original company's stock was $500,000 preferred, and common $500,000, or $1,000,000; bonds $400,000. The plant and site cost about $582,000. You cannot give us figures in regard to that?—A. No, sir.

Q. Can you give us knowledge of the financial position of the Thunder Bay Elevator?—A. The Thunder Bay Elevator was built in 1908. We bought a site over there for $50,000, and built an elevator that cost about the same as the Empire, I should think.

Q. Your site cost you about $51,000?—A. Somewhere around there.

Q. $51,428, and that was entered in your assets in the books of the company at $215,000?—A. I do not know about that.

Q. I find that from the statement here. The land which was bought from the Empire Elevator Company for $50,000 is now charged by the company at $250,000. On the basis of the tax assessment, the land has a value of $51,428. On August 21st, 1916, the property and assets of the Thunder Bay Elevator Company were sold to the Thunder Bay Terminal Elevator Company for the consideration of $774,300 stock of the Thunder Bay Terminal Elevator Company, and the assumption by that company of the outstanding assets, namely, $225,000. The details of the transaction were as follows: Plant and equipment, $598,008.31; cash $20,000; membership in the Winnipeg Grain Exchange $5,000. Assets sold $623,008.31. Par value of stock acquired, $774,300; bonds assumed by the Thunder Bay Terminal Elevator Company, Limited, $225,000. Profit on sale of assets $376,291.69?—A. That would be The Thunder Bay Elevator Company. They sold out to the Thunder Bay Terminal Company.

[Mr. W. H. McWilliams.]

Q. At a profit of approximately $400,000. Now then this profit was absorbed in the accounts of the Thunder Bay Elevator Company, Limited, by writing down the book value of its holdings in the stock of the Thunder Bay Terminal Elevator Company Limited, to $398,008.31. Then on November 30th, 1916, The Thunder Bay Elevator Company, Limited, sold 1,249 shares of its investment in the Thunder Bay Terminal Elevator Company, Limited, to the Bawlf Grain Company, Limited, for $99,990, and this amount was taken up in the accounts as follows: credited to the investment, representing the book value of 1,249 shares on the Thunder Bay Elevator's books, $64,201.52, credit to surplus, representing the profit $35,698.48, making $99,900. So that the Thunder Bay Terminal Company, which is the company at the present time, and which you seem to have leased for a time—have you it under lease now?—A. No, it was leased before we sold out to the Thunder Bay Terminal.

Q. You sold out to the Thunder Bay Terminal. Who controls the Thunder Bay Terminal?—A. We have had the Bawlf Grain Company as stockholders. Otherwise, the ownership is the same.

Q. Have you a statement showing the profits of the Thunder Bay Terminal Company of 1918? Is there anybody here that has that statement?—A. I do not think so; I was only asked to bring the Empire.

Q. What position do the Bawlf people stand in?—A. Just shareholders.

Q. They have not a controlling interest?—A. No.

Q. You still control?—A. We sold them this stock at a reasonable price. We were getting some shipments from them.

Q. What would you call a reasonable price—par?—A. I think they paid a little less than par.

Q. That did not represent to you anything like one hundred cents on the dollar?—A. They paid what they thought it was worth.

Q. You got what you thought it was worth?—A. We got what we thought it was worth because they were going to bring us business, you see. They were going to ship a certain amount to their country elevators, and we could afford to sell stock at a bit of sacrifice.

Q. Are all these elevators controlled more or less by the same interests?—A. Oh, no, a farmer can choose who he can ship his grain to. He can ship to the Government if he wants to. He can ship it to these elevators. Of course, they are owned by the same people, one on the Canadian Northern and one on the C.P.R.

Q. What about the Consolidated Elevator Company, Limited?—A. We have no interest in it whatever.

Q. The C.P.R., I suppose you have no interest in that?—A. No.

Q. The Eastern Terminal Company?—A. No interest in that.

Q. The Empire Elevator Company—that is the one we are dealing with; the Thunder Bay Elevator Company, that is another one we are dealing with. What about the Fort William Elevator Company?—A. I have no interest in that.

Q. The United Grain Growers' Elevator?—A. No interest.

Q. The Ogilvie Flour Milling Company?—A. No interest.

Q. The Western Terminal Elevator, Fort William?—A. No.

Q. Well then, without going over all these the only two you are interested in are the Empire and the Thunder Bay?—A. No, I am interested also in the Grand Trunk Pacific as an individual shareholder.

Q. And has it been a successful company?—A. Yes.

Q. Have you any idea what return it has made during the last year?—A. It has made large returns, it is operated under a lease from the railway company and the returns on the capital invested I think have been pretty large in the last three or four years, but I understand they are losing money this year.

Q. You understand they are losing money this year?—A. Yes.

[Mr. W. H. McWilliams.]

Q. I suppose there are but very few people who would not think that your company has been a very decided success during the last few years?—A. We could not help that; we do not make the tariff, the Government makes the tariff as you know. The grain business has been supervised by the Government, it has a most wonderful supervision, the best in the world. The Government takes charge of this grain from the time it is inspected until it arrives at the seaboard and they make the tariff.

Q. So you attribute very largely the large earnings to the fact that in one year especially you handled the largest crop that was ever turned out?—A. There were two large profits, but there was no one year we raised in Western Canada 800,000,000 bushels of grain and the country elevators and terminal facilities are now adjusted to take care of that volume of business, but, unfortunately, when we got 200,000,000 bushels it was very difficult to make profit, even with the overage in the spring.

Q. It was not bad last year, 100,000 on 600,000.—A. 98 per cent of the business that we got in the Empire originated in our elevators, the grain belongs to us.

Q. You show a profit even on the elevators?—A. Yes, a pretty small profit on the elevators.

Q. You had this company, the Empire Elevator Company, Limited, as far as I can gather, you became incorporated in 1911, and you issued a series of bonds at 5½ per cent amounting to $375,000. Now then, in order to float these bonds you turned around and you got a guarantee from the other companies which, I suppose, at that time were elevator companies doing business, and you give to them in consideration of the guarantee and purchase a certain amount of preferred and a certain amount of common stock. For instance you gave the Canadian Elevator Company, Limited, 1,250 preferred, you gave the Northern Elevator Company, Limited, 1,250 preferred, the Dominion Elevator Company, Limited, 1,250 preferred, the Winnipeg Elevator Company, 1,250 preferred. Then you gave 750 shares of common stock to each of these companies, making a total of 5,000 preferred and 3,000 common. When you got this company incorporated you really were personally the owner of this property; you sold that property to this company and at that time you had invested in the whole property, lands, buildings, trackage, etc., was about $356,927.72. Now, you sold it for what? How much to this company?—A. I have forgotten the transaction, is it not set forth there?

Q. Perhaps it is, I have not had an opportunity to read over this before.—A. The Empire Elevator was the first concrete elevator built and since that time they have added thirty-five million bushels of storage there.

Q. Well, I see this statement says that it is an elevator of concrete construction and Mr. W. J. McWilliams states that it cost originally about $525,000, that sundry additions have been made to the property subsequent to October, 1914, amounting to $31,611.96 so that the present cost of the elevator, including land, trackage, etc., would appear to be approximately $556,611.26. The following statements shows the comparison of this cost value with the present productive value as submitted by the company, elevator buildings and equipment, the column of cost including the value of land trackage, etc., $556,611.26, value placed upon land on assessed basis, office furniture and fixtures $2,981.49, estimate of working capital required at $50,000 per one million bushels of storage capacity $62,500, making a total of $622,092.75. This is your total investment, and against that your profits are running $200,000 a year, and this year you say it might fall down to approximately $100,000?—A. Yes, it has been down to $112,000, and it is down to $100,000 this year.

Q. Now then, I find from the statement that the combined earnings of the Empire and Thunder Bay are as follows: 1912-13, $357,538; 1913-14, $424,912; 1914-15, $134,796; 1915-16, $474,420; 1916-17, $546,132. Now, the percentage of cost plus working capital 1912-13, 28·80; 1913-14, 33·88; 1914-15, 10·75; 1915-16, 37·82; 1916-17, 43·54; an average earning of 30·80 per cent, do you think those figures correct?—A. Are those Price-Waterhouse figures?

[Mr. W. H. McWilliams.]

Q. Yes.—A. I suppose they are correct.

Q. Now, you say that while you have made substantial profits, that you are controlled as to rates by the Government. And you are controlled as to overages?—A. No. Perhaps it would be interesting for you to know how these are made.

Q. Very much so, I do not know that I have heard very much about that and I do not understand it.

By Mr. Douglas:

Q. I would like to know how you come to own those overages?—A. It is part of the tariff.

Mr. Reid: No, it is not.

The Witness: There are three ways in which the overage occurs in the terminal elevator. The Government takes charge of a car of wheat at Winnipeg and inspects it. It is inspected again, cleaned mechanically, weighed, and a certain percentage is taken of it for the dirt—take for the sake of argument a car of No. 1, the car is weighed at Fort William, it is one per cent, 1,000 bushels, that would mean that the shipper would get 990 bushels net of No. 1 Northern wheat. We pay no attention to the cleaning of that car individually, we do not inspect or clean it to discover whether the inspection should be one per cent or one-half of one per cent, but we immediately issue a warehouse receipt, for it would be impracticable for us to treat those cars individually; we clean that grain commercially on arrival at the terminal, and there is a little dirt put out of the wheat; in other words you cannot clean out commercially as clean as it has been cleaned mechanically by the Inspection Department. In order to show that, the Liverpool Grain Exchange considers a car of grain as commercially clean if it does not contain more than one-quarter of one per cent dirt. Of course it goes without saying that any dirt you put out of that grain in shipping will give you the gain in that net weight. The records of the Departments show the record of the cars in and out of these elevators are just about even, without gain or loss, therefore the overage is made in the cleaning of the grain. There is another way in which the elevator may make a small gain in wheat, and that is in connection with the Inspection Department; a car of wheat goes in with an inferior grade, say it is grade at No. 2 Northern, the reason being that it is shrunken grain; the Inspection Department will put one or two per cent dockage on it and give it a higher grade, No. 1 Northern; the terminal will clean that up to No. 1 Northern and recover the small grain out of it. There is still another way in which a small gain can be made in the cleaning and handling of grain; the minimum dockage on grain is one per cent, that is, that a car of wheat may be given a dockage of one per cent.

By Mr. Reid:

Q. Will you just make that a little plainer? What do you mean by minimum dockage?—A. I am talking about a special car of wheat which may be 1 Northern or 2 Northern; with one per cent dockage; when you come to clean that wheat it may be a very light chaff in it, and instead of there being one or two per cent cleaned out, it may be only one-half of one per cent. It is made entirely in the cleaning, because the car in and out is equal; the records show that there is very little difference between the two, I have not the records here but I know that is the case. Therefore the overage is made entirely in the cleaning of the grain.

By Mr. Pringle:

Q. What control have you in the cleaning and the overage? You are governed entirely by the Government inspection, you say?—A. By the Government inspection,

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they weigh the grain in and they weigh it out, they supervise the binning of it, and they supervise the cleaning of it, and they inspect it on the boats and on the cars. They register the warehouse receipts in and they register the warehouse receipts out.

By Mr. Stevens:

Q. When did you first secure permits for the retention and disposal of overages from the Grain Commission?—A. It has been customary in the trade.

Q. When did you first receive your permit from the Grain Commission to retain the overages?—A. I have no recollection of it, we have always had it.

Q. Did you always have a permit?—A. I do not know that we ever had a permit.

Q. You never have received a permit?—A. I don't know whether we have or not. I cannot remember.

Q. Was the question ever discussed between the Grain Elevator men and the Grain Commission?—A. I don't remember of it ever being discussed.

Q. Then you have simply all through the year retained the overages as a matter of practice?—A. Just the same as screenings; it is part of the tariff; part of the earnings.

Q. I don't want to contradict you, but it is not part of the tariff in the regulations, but what I am getting at is the modus operandi by which this is handled?—A. The Government weighs the grain in and weighs it out. We honor all our warehouse receipts.

Q. You never got a permit from the Grain Commission for the retention of the overages?—A. I cannot say. I do not operate the elevator; I am simply the president of the company.

Q. I would think that you would know what the practice was in a matter of that importance, a matter amounting to hundreds of thousands of dollars?—A. I am frank in saying that I don't know. I cannot tell you whether we have ever got a permit or not.

Q. You do not know if it was ever discussed?—A. It was never discussed with me.

By Mr. Douglas:

Q. When the dockage is over three per cent, Mr. McWilliams, do you give a refund then to the shipper?—A. Yes. In nineteen hundred and twelve we retained all of the screenings that were in the grain as payment for cleaning it.

In nineteen hundred and twelve, I think it was, they felt that with all heavy dockage cars the shipper should have some return, and the clause was put into the tariff that year on all cars containing three per cent dockage or more, the return must be made to the farmer, after allowing one per cent for waste.

The tariff stood that way for two or three years, and was revised again, that on all cars containing three per cent, a return must be made to the farmer.

By Mr. Stevens:

Q. Do you make a return in every case?—A. Yes.

Q. Whether it is asked for or not?—A. Yes.

Q. Always?—A. Oh, yes.

Q. Are these certificates sent to the farmers?—A. They are either sent to the farmer or to his broker or to the commission men.

Q. Without being asked for?—A. Yes.

By Mr. Pringle:

Q. Supposing it is less than three per cent?—A. If it is less than three per cent, we retain that for cleaning the car.

[Mr. W. H. McWilliams.]

Q. That is where these overages come in—everything over three per cent, you have to account for, and anything under that, you appropriate?—A. We appropriate the screenings, yes.

By Mr. Douglas:

Q. When you speak of overages, you mean screenings?—A. No. It is the real wheat. I have explained how these overages are made in the elevator.

By Mr. Reid:

Q. Are there any cars of wheat, Mr. McWilliams, which go through which are not docked at all?—A. Yes, I should say—well now, I cannot tell you. Do you know, Mr. Bawlf, I think it is about twenty-five to thirty per cent.

Mr. BAWLF: There is no dockage on oats.

By Mr. Reid:

Q. I have reference to wheat. I was not speaking of oats or other grain.—A. Twenty-five to thirty per cent on wheat.

By Mr. Stevens:

Q. Now, Mr. McWilliams, you also have in your elevator, as in all other elevators, large quantities of screenings as well as overages, large amounts. What we are getting at is whether it is reasonable or not. For instance, your overages in the combined elevators, which are both under the same control, and are treated together in this audit, are:—The overages in nineteen hundred and twelve-thirteen, one hundred and sixty thousand, eight hundred and seventy-two; in nineteen hundred and thirteen-fourteen, one hundred and sixty-nine thousand three hundred and twenty-two; in nineteen hundred and fourteen-fifteen, fifty-nine thousand and sixty seven; in nineteen hundred and fifteen-sixteen, two hundred and thirty-six thousand, two hundred and twenty-four dollars; in nineteen hundred and sixteen-seventeen, three hundred and nine thousand six hundred and forty-four. In the same years, you got a revenue from screenings and scalpings, in the same years, without repeating them, twelve thousand seven hundred and sixteen dollars; eighty-seven thousand nine hundred and seventy-nine dollars; seventy-three thousand three hundred and seventy-four dollars; eighty thousand, five hundred and ninety-one dollars, and seventy-two thousand, seven hundred and seventy dollars.

Now, the point has been raised by somebody that this should be included as part of the earnings in the elevator under the tariff, and you intimated that yourself.

Now, just to show your earnings on the same dates, and then I will ask you a question on this whole thing—just to put it clearly before you, your earnings during those same years directly from the tariff fees for the operation of these elevators were as follows (I will not quote the years again, as you have them): two hundred and thirty thousand two hundred and eighty-two dollars; two hundred and thirteen thousand five hundred and ninety-three dollars; forty-eight thousand six hundred and thirty-seven dollars; two hundred and three thousand eight hundred and eighty-seven dollars, and two hundred and ten thousand and fifty-three dollars.

Now, you see, your earnings are very substantial, under the regular schedule of fees, and if you add to that the screenings, and then add again to that the overages, you find the earnings amount to a very high amount, and it would indicate (and this is the question I want to ask you), do you not think and agree with me that it indicates that the allowance for overages is altogether too high?—A. Yes, the overages from some of the elevators, I think, have been too high. Of course, this whole thing is brought about by the high cost of grain.

Q. Those are the market prices?—A. I have prepared a brief here in regard to the terminal elevators which I would be very glad to leave with you. It is rather long, but it goes into this elevator business very thoroughly, and it shows that, notwithstanding the big earnings of the terminal elevators at Port Arthur and Fort William, that our rates down there are the lowest on the North American Continent.

Q. That is a very gratifying thing. That is what we want to keep. As long as they will pay we want to keep them that way?—A. This is what we do for three-quarters of a cent a bushel. We receive that grain, and clean it, and store it, and insure it for fifteen days, and put it on the vessel, for three-quarters of a cent a bushel. The rate for the same service in Duluth is one and a quarter cents a bushel. They get the overages and the screenings, just the same, and get twice the rate, and their storage charges are, I think, the same as ours.

By Mr. Reid:

Q. Before you go any further: What do you mean by "insurance?"—A. We insure the grain for fifteen days.

Q. Against what?—A. Against fire, and also carry a collapse insurance.

Q. You are responsible for the quality of that grain?—A. We are responsible, but we can post the public elevators if we see the grain going out of condition, but no elevator company has ever been posted that I know of, because it would hurt our business.

Q. Have you ever had grain go out of condition while in your terminal?—A. We have, but we stood our losses rather than take advantage of the Grain Act and post it.

Q. So when you insure it, you insure against fire and condition?—A. Fire and collapse.

Q. For three-quarters of a cent a bushel?—A. Yes, sir. I have a table of the rates here which will be very interesting, I am sure, which I will file with you. The rates run all the way from one cent to as high as a cent and a half in Duluth. Duluth is the nearest parallel to Fort William and Port Arthur.

By Mr. Stevens:

Q. Does that not again narrow itself down to the question as to whether or not you are making a fair profit?—A. I think that is the crux of the whole situation. I think they have been making undue profits——

Q. (interrupting). Including the overages?—A. Through the high price for overages and screenings.

By Mr. Reid:

Q. You mentioned Duluth. How does its bulk compare with Port Arthur and Fort William?—A. That is a condition we are coming to. They are greatly overbuilt there. We have storage provided at the head of the lakes for eight hundred million bushels.

By Mr. Stevens:

Q. Of all grains?—A. Yes, of all grains. Last year we dropped down to four hundred million bushels.

By Mr. Douglas:

Q. That is the reason you did not make so much money last year?—A. That is the reason we did not make so much last year, yes, and you cannot afford to fix your tariff for the future in Port Arthur and Fort William on war conditions, or the five-year period covered by the Price-Waterhouse report.

[Mr. W. H. McWilliams.]

By Mr. Stevens:

Q. The two years before the war were the best years?—A. No, I think not.

Q. Let me give you your earnings. Your earnings included screenings and overages. The tariff fees were as follows: In nineteen hundred and twelve-thirteen 14·67 per cent now nineteen hundred and thirteen-fourteen, 13·34 pr cent; then we come to nineteen hundred and fourteen-fifteen, that was the bad year, 0·19 per cent; then in nineteen hundred and fifteen-sixteen it went up to 12·57 per cent; in nineteen hundred and sixteen-seventeen, 13·6 per cent, or about——A. (interrupting). Surely you cannot call those excessive?

Q. Not at all. About eleven per cent.

By Mr. Sinclair:

Q. Earnings on the capital invested?—A. Earnings on the investment. This is out of fees alone, but then, of course, you add to that the figures for the screenings and the scalpings, which give you these figures. That is the two elevators, of which you are speaking?

Q. The two together. That is, the average of the two. When you include the screenings and overages, you have these figures: 28·50 per cent, 33·88 per cent, 10·75 per cent, 37·82 per cent, and 43·50 per cent, which is the point I make, namely, that these overages contributed very largely to the large earnings?—A. The reason we were able to make good profits is because we have these feeders for these elevators. The elevators at the head of the lakes that have to depend on the public for their business have not made so much money, and there has been added to the storage at Fort William so much capacity that we cannot hope to make these earnings from now on.

By Mr. Davis:

Q. Look at it from another way. What would be the effect of depriving you of the overages?—A. It would necessitate an advance in the tariff. If you advocate a cash tariff—I don't think the farmer would be very enthusiastic over that.

By Mr. Douglas:

Q. What about these figures which Mr. Stevens read?—A. We are quite prepared, if the Government is prepared to guarantee as against a shortage, to go to the cash tariff, if they want us to.

Mr. Davis: When there are shortages we don't hear about them; we only hear about the overages.

Mr. Stevens: I think they are very very small as compared with the overages. All the elevators are here (indicating).

Mr. Davis: Is there a year there where they had a wet harvest? Does that make any difference?

Mr. McWilliams: No, I don't know that it does. We did have a shrinkage. We were allowed a shrinkage for the wet grain, but I don't know whether that is in the tariff or not.

Mind you, the Government has been fixing this tariff since nineteen hundred and twelve, and have been reducing the tariff a little since nineteen hundred and twelve, and necessarily the cost of operation has been going up.

By Mr. Stvenss

Q. The indications are that it is working very satisfactorily. You speak about the other elevators getting less. I have the whole thing here (indicating).—A. I think, Mr. Stevens, you will have to admit that it has not been fair to take this five-

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year period which represents the best five years in the history of the elevator business, when the overages were worth three times what they were worth in pre-war times—and screenings as well.

Q. Two of these years are pre-war years?—A. That is nineteen hundred and twelve-thirteen.

Q. And nineteen hundred and thirteen-fourteen. These were pre-war years?—A. What is the first year?

Q. Nineteen hundred and twelve-thirteen and nineteen hundred and thirteen-fourteen. Those are two clear years before the war?—A. I suppose one of the reasons for those big profits is the fact that there was not sufficient capacity.

Q. Then came the war year with its high prices and rotten crop?—A. Yes, and, for instance, the Empire Elevator has handled a tremendous volume of business since it was built.

By Mr. Sinclair:

Mr. Stevens, you gave us the figures on capital. What are the percentages on turnover?

Mr. Stevens: I don't know because this elevator handled all this grain on commission. They are warehousemen.

Mr. McWilliams: The turnover don't come into the public elevator. We don't buy the grain.

By the Chairman:

Q. It comes into it this way, Mr. McWilliams, and this is the real fact of the matter that this committee is interested in more than anything else, that whatever charge you make against the grain you handle, is what the grain ultimately produces. If you can tell this committee what addition to the price of wheat?—A. To the price of a loaf of bread.

Q. No, start with wheat; what addition to the price of wheat your charges to the elevator would make?—A. The Price-Waterhouse reports shows for the last five years the cost of doing business.

Q. Per bushel?—A. Yes. I think the cost per bushel is shown in their report.

By Mr. Reid:

Q. Have you got it from the Imperial Elevator up to the terminal?—A. No.

Mr. Stevens: I do not think that information is in this report.

By the Chairman:

Q. You can give us your cost?—A. In the country elevators—well, they vary tremendously according to the crop.

By Mr. Reid:

Q. But your average. I know it is all a matter of volume, but take the average?—A. It runs from three to five cents a bushel, the cost of buying and doing business.

Q. That puts it on the track?—A. Yes, that would put it on the track.

By the Chairman:

Q. At Fort William?—A. No, less the freight.

Q. What I am referring to is the elevator charge.

Mr. Stevens: F.O.B. Shipping point.

[Mr. W. H. McWilliams.]

By Mr. Pringle:

Q. Suppose the elevator did the business for nothing, would it make any appreciable difference in the cost of a loaf of bread? Suppose you wiped out your three-quarter of a cent charge for handling wheat at the terminal?—A. That would be so insignificant—

Q. So infinitesimal that it would be hard to get at?—A. The only thing that comes into it is the right or wrong of a certain set of men running the terminal elevator making more money than they ought to. I claim that at pre-war prices for overages, with the tremendous storages we have now at the elevators, it would be impossible to make even a reasonable profit from now on. Here is the cost per bushel. I suppose you have the Price-Waterhouse report.

Q. All terminal Government elevators operate under Government supervision?—A. Yes, and direction. The charges they make for the services they render are approved by the Board of Grain Commissioners each year.

Q. It strikes me it comes down to this point; you are under the control of the Government?—A. Absolutely.

Q. And it is a matter for the Government to say whether you are making abnormal profits or not?—A. Yes.

Q. And your contention is that while you handle this at three-quarters of a cent a bushel, whether the wheat is worth a dollar or is worth two dollars, you do it for three-quarters of a cent?—A. Absolutely.

Q. So that that does not come into the situation at all, the high cost of the grain, except to the extent of your overages and screenings?—A. No.

Q. So that if you get a market where grain is down to a dollar a bushel you do work for three quarters of a cent just the same, but your screenings and overages immediately depreciate 100 per cent?—A. Yes.

Q. Or more?—A. In 1908, 1909, and 1910 screenings were worth at Fort William $6 or $7 a ton; the farmer never asked us for any return of screenings in those days, regardless of what the dockage was. Screenings were not worth anything, were not worth bothering with, but since the war screenings got up to $25 a ton, and then they became interested in the screenings.

Q. Your contention would be that you passed through abnormal times, which have of necessity given to the elevator people under Government regulations an opportunity of making, I won't say excessive, but very substantial returns?—A. Absolutely. We could not help making it if we wanted to. The tariff is made by the Government. They supervise the business all the way from the country elevator to the seaboard, and there it is. The gross weight in and out of the elevators is even; the gain we make is made entirely from cleanings and recovering small grain from screenings.

Q. You make rather a strong statement here that these conditions will not continue?—A. Yes.

Q. What reason have you for that. Do you think the price of wheat will come down?—A. It will certainly come down just as soon as these fixed prices are over.

Q. You think there is no question about that?—A. It is a case of catching up on production. The figures of the world's probable supply of grain would indicate there is enough to go round, but it is badly distributed, transportation enters into it in such a way.

Q. Transportation enters into it in such a way that in some of the territories there is difficulty in exporting it into the British market?—A. Absolutely.

Q. And that keeps up the price?—A. Yes.

Q. And then the price-fixing in the United States is going to have its effect, but we think it is only a matter of time when these conditions will change and the price of wheat will fall. Assuming for the moment the price of wheat falls, would there be any possibility under the present conditions and under the elevator facilities which you now have at Port Arthur, and which are increased, I see by your statement, very

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very largely, would there be any possibility of the elevators making any such returns as they have been making?—A. Absolutely not. This statement shows it here. Our handling has gone down from 14,000,000 in 1916-17 to 8,000,000 in 1917-18 and 5,000,000 in 1918-19 in this one elevator.

Mr. PRINGLE: This statement of Mr. McWilliams' is rather illuminating and it is very concise, and it might be very well for the committee to consider it.

By The Chairman:

Q. You have stated to the committee that the capacity of the terminal elevators at the head of the lakes is very materially increased?—A. The present capacity is 48,000,000 I think, in round figures. I might be out a million or two there, and I believe at the time that I built the Empire at Fort William, the capacity was about 10,000,000, so that it has increased that much.

By Mr. Pringle:

Q. Had you sufficient capacity during the year of the big crop?—A. No, we had not.

Q. Has the capacity increased since that time?—A. Oh, yes, very much. There has been probably ten or fifteen millions added since the big crop.

By The Chairman:

Q. What is your opinion with regard to the effect of that added space on the facility for getting the grain through the terminal? Does it assist by making it easier and providing more capacity? Is it likely to either affect itself in an increased price to the farmer, or a reduced price to the ultimate consumer? To take the transverse of that, if the elevator capacity is restricted, is that likely to either reduce the price to the farmer, or increase the price to the consumer?—A. I do not know how the consumer would be affected very much. If they cannot move the grain, it has got to stay on the farm, but if it stays in the country elevator, it would be subject to storage and interest, and whenever you hold up grain it costs storage and interest. If it stays on the farm it does not affect the consumer.

Q. But the farmer does not get his money?—A. No.

Q. In your opinion is it an advantage to the producer of grain in Western Canada to have ample facilities for the grain?—A. Decidedly so. The big crop of 1915-16 found inadequate country elevator capacity and storage, and inadequate terminal facilities, and of course everybody made so much money in the grain business that year that they all jumped in and overbuilt the country, and I think they overbuilt the terminals for some years.

Q. To carry that a little further, suppose that the increased capacity at the head of the lake were to result in finally increasing the cost of the production of a cent on a bushel of wheat on the handling charges, due to what you have said in regard to what we were coming to in relation to Duluth, would that increase be offset by the advantage in the building of a large crop?—A. Oh, I think so. You see we have increased the facilities in every way at Fort William and Port Arthur. One year we had a wheat crop and a great deal of our grain was damaged, and we lost on it by reason of inadequate country facilities, poor freight facilities, and inadequate facilities for drying it at Fort William and Port Arthur, and we brought up a big floating dryer from Chicago, to dry this grain, to keep it from spoiling. That has all been taken care of by additional drying systems, and the Government have helped some in building these elevators. They built a terminal at Fort William, another at Saskatoon, and one at Moosejaw.

By Mr. Pringle:

Q. With the growth of the West you require to have greater terminal facilities and more elevators, and unless the Government take it upon themselves to furnish

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terminal facilities and elevators, then private capital has got to do it?—A. Yes.

Q. And if you do not allow a rate upon which private capital can see at least a fair return on its investment, you are not going to have these elevators constructed?—A. No. I think to be absolutely frank with you, all these statements of these terminal elevators show more profit than they ought to show in the last four or five years, but they have got to pay war tax.

By Mr. Sinclair:

Q. You do not mean that they show more profits than they really make?—A. No, they show a little too much profits.

Mr. Pringle: More than they are entitled to.

Witness: But it is due to the high price of grain and screenings.

By Mr. Pringle:

Q. And the Government has taken care to see that you contribute a portion of it to the Government?—A. Yes.

The Chairman: By the war tax.

By Mr. Reid:

Q. A statement was made in the House of Commons the other day that the terminal overages were illegally taken. What have you to say about that?—A. I do not say that they were illegally taken. We honour our warehouse receipts. We give the shippers everything the Government says we ought to give them. The Government inspect this grain. We weigh it in and weigh it out, and register our warehouse receipts in, and cancel them out. Therefore, if you have warehouse receipts issued for 100,000 bushels of No. 1 Northern, you have got to put out that much of that grade or buy it in the open market.

By Mr. Pringle:

Q. I do not understand how the large overages could be made?—A. I have explained that.

Q. The grain is weighed before it goes in and weighed before it goes out.

By Mr. Davis:

The difference is not between gross and gross; that works out the same, but it is between net and net?—A. Yes, between net and net. The memorandum of rates will show you exactly what the average overage in percentage is. It looms up big in bushels and dollars, but when you put on the percentage of the total amount in that it is very small.

By Mr. Sinclair:

Q. That is percentage per bushel?—A. Yes, percentage to the total bushels handled.

By the Chairman:

Q. As a practical grain man, what in your opinion would be the effect on the Canadian situation to have the Canadian market open with a fixed price to the United States?—A. I was going to suggest something, and I may as well suggest it here. We have had some men from the Grain Exchange working on this, and they have given it much more consideration than I have, but my own opinion about it, which I would be very glad to give for what it is worth, is that I believe the markets should be open and all restrictions removed. Let us get back to pre-war competition and open trade with the world. But out of consideration for the farmer, and to prevent a drive, I think a minimum should be placed, in view of the fixed price in the

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United States, a minimum of say $1.65 should be put on wheat. That would not mean that the Government would require any machinery to step in and handle it all, but simply that when it got down to $1.65 at Fort William, the Government would subsidize the farmer for any loss below that point.

By Mr. Reid:

Q. What loss do you expect the Government would have to subsidize the farmer for?—A. I do not think we would have much loss.

Q. That is your opinion?—A. Yes.

Q. On what do you base your opinion?—A. Well, they have a fixed price in the United States, and they are going to hold it up possibly by the boot straps. But they are going to get as much as they can, and I think before our market gets down to $1.65 we will get a great deal of our stuff off. We have not a very big crop prospect anyway.

Q. Are you aware that there is a nine penny loaf in the Old Country?—A. I have heard that.

Q. What would we have to sell wheat at to produce that nine penny loaf in the Old Country?—A. I don't suppose that would come in. Don't the Government absorb the losses there?

The CHAIRMAN: The British Government does.

WITNESS: The British Government takes it up.

By Mr. Reid:

Q. How long are they going to do that?—A. All the countries which are going to take our surplus and the surplus of the United States will have to pay the market price for the wheat.

Q. Supposing the Government set a minimum price for wheat and it went higher in an open market; what would the consumer say to the Government?—A. Well, of course, that is the trouble; the consumer is in between hell and the iron works. I do not know how you are going to fix it.

Q. This Committee is supposed to be looking after the consumers' benefit?—A. Yes.

Mr. DAVIS: This shows that the overages on all grain in the elevator is four-tenths of one per cent.

By Mr. Sinclair:

Q. You have given us your profits; can you give us an idea of what you pay your people in salaries, your manager for instance?—A. I am president of the Empire and president of the Thunder Bay Company, and they pay me the magnificent salary of $1,500 in each company as president. Of course, I do not do very much. We pay the manager at Winnipeg $7,000.

By Mr. McCurdy:

Q. For each company?—A. No, for both companies. We pay the manager at Fort Wiliam I think $4,000 for both companies, so that our officers' salaries are not very large.

By Mr. Sinclair:

Q. What would be your turnover in 1918 for the Empire, that is for the year ending July, 1918?—A. We handled about nine millions in round figures, eight million nine hundred thousand, I think.

Q. What would be your turnover in money?—A. In a public terminal elevator there is no turnover in money. We do not own the grain; we are simply public warehouse people. We do not own any of the grain at all. It is a purely storage proposition. The only elevator where they own the grain is a private elevator.

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APPENDIX No. 7

By Mr. Reid:

Q. Every bushel of grain, whether it is commission grain, consignment grain or purchased grain goes through your books?

Mr. PRINGLE (Interrupting): What you want to get at is the value of the grain they handle. They do not put a dollar in the grain that goes into the elevator; it goes in and goes out and they get three-quarters of a cent a bushel.

By Mr. Sinclair:

Q. Where does the grain come from?—A. From the country elevators, and shipped on the track.

By Mr. Pringle:

Q. What is the value of the grain that you put through your terminal elevators? How many million bushels? —A. Say for the sake of argument, nine million bushels.

Q. That would mean at $2 a bushel?—A. That would be $18,000,000. That is about the way it would work out.

Q. That year it would run about $18,000,000, and in handling that they make a profit of $200,954.

Mr. SINCLAIR: After putting $25,000 in the reserve.

By Mr. Reid:

Q. You say it costs you at your country elevators from three to five cents to take the grain in, weigh it, and put it on the track?—A. Yes.

Q. What poportion do you receive for that work?—A. We usually try to start off with a margin of five cents on wheat and three cents on oats. You mean our profit?

Q. Suppose I had a special bin in your elevator——?—A. That would cost you a cent and three-quarters of a cent to sell.

Q. You say it costs from three cents to five cents to put that through your house? —A. Yes.

Q. And you only get a cent and three-quarters for doing it?—A. Yes, you have to take the different operations of the grain going through the elevator. We buy a lot of it at the straight price. We make a wider spread and then we earn storage on it.

By Mr. Douglas:

Q. You have to weigh the overages?—A. They are not very big in the country elevators.

By Mr. Reid:

Q. The point I am trying to get at is this: what do you really think it costs you to put say 1,000 bushels of wheat through your houses in a special bin, and put it in a car and track it?—A. If you take the actual cost of the gasolene for running the elevator and the wages per man, it is not very much; but you cannot make your calculations that way. You have to take it at the end of the season and figure out how many bushels you have put through your line of elevators and figure out your average expense all the way through, and put it against the bushels you have handled. That will vary according to the number of bushels you have handled. If you only handle an average of 30,000 bushels per elevator, it will be pretty expensive; but the Saskatchewan Co-operative Grain Growers probably average 100,000 bushels. With good crops my country elevator line will average from 70,000 to 90,000 bushels.

Q. In other words your house will be filled about three times on an average?—A. Yes.

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Q. That is good business?—A. You can make good business in the country elevator if you can average 70,000 to 100,000, but when it is only 25,000 or 30,000 you do not make much money.

Q. Take the farmer, with whom you do a special bin business, do you work for him for less than cost?—A. You would, unless you handled a tremendous volume of that business. If you had a cent and three-quarters per bushel, and if you got a cent commission for selling it for him at the other end you can make money if you get a big volume of business.

Q. It is not fair to bring in your commission to help out your country elevator? —A. No, at a cent and three-quarters it is pretty difficult to make money at it; you have to handle a big volume.

Q. Did your company submit figures before the commission held some years ago in regard to the cost?—A. I think we did.

Q. What were the figures, do you remember?—A. I cannot remember, but I am quite sure that the figures presented by the various elevators ran from two and three-quarters up to as high as five cents per bushel.

Witness discharged.

Dr. R. J. McFall, recalled.

By the Chairman:

Q. You have already been sworn?—A. I have.

Q. Have you gone over the evidence that was given before this committee by the representative of the William Davies Company?—A. I have.

Q. Have you checked that evidence against the records in your own department in regard to the quantities of foodstuffs stored in the packing houses of the William Davies people during the past year?—A. I have checked the high points; I have not checked every detail. I find that on the whole the thing corresponds. There is one matter on page 129 of No. 5 of the evidence in which it has been set down that Mr. Fox said the Toronto house took in 768,000 pounds in the month of February. Well, I think, with all due deference to the stenographers, that must be a stenographic error, because it is an utterly impossible statement. Certainly it does not correspond with the figures handed to me. It is very much higher. I could look it up, but it was rather a small amount taken in that month. It is a matter which the stenographers could easily mistake. Then there was another place, on page 128, where Mr. Fox says that stocks were down to 261,000 pounds, signifying that that was the stock on hand at the end of the month, when it was the stock at the beginning of the month.

Q. In the main, have you found any wide discrepancy with regard to the volume of foodstuffs stored?—A. No.

Q. Have you checked the evidence given by the Matthews-Blackwell Company and the Swift Canadian Company?—A. I have checked the high points in them all, and I find in the main it is correct.

Q. Have you checked the evidence with regard to the quantities of butter and eggs and as to the prices, and compared them with the prices submitted to your department?—A. I have checked the dairy prices and the eggs, and I find no discrepancies that are worth mentioning. There are some slight things.

Q. Have you checked the Ogilvie Milling Company?—A. By the way, there was the Harris Abattoir which I was able to check perhaps a little more fully, having their balance sheets and profit and loss accounts for the last year and I find on the high point upon which they were examined they are correct to the slightest detail, that is on the last year I have, but on going back and comparing with the records in the early days in my office there were some slight discrepancies, I do not know whose fault

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it was, but the records in my office of some of these companies would not add up by $100,000, so I do not wonder at some slight discrepancies appearing. In the main however, there were but slight discrepancies, particularly with regard to last year. There is one other thing I wish to speak about, with regard to oleomargarine. Mr. McLean gave us a statement of the cost of his oleomargarine that does not correspond with what I got from his oleomargarine man the day before; I do not blame Mr. McLean, however, he should have the figures before him. I had the detail of what I went into, but the cost of production as shown and sworn to me by the Harris man, Mr. Anglin, who has charge of that, showed some higher costs than what Mr. McLean claimed.

By Mr. Pringle:

Q. I think that Mr. McLean, speaking from my recollection had not the evidence before him; he was just giving us approximate costs?—A. You see I make no criticisms whatever. I am merely trying to get the fullest information possible and I checked them off with the cost of the ingredients.

Q. I do not think he had anything before him, he was giving it from recollection. —A. The fact of the matter is, I think, he might have been fairer to his company. I have also here something which I think might interest you, it is a statement of the William Davies' Company retail stores, dealing with their net profits and turnover for the five years past which, for all the retail stores in three cities, came to 2·01 cents. I am getting from the William Davies and Company a rather elaborate statement showing the percentage taken, what they get out of a standard hog as sold on the British market, on the price as sold to the British Ministry of Food; I have the price confidentially, from the Ministry, so that they cannot fool me even if they wish, showing what they will get out of it on the British market price.

Q. How soon will you get it?—A. I do not know, I should have it here very shortly.

Q. We have evidence on the record in regard to that matter.—A. With regard to the millers I am sorry to say that I have not yet been able to get hold of complete evidence although I have been trying very hard to do so. I have some notes your secretary and some of my men have been taking. The last year's balance sheets are in the hands of the Food Board, and they have promised it to us and I expected to get them before this, but I found when we pushed them to the wall these balance sheets had disappeared so we are going to get them ourselves. There is one point there that I think is worthy of a little attention if what I am told regarding the evidence before you is correct. They said that in the milling of wheat during the last year that they have had to, or they have used the full amount of wheat per barrel of flour which is approximately 4 and a half bushels. Well, during the greater part of this last year the law has said that they must not use 4·25 pounds, that is the standard of flour for present extraction. That does not agree I am sorry to say with the evidence that I have dragged from these gentlemen. Here I find, taken from our records, and if you want to get these chased up more intimately we can do it.

By the Chairman:

Q. There is no necessity of filing any records, all I wish to get on our record is a statement from you with regard to whether you do find in it, as a matter of fact, discrepancies generally from the evidence.—A. Very well, now this is a rather important point as to how many pounds of wheat it takes to make a pound of flour. I looked it over last winter and I found that if they can save 12·99 pounds it amounts to 50 cents a barrel. I have here a statement of the Ogilvie Flour Milling Company, and they have gone as low as 4 bushels 12 pounds that is the lowest I have seen. The Robin Hood people also have been making a nice little overage, they saved on the

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Government standard which was worked out at 50-50 of shorts and bran and sometimes I found that there was three times as much shorts as bran, and these things count up with a large turnover.

Q. I might say that in giving their evidence the millers told us with perfect frankness that they did that.—A. That is all right.

Q. The point I would like to get cleared up is whether you have figures with regard to the net profits made by the millers?—A. With the exception of the last crop year.

Q. And they give a sworn statement with regard to this same thing.—A. With regard to the cost per barrel?

Q. Yes.—A. Well, I have not that before me for last year but I have it for the previous year, I have only that information up to and including 1917.

Q. In 1917 what were the profits per barrel?—A. Ogilvie's 20·32 cents, Lake of the Woods 20 cents flat, Western Canada 18·85 cents, Maple Leaf, 30·45 cents per barrel.

Q. That is 30 cents per barrel in 1917?—A. Yes. I have some other things which I would like to bring out publicly, namely the correspondence between the cold storage holdings, domestic as well as terminal, but it would take some little time to digest it.

Q. We have received evidence in regard to hoarding?—A. I understand that perfectly well.

Q. And if the evidence we have corresponds with your figures will you tell us and it will save us going over this mass of evidence?—A. One thing I wanted to bring out is statistical material which I got from the Food Board which shows practically the amounts of these chief products which are being held in cold storage and to compare them month by month with the stocks on hand, and if you do that you will find it illuminating evidence, as, for example, oleomargarine.

By Mr. Douglas:

Q. You might give us a summarized statement of that?—A. Yes, for example I can leave it with you; I think I have already filed with you through Mr. Coates and Mr. Davis a statement as to the stocks on hand from month to month, and if you wish me to, I would be very glad to leave with you these charts if you will return them.

Q. You might present a summary of that, if you will, with the results of your investigation?—A. I intend to do that.

By the Chairman:

Q. You have these charts worked out showing the volume on hand from month to month and the domestic consumption; from that information what is your opinion with regard to the question whether the packers and cold storage people were holding stocks that were excessive?—A. My opinion on the matter is that with the exception of fish and poultry, but taking the matter as a general rule there could be no criticism beyond the fact that we have unquestionably too much fish in storage and I will say myself, emphatically, whatever anybody called before you may bring out, that that is not due to the fault of those who own that fish; the owners are offering that fish at half price trying to get rid of it. I have evidence showing that they are offering that stuff at half price, and even less, and yet we have far too much of it in Canada, we cannot get rid of it. With regard to poultry there was a little too much last year which was due largely to the fact that the packers bought at high prices last year and are having difficulty now in marketing at that price, although I think they are going to market it all right. At one time we had a large quantity of meat on hand, when the British market was closed but to-day that situation is changed.

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By Mr. Pringle:

Q. You are speaking more particularly of frozen meat?—A. All meats in cold storage.

By Mr. Douglas:

Q. You say they are offering fish at half price and can get no diminution in the quantity?—A. They are having extreme difficulty in getting rid of this fish.

Q. And yet the retail price of fish is remaining up just as high as ever?—A. Some of the retail prices are remaining quite high. Of course, there are various grades of fish at retail. I don't know that I have a copy of my Fish Report with me, but I would be very glad to send one down to you, so you can get the details.

Q. That is fish that is being offered in good condition?—A. It is, yes.

Q. And it is fish that is demanded by the public?—A. Unfortunately at the present time, what the public wants is halibut and salmon, the fancy stuff. Just as people who want salmon, are bound to have the sock-eyed salmon, and other fancy lines.

Q. How about the canned salmon? Do people want the canned fish?—A. There are lots of canned fish in the country of all grades which they are having trouble getting rid of. The trouble is with the consumer.

By the Chairman:

Q. There is a plentiful supply of low-grade fish, but the people don't want it?—A. Yes, there is a lot of it, and the people don't want it. They want the silk instead of the wool.

Q. It goes back to the same position as the meat dealers find themselves in, that the people don't want anything but the choicest meats?—A. Yes, it is the "Cost of high living" and not the "high cost of living."

By Mr. Douglas:

Q. Does that prevail in Ontario?—A. Now, you are not going to get me to say such a thing. It even exists on the other side of the line.

By Mr. Pringle:

Q. I suppose it even exists out where Mr. Douglas comes from, in Alberta?—A. I am quite sure that it would exist there; that you would find it existing out there, but I have not the data with me to say that it exists in your province, Mr. Douglas.

By Mr. Douglas:

Q. You can only get certain kinds of fish and we have to pay very fancy prices for it?—A. Yes, I imagine you would.

Q. Does that cover cured fish?—A. That is very largely for export purposes for the West Indies.

Q. We use a lot of it here?—A. Yes.

Q. In fact, we would use a good deal if we could get it?—A. We used to get it, but the Maritime Fish Company cure it and they want it to go to the West Indies.

By Mr. Sinclair:

Q. You get smoked fish in the West?—A. Yes.

By Mr. Douglas:

Q. What principal kinds of fish are they? Herring?—A. Frozen fish.

Q. Herring?—A. There is some white fish and cod fish mixed in it.

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Q. I suppose it retails for twenty-five cents a pound?—A. No, I don't think it does. I have not the data here but I have it in detail, and I will be very glad to send it to you.

By Mr. Sinclair:

Q. Is there a surplus of smoked fish in cold storage?—A. I don't think so.

By The Chairman:

Q. I suppose there are large quantities of frozen fish coming in?—A. Yes.
Q. And the market is absorbing it?—A. No.

By Mr. Pringle:

Q. You would have to start a campaign to get the people to eat more fish?—A. That is the idea exactly.

By Mr. Douglas:

Q. What is the trouble? Are the prices up too much?—A. I think the retailer is taking too much.
Q. It shows that the retailer cannot buy the fish on account of the high prices, at a price where he can sell it?—A. He can on fish. I will send you in the evidence and you can decide.
Q. Have you made any investigation here recently—here in Ottawa?—A. Yes.
Q. Lately?—A. Yes.
Q. Since this condition arose that fish were being put up at half price?—A. Yes.
Q. You have not the result of that?—A. I have not the matter with me, but I will send it in to you.
Q. In the meantime, the fish might spoil?—A. Some fish might. As Mr. Briton, of the Maritime Fish Company, told me in Toronto, that he had a carload and he did not know what he was going to do with it, unless he took it to the dump, and he was offering it at a sacrifice price.

The Witness discharged.

The Committee adjourned until 8.30 p.m.

The Committee resumed at 8 p.m.

Mr. W. R. Bawlf, called, sworn and examined.

By Mr. Pringle:

Q. You are connected with the N. Bawlf Grain Company, Winnipeg?—A. Yes.
Q. What is your capitalization?—A. A capitalization of $700,000 paid up.
Q. Is this an incorporated company?—A. Under the Provincial Act of Manitoba.
Q. I see a statement here covering the period 15th August, 1913 to 15th August, 1914, and I see your net profit as shown by the Profit and Loss Account was $75,000?—A. Yes.
Q. From this was deducted interim dividends paid during the year, thus leaving at the credit of profit and loss account, as shown from the balance sheets, $68,338.06. The balance sheets to which are attached schedules giving the details of the figures, show the sales to be $278,240.91, as compared with $142,732.75 of a year ago. These assets, as may be remarked, appear to be of a very sound nature. The outstanding accounts, all of which seem to be very healthy, being alone sufficient to pay off not only liabilities of the company, but leave sufficient to pay a large dividend as well. In short, the position of affairs may be viewed as eminently satisfactory. Membership

certificates, as well as other securities held covering outstanding balances, have been produced for our inspection. This is from the auditor's report.

Q. Who composed this company?—A. Originally my father, Nicholas Bawlf, incorporated the company in 1910, with an authorized capital of $50,000, and I think the paid up capital at that time in 1910 was $50,000—fully paid up in cash. In 1913-14 the paid up capital in the business was $100,500. At that time we were operating about 16 country elevators.

Q. In 1914 you show your capital stock at $100,500, and your profit and loss account for that year, schedule No. 8, shows a balance of credit there of 15th August, 1913, $30,489.54. You had sundry net amounts applicable thereto, $153.52, bringing the total to $30,643.06, less dividend $711.94. Then you have profit for year ending 15th August, 1914 as per separate statement $75,000, less dividend paid on account thereof of $5,450, making a total of $69,550, which leaves you a balance of $68,836.06, which is carried to reserve?—A. Yes.

Q. Give us your statement for the next year?—A. In that year I would like to say we handled 7,000,000 bushels of wheat and 10,000,000 bushels of oats, with a turnover of over ten million; that is in 1913-14, on a paid up capital of $100,500; that is through our elevators; we bought and sold that in the Winnipeg Grain Exchange.

By Mr. Stevens:

Q. Is this a public or private elevator?—A. This is a country elevator line, doing a commission business and shipping business, all under the one name. At that time we were not interested in any terminal elevator, and I will show that as we go along.

Q. You had your country elevators, and you bought and sold grain?—A. Yes, and shipped grain east and for export, bought it on account of mills and dealers.

Q. You were in a competitive market?—A. Yes, absolutely.

Q. And did the best you could for your company?—A. Yes.

Q. Your turnover was what?—A. 17,000,000 bushels of grain.

Q. Your net profit apparently was $75,000?—A. On 17,000,000 bushels of grain.

Q. What percentage would that be on the turnover?—A. On the amount of grain put into dollars, I may say, our turnover in the banks was ten million dollars, and our profits $75,000. That would be three quarters of one per cent.

Q. I see your auditors were John Scott and Company, Chartered Accountants, Manitoba. They evidently have offices in Winnipeg and Calgary?—A. Yes.

Q. Take the next year, 15th August, 1914, to 6th August, 1915. Your auditors say—

> "We have audited the books and accounts of your company for the year ending August 6, 1915, and now beg to hand you attached accounts consisting of Profit and Loss Account for the year ending August 6, 1915, Balance sheet, as at August 6, 1915, Schedules, Profit and Loss statements as at August 15, 1914.
>
> Balance sheet Schedules, as at August 6, 1915, which are respectfully submitted for your consideration.
>
> From the Profit and Loss Account it will be observed that after writing off $2,843.37 by way of depreciation on elevators—equal to about 2 per cent—and sundry other depreciation items, but before providing for any possible loss outstanding accounts, the year's operations have resulted in the excellent profit of $150,000, being double that of a year ago, and $2,500 more than the amount shown at the credit of capital account."

So that you made more in that year than your capital?—A. Yes.

Q. The report of the auditors continues:—

> "The comparison in this latter respect is even more favourable, as until the close of the books the capital stock remained at the same amount for the

[Mr. W. R. Bawlf.]

year, viz. $100,500, when an additional amount of stock, viz. $47,000 was taken up by Mr. W. R. Bawlf. The profit on wheat and oats trading this year amounts to $246,611.50, as compared with $158,340.06 of a year ago, while the expenses over all have increased from $83,340.06 to $96,611.50 in the year just closed.

The balance sheet discloses a sound state of affairs. The assets now stand at $398,685.05 as compared with $278,240.91, while the liability which last year amounted to $108,902.85, consisting of:—

Bank..	$68,411 63
Open accounts..	7,491 22
Loan..	33,000 00
Total..	$108,902 85

Amount this year to $101,185.05, and consist of:—

Bank..	....
Open accounts..	$47,167 04
Dividends unpaid..	54,018 01
Total..	$101,185 05

Membership certificates, as well as other securities held, with the exception of the Fort William Elevator stock, have been examined by us and found in order, while certified stock sheets have been handed to us covering the value placed upon the stocks of grain on hand.

Schedules have been prepared giving full details of the balance sheet figures, as well as a statement showing the disposition of the profits at 15th August, 1914.

We have found the books kept in their characteristic thoroughness, while vouchers have been produced covering all entries passed therein."

That is signed by John Scott & Co., Chartered Accountants. That is a synopsis of the statement which follows. Does this statement show all salaries and all outgoings of the company?—A. I do not know about the salaries.

Q. There is one statement; that is the salaries, and it shows the holdings of stock and who holds it?—A. No, it is not in this one. Here is one of the statements.

Q. I should have thought all the outgoings would have appeared here to arrive at your net profit?—A. Not the salaries. They may have put it in as expense. That year we built, I think, about ten more elevators.

Q. How many elevators have you got altogether?—A. About 125 operating elevators in the provinces of Manitoba, Alberta and Saskatchewan. We have a separate office in Calgary.

Q. Here is the profit and loss account for the year ending 6th August. There is a statement here of expenses. What is the salary of your general manager to-day?—A. I am the president and general manager. I draw six thousand dollars a year and ten per cent of the profits.

Q. Who is the next highest paid official to you?—A. My brother Fred. He is the vice-president of the concern.

Q. What does he draw?—A. $3,600.

Q. And a percentage of profits?—A. No, he is a shareholder; no percentage of profits. He gets his as part of the stock.

Q. He gets his in the shape of dividends?—A. Yes. In that year we handled seven million bushels of wheat and eleven million bushels of oats, and our turnover was over $12,250,000, an increase of over two and a half million in 1913-14.

Q. And on that apparently you made a net profit of $150,000?—A. Yes.

[Mr. W. R. Bawlf.]

By Mr. Stevens:

Q. In buying from the farmers do you buy outright or on commission?—A. We do both kinds. A man running an elevator in the country buys grain and issues a ticket for it; that is buying it outright. If the farmer wishes the grain shipped on through the elevator you will give him a storage ticket and an advance probably on the ticket. and when the grain gets to Fort William, you advise him of it, or sell it for him, just as he says.

Q. What percentage would you handle on commission, and what would you buy outright?—A. The amount we buy outright, we practicaly buy through the elevators; I would say about 70 per cent of the grain we buy outright. In Northern Alberta and Northern Saskatchewan and in Manitoba there is more selling outright than by consignment.

By Mr. Pringle:

Q. This statement shows who held your stock?—A. Every one of the statements shows that. It is all held by the family.

Q. It shows what each member holds?—A. Yes.

Q. And you have been paying a dividend at what rate?—A. Twenty-five per cent in 1913-14 and I think the same in 1914-15.

Q. And the balance you carry forward to reserve and put it in the business?—A. Yes.

Q. And increase your capital in that way?—A. Yes.

Q. Now give us the next year. This statement from 7th August, 1915, to 22nd August, 1916. Just get at your profits for this year. Your profits for this year seem to be very large?—A. That was the biggest year I guess in the grain business.

Q. You have a profit of $258,840.73?—A. Yes.

Q. With an additional $20,378.33 from dividends on investment, giving you a total net profit of $279,219.06. What dividend did you pay this year?—A. In 1915-16 we paid 12 per cent, and left the rest in the business. I would like to say that in 1914-15 our business profits tax was $28,000 on $150,000.

Q. Let us see where your reserve mounts up to this time. Can you give me that?—A. It is all there. Our paid up capital in 1915-16 was increased to $270,000.

Q. That was by reserve?—A. Well, no, I think we called it up. The paid up capital stock any way at first September, 1915, was $270,000, and the year before it was $174,500.

Q. Let us come to the next statement. You paid 12 per cent this year?—A. We handled 11,000,000 bushels of wheat and 14,000,000 bushels of oats and the turnover in the office was $60,000,000.

Q. You produce a statement showing the state of your accounts from 22nd August, 1916 to 4th August, 1917. According to this statement you show profits of $304,618.19, or $25,399.13 better than last year. That is made up in this way; after charging up the amount due to your president as the active manager, as provided in your agreement with him, you show $267,090.04 for your Winnipeg office, and at Calgary, $17,786.41, and you have got to add the dividends on the investments, $19,741.74, making a grand total of $304,618.19. I see that in this statement you give a list of your elevators in the different provinces?—A. Yes, sir.

Q. And you give a statement of the stock as at 22nd August, 1916, and the new issue as at 4th August, 1917?—A. Yes, we do that in every statement.

Q. You operate on the different exchanges do you?—A. Yes.

Q. I see you have four seats in the Winnipeg Grain Exchange, one seat in the Minneapolis Grain Exchange, one seat in the Chicago Board of Trade, two seats in the Calgary Grain Exchange, and you are also members of the Lake Shippers' Clearance Association. In the Moosejaw Grain Exchange you have one seat, and in the North-west Grain Dealers' Association, you have three shares.

[Mr. W. R. Bawlf.]

Q. As shown on page 10, you have investments, or had at that time, in the Lake Shippers' Clearance Association, in the Alberta Pacific Grain Company, in the Fort William Elevator Company, in the Dywer Elevator Company, in the Thunder Bay Elevator Company?—A. These are the outside companies we have stock in.

Q. Out of these investments you seem to have got a revenue of $19,741.74?—A. Yes, sir.

Q. On page 3 you show your office expenses, your country expenses, your commission expenses in detail. On page four you show your capital as per schedule G $432 - 000?—A. We called up that, and the family put up $160,000. The Standard Trust Company, who were the executors of my late father's estate were called upon at that time to put up their proportion of the stock.

Q. The estate of N. Bawlf as at 22nd August, 1916, held $200,000?—A. Yes.

Q. And you issued $120,000?—A. Yes.

Q. Making a total holding of the estate as at 4th August, 1917, of $321,600?—A. Yes, the Standard Trust Company put that up.

Q. Mrs. N. Bawlf held $3,000, and she evidently had put up $1,800. W. R. Bawlf held on 4th August, 1917, $104,000. He had put up $39,000. F. L. Bawlf's holding at the same date was $1,600 and he had put up $600. G. Boston—who is this?—A. Our accountant. He died, and the agreement under which he held the stock has been transferred back to the family at a certain price.

Q. You have been doing a pretty good business?—A. In 1915-16 we paid our ordinary business tax of about $60,000, and we handled $10,000,000 of wheat and 30,500,000 bushels of oats at high prices. Our turnover was $80,000,000. We paid the Government in taxes $132,000 out of $302,000.

Q. Then this is your last statement. According to this report your total profits subject to war tax was $355,990?—A. Our trading profit was about the same as in 1915-16. Our dividend from outside investments was larger.

Q. That is right. Your trading results for the year at Winnipeg and Calgary were $284,298.26, or almost the same figures as the year before, but your dividends on investment increased, bringing the total to $355,990.86?—A. Our capital stock was also increased by an issue of stock at par which was called up.

Q. In issuing that stock at par, I suppose it would be charged against reserve? —A. We called it up. The statement will show our dividends. We paid only twelve per cent in 1916-17. We left the rest of the money in the business. Still we called in new money to increase the assets of the company.

By Mr. Reid:

Q. The dividends were paid only on the paid-up capital?—A. Oh, yes.

By Mr. Pringle:

Q. You are piling up a very strong reserve. What is your total reserve?—A. Half a million dollars. Our war tax in 1917-18 was $134,000.

Q. $2,000 more than the previous year?—A. $2,000 more. We handled a short crop in Alberta. We handled 5,000,000 of wheat, but we handled 14,000,000 bushels of oats. Our turnover was pretty near the same as before. In 1917-18 the dividend paid to the family was 12 per cent, the same as in 1916-17 and 1915-16, but the family invested in some outside things.

Q. So you had a working capital of over $700,000?—A. Actual money put in the business, and a rest account of half a million dollars. We are operating 120 elevators.

Q. And I think you are operating them in competition?—A. With everybody.

By Mr. Stevens:

Q. You have an interest in the terminal elevator at Thunder Bay?—A. In certain years we purchased from the Thunder Bay Elevator Company—I think it was in

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1917—1,250 shares I think of stock in the Thunder Bay Elevator Company for $100,000. We had the plant valued at $775,000.

Q. What year was that?—A. It is there in the statement.

Q. On November 30, 1916, I see, 1,250 shares sold for $99,900?—A. One to me and 1,249 to the company. That is right, practically $100,000.

By Mr. Pringle:

Q. You have not a synopsis of your net earnings from 1914 up to the present date. I suppose we can get it from your statements?—A. Yes, I have it.

Q. How do they run?—A. 1913-14, profits $75,000; 1914-15, $150,000; 1915-16, $278,000; 1916-17, $302,000—that is for everything, I am taking in the subsidiaries; 1917-18, $355,000 in that time, but we increased our number of elevators from 16 to 22.

Q. You have shown profits in that period of time, of five years of $1,500,000? —A. Yes, and we paid the Government in that time $335,000.

By Mr. Davidson:

Q. Out of this amount?—A. Out of that, yes.

By Mr. Pringle:

Q. Their net earnings in that period were $1,160,000?—A. Yes, and we paid war tax in 1913-14; we paid in 1914-15, in 1915-16, and in 1916-17, and the tax in 1917-18 which will be paid very soon, $347,500 in war tax.

By Mr. Davis:

Q. Have you any interest in the Fort William Elevator Company?—A. Yes, we took that before we were in the other, we were the original incorporators of the Fort William Elevator; I think my father was the incorporator, and I am a director of the Fort William Elevator Company myself.

By Mr. Stevens:

Q. And you as a private company co-operate with the Fort William and the Thunder Bay Elevator?—A. Yes, we buy on the Canadian Northern, at Thunder Bay, and on the C.P.R. at Fort William, we ship both ways.

By Mr. Pringle:

Q. I suppose it was very essential to you to have some terminal facilities?—A. Naturally.

Q. And for that reason you took stock in these companies so that you would know where you stood in regard to terminal facilities?—A. Yes, we had stock in the Fort William elevator and at the time we bought the Thunder Bay when we had to get grain from the Northern to the C.P.R. or vice versa we found it rather expensive, because we had to pay for the switching. Now all the Canadian Pacific Railway and Grand Trunk grain goes into the Fort William Elevator and the Canadian Northern grain goes into the Thunder Bay.

Q. Is there not some provision or rule against the terminal elevators having line elevators?—A. I have not any control in the Fort William or Thunder Bay, but a private elevator concern, or trading elevators throughout the country like ourselves can buy stock in terminal elevators, if they want to, there is no law against it, but no terminal elevator can own a line of country elevators.

By Mr. Reid:

Q. But subsidiary companies may own it—A. Yes, that is right.

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By Mr. Stevens:

Q. For instance the Empire Elevator Company is virtually owned by the Four Country Elevator Company?—A. Yes, they built a line of elevators, they had to get enough elevators to get sufficient grain and then they built the terminal.

Q. What about any terminal elevator being forbidden to own a line elevator?—A. Forbidden to own one?

Q. Yes?—A. I do not know.

Q. What was the idea?—A. The idea was to prevent the terminal elevators owning grain in their own elevator, that they should not buy and sell grain in the company's own elevator or own it; it is usual for the terminal elevators to handle it for somebody else.

Q. It is on the principle that they are a *quasi* public service, a public utility, and it is not considered sound business for them to deal in their own grain while handling grain for others in trust?—A. Yes, but there are private elevators at Fort William, you can own the grain that is stored in them, so that there are three kinds of elevators, the public elevator, the terminal, and the private elevator, in the latter of which a man can own the grain.

By Mr. Pringle:

Q. Why is that distinction made? Is the public elevator subsidized by the Government?—A. No, but the public elevator has to use warehouse receipts issued by the Government, if you own a private elevator you can buy grain after it is inspected by the Government, and you can mix it in your own elevator but in the public elevator you cannot.

Q. And the private elevator cannot receive grain on consignment?—A. No, because of the original inspection the grain has to be held in bins.

Q. All grain going into the private elevator must be owned by them. What did you have to pay for your switching before buying that elevator? Do you remember the charge for switching from the C.N. to the C.P.R.?—A. Before we took the stock in the terminal elevator we shipped all the grain to the Government elevator at Port Arthur, and on the Government terminal they had a switch, they had lines on both railways, and therefore there was no switching charge. I cannot say whether there was switching previous to taking stock in these houses.

Q. I have a recollection that the switching charges were very heavy from one line to the other?—A. They were heavy all right; I do not know just what they were; I think that on a car that we got switched from the C.N.R. to the C.P.R. it would be about $12, which comes to about one-third of a cent per bushel.

By Mr. Stevens:

Q. What I would like to get at is the difference in principle between the terminal elevator owning a line of country elevators and a line of country elevators owning a terminal elevator?—A. Well, in the olden days when the Empire was built at that time there was only one elevator on the C.P.R., and the C.P.R. then made all the money for the handling of wheat shipped by the grain growers, and everybody at that time, including the company, were connected with this. The only other elevator was—the father and son conceived the idea, with Mr. McWilliams, that it might be well to build one of their own to handle the grain that went through their elevators because it was in the interests and to the advantage of the public to have it. The Saskatchewan Company has the largest elevator down there, with 2,500,000 capacity, and they are now building an extension of 2,000,000 capacity. That elevator of the Saskatchewan Co-operative Company has only been operating for a year, and the Richardsons have one down there too.

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By Mr. Pringle:

Q. It is not in this list?—A. No, it was only started recently.

By Mr. Davis:

Q. Are there certain companies that do business as private elevators part of the year, and as public elevators for another part of the year?—A. Davidson and Smith are the only firm at Fort William that operate part of the year as a private elevator, and when the business gets slack they go into the terminal elevator.

By Mr. Reid:

Q. Under what law do they do that?—A. I guess it is called the Davidson and Smith law.

Q. Do you take out a license at the beginning of a year for a public elevator?—A. Yes.

Q. How long is that supposed to continue?—A. For one year from September 1 to September 1. A year ago the Board of Grain Commissioners made a ruling that once you took out any kind of license it could not be changed for that year. I think that since that time, on account of the fixed price for wheat, they modified that and made a provision that unless the grain had all been shipped out it could not be modified. You see that with the fixed price for wheat, the storage of course and the interest on it is quite a heavy amount if you are holding it down there and cannot load it at $2.24. One other company I think transferred their license, the Northwestern Elevator, this year, they went from public to private.

Q. Do you know then if this firm you speak of, Davidson and Smith, is it?—A. Yes.

Q. Have you any idea when they switched from public to private, whether they cleaned out or weighed out, as the saying is?—A. Why, yes, that would be, I think it is about the close of navigation.

By Mr. Pringle:

Q. What is the object of doing that?—A. When you are a private elevator, the question of overages never comes up.

Q. As a public elevator it has to be operated entirely according to the Government regulations?—A. Absolutely, and as a private elevator you can do anything you like.

By Mr. Reid:

Q. When the grain is weighed out is it inspected?—A. Yes, at the Government elevator.

Q. Yes, out of the private elevator?—A. Yes.

Q. And a certificate issued just as if it were the Government.—A. Yes, ordinarily it is, but where a man can ship a sample lot, he can say we do not want this inspection.

Q. I suppose he could do it if the buyer accepted it that way?—A. I suppose he could.

Q. That is on the sample market principle?—A. It is on the principle that it is the man's own grain, and he can do what he likes with it, and as long as the purchaser does not ask for an inspection it would not make any difference. Supposing Ogilvie's bought 100,000 bushels after it is loaded in the boat, their buyer looked at the sample and said: "We do not want that inspected, we are going to ship that down to Montreal" in that case they would not want it inspected.

By Mr. Stevens:

Q. Here is a reference here to the operation of D. Horn and Company and Davidson and Smith—A. Horn and Company operate what is known as a hospital elevator, and Davidson and Smith own an elevator which has been used as a private terminal at various times; during the period covered by this inquiry it was used as a public

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terminal for a period of six weeks only. That is this inquiry from 1912 to 1916—what time did they make that inquiry.

Q. This was made up to and including the year 1916-17.

By Mr. Pringle:

Q. Is there any real competition among the buyers of car lots among the producers?—A. Real competition?

Q. Yes, that is having the price fixed each day among the elevator people that they are going to give to the producer?—A. No, the price is fixed on the open market in the exchange by the buyers from all over based on the foreign markets and the margin, I think, in the country. I think you asked one of the witnesses to-day about the cost of running the grain through the elevator and the elevator men spoke about the Board of Grain Supervisors and their statements showing the actual cost of running grain through the elevator. That cost is about 3 cents a bushel with many firms for this reason that the overage in the handling of wheat in the elevator would be from 80,000 to 85,000 bushels and you know what it would cost, $125 a month, that is $1,500, and the insurance on the elevator is 1·12. That would be about ninety dollars. That is, the insurance on the grain comes to about one per cent, and if the elevator is full of grain, you say, thirty thousand bushels, you have to keep it covered by insurance, but you can pro-rate that, if you ship it out. For instance, if you had sixty thousand dollars worth of wheat in the elevator to-day, and you shipped it out in two weeks, you can pro-rate the insurance under our agreement with the insurance companies, so that the rate is not so high, but the actual cost to the elevator figures it up as 3 cents a bushel per day.

By Mr. Reid:

Q. I remember the figures as submitted some three years ago, by the Board of Inquiry, and I think, they were 3 cents. They were not all the same; some went down to 2 cents?—A. Yes, and of course in the last two years, everything has gone up, cost, wages, and everything has gone up. Our insurance has gone up; gasoline has gone up, wages have gone up, and the charge for doing that is 1¾ cents a bushel for running it through.

Q. It is reported, Mr. Bawlf, that your company—I don't know whether it is your company or yourself—is interested in the Alberta Pacific?—A. Yes. Our firm——

Mr. PRINGLE: That is shown on one of these statements.

Mr. BAWLF: It is shown on all of them. I will give you the exact figures. The firm has one hundred and fifty shares of the preferred stock in the Alberta Pacific, and thirty shares of the common. That is the Alberta Pacific.

By Mr. Pringle:

Q. Is it a paying—— A. (Interrupting): Concern?

Q. (Continuing): concern, yes? What dividends did they pay on their common stock?—A. It pays seven or eight. Seven, I think on the common, or eight on the common and seven on the preferred, but I think one year will show that it paid more than that on the common, but the family have a lot of stock outside of that, in the Alberta Pacific—not the company. You see my father, when he died, had a lot of stock in the Alberta-Pacific Grain Company which went to the children.

By Mr. Reid:

Q. Did he not, however, practically own the Northern Elevator?—A. No. He was a shareholder; he did not own it. He sold it to the Northern Elevator, and built the Alberta Grain Company, in Alberta, which was sold to the Alberta Pacific, and he took stock for it, and then the N. Bawlf Company, Limited, was formed, just my father and

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myself, and when my father died in nineteen hundred and sixteen, his shares went to all the children, divided equally amongst the children.

By Mr. Pringle:

Q. You have a statement here—a condensed statement which I think you might just as well file. It shows the turnover on wheat and oats for each of these periods in nineteen hundred and thirteen-fourteen, down to nineteen hundred and seventeen-eighteen, which shows your paid-up capital for each of those, and shows your rest account, shows your trading profits, and shows the dividends accruing on investment, shows the business taxes, paid by you in nineteen hundred and fourteen down to nineteen hundred and seventeen, excepting that in nineteen hundred and seventeen, it is estimated at one hundred and thirty thousand dollars?—A. Yes, but I know that is right, because we can estimate it to a cent. Those were some figures that I took off myself, rather than wait for the statement.

Q. Then it shows your dividends to shareholders during that period. There is one year that you apparently did not pay a dividend?—A. Yes, we did, but I am not sure of the dividends of that year, but I was looking in the statement since I came up here——

Q. That was in nineteen hundred and fourteen-fifteen you paid a dividend of twenty-five per cent; in nineteen hundred and thirteen-fourteen, you paid twelve per cent; and in all other years twelve per cent with the exception of nineteen hundred and fourteen-fifteen, which is not shown on this statement, but you said you did pay a dividend that year?—A. Yes, we paid a dividend every year since we have been in business.

By Mr. Reid:

Q. I would like to go back to that public terminal license. I don't know whether you can give us any more information on that.

By Mr. Pringle:

Q. Give us what information you can in regard to the public terminal license?

By Mr. Reid:

Q. Has a public elevator the power to switch from a public to a private——?—A. (Interrupting): I think they have the power.

By Mr. Pringle:

Q. Would they have power to say to a company, "Now you are making an application to us for a license; we will give you a license, but it has to continue for a year; we will not let you switch over in a few months to a private elevator"?—A. Yes, they have that power.

Q. They can use their discretion as to whether they will permit an elevator to revert from a public to a private elevator?—A. Yes, they can do as they like.

The people who make an application, we will say in this case, in September, made application for a private license.

I might say here that we are familiar with the "sample sale" as carried for goods through Winnipeg and Fort William, and that quite a few of the public terminals will go into the private, because they can mix the grain. Everything in Minneapolis is shown on sample. It is graded by the Inspectors, at the time, and then sold on a sample sale. In our business it is all inspection. That is the main feature of our business. That applies to Duluth and to Chicago. In Canada we have not got it yet. There is a law on the Statute Book that the sample trading is to go in, but the fixing of the prices may change that. If you fix the price at two dollars and twenty-four cents, and a man looking at the samples, wants to pay two dollars and twenty-six cents, he is breaking the law.

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Q. Nobody can sell it for less?—A. Yes, but nobody can sell it for any more.

Q. That is a debatable point in the United States?—A. But under our own arrangement——

Q. (Interrupting): In the States it is debatable?—A. Yes, it is the maximum.

Q. Some contend it is and some contend it is not, but the fact remains that higher prices are paid?—A. They have paid as high as forty cents a bushel more. I might say that they purchased wheat from us this year.

Q. What would they pay for it?—A. They paid various prices.

Q. Over two dollars and twenty-six cents?—A. Yes.

Q. Over the amount fixed anyway, by the different Governments?—A. They bought wheat from us. As you know we had a surplus here, and nobody wanted it. They did not want it in England, and there were no flour orders coming in, and we had to sell a lot of our wheat that we could not ship to Europe, and nobody would buy it, and we had to sell some high-grade wheat, to go with the low-grade. We sold it for the Dominion Government and they took the wheat at a fixed price, and we gave them whatever was in it. That is in our account with the Board of Supervisors.

By Mr. Davidson:

Q. Is there any objection for a concern operating as a private elevator for, say, about a month to switching over to a public elevator?—A. No. As long as there is any grain in it. When the people take out a permit to operate a private terminal, when it comes along to the first of September, and the elevator is cleaned out, then the question stares them in the face, "Cannot we go in as a public terminal, because we cannot get our wheat loaded at the track, and the interest on wheat would eat up the profits." The interest on two dollars and twenty-four cents is pretty much, for three or four days, but as a rule there has been no possibility of changing from one to the other in Canada, but on the fixed price, conditions have changed. Usually you have to carry the charge when you have a market. Wheat may be a dollar sixty in December, and a dollar sixty-six in May, but if a man paid two dollars and twenty-four cents for wheat in October, and he carries it until May, the actual cost of carrying it and paying the storage at Fort William, at one cent a month, is about thirty cents.

By Mr. Davis:

Q. You did not complete your statement about the sample market. You were going to say, were you not, that a sample market was not consistent with the fixed prices, and that is why the institution of it was delayed?—A. Yes. The Board of Supervisors had to call it off, because if you fix the price you cannot have the market open.

By Mr. Stevens:

Q. If the market is open, what is the effect?—A. It is the first step to bring down the cost of living. Wheat is the business barometer of this country, and if you open the market, and bring the price down, the cost of living will be proportionately reduced.

By Mr. Reid:

Q. That means the price of wheat has to be reduced to give the consumer cheaper bread?—A. Yes, but how much, I don't know.

Q. What effect do you think it is going to have on production, if the price of wheat is reduced, say, fifty cents?—A. I don't think, Mr. Reid, it will have any effect. The farmers in Western Canada have so much land, and the only thing they can do is either grow wheat, oats, barley or flax, and if the United States Government wants to

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subsidize their farmers for fifty or seventy-five cents a bushel, is that a reason why the Canadian farmer should quit and move off the land?

Q. You say the farmer has much land, and all he can do is to get it under production. But suppose he cannot produce at a profit—you have your large elevators, and if you cannot operate at a profit, you will get out?—A. Sure.

Q. So will the farmer.—A. In Australia the farmer was only getting a dollar a bushel, while in Canada he was getting two dollars and five cents. In Australia they got a dollar and five cents less than the farmers in Canada.

Q. I think the average farmer would get a dollar eighty?—A. In Australia?

Q. No, in Canada?—A. Yes, and figure it over and the high freight rates from Alberta. If it was not for the fixed price in the States there would be no argument about the fixed price in Canada. The farmers never want a fixed price unless it is a high price, do they?

Q. When the price of wheat was fixed, how was it fixed; up or down?—A. At the time?

Q. Yes.—A. In nineteen hundred—it was down on the price from the old crop—the preceding crop—I think wheat had sold at $3.05.

Q. And it was fixed at $2.24.—A. Yes. On the other hand it was fixed and we had to have the power—there was no use in fixing the price if we could not sell it.

Q. There was quite a howl went up from the farmers?—A. Yes. I claim the biggest mistake you can make in any commodity is to fix the price, and that the farmer is entitled to more money in wartimes on account of the ordinarily increased cost of production. It only averages him for the smaller prices he has had in other years. I will admit that he did get good money in 1916 and 1917.

By Mr. Davis:

Q. What I really think is in Mr. Reid's mind is this: That the fixed price gives a fair deal to the poor man, as well as to the rich man. Would not that be so?—A. At that time, yes. It was a fifty-fifty arrangement; it was good for the consumer and it was a fair arrangement for the farmer.

Q. Then, the food market is likely to put the man who is forced to bring his wheat on to the market in a disadvantageous position.—A. Yes, but the thing is, as I see it Mr. Davis, all this appears to me that too many farmers put all their wheat on the market at once.

By Mr. Reid:

Q. There is a reason for that, Mr. Bawlf, but do you not think that the fixing of the prices gives the consumer his bread cheaper than if it was not fixed?—A. In wartimes, on the average, it did, but I think too that if there is another question put—the question is coming up about the opening of the grain market. I understand a commission is to be appointed relative to looking after the prices on commodities. If such a commission is appointed it will not interfere with the price of wheat, because that is the commodity that goes up and down according to the supply and demand. The consumer thinks the prices were artificially fixed because the United States is giving the farmer $2.25. With the increased cost of labour, the farmers in the West only get the ordinary markets. The last three years we did not get half as much wheat as we did in 1915 and 1916. So that we are not really increasing, on account of poor crops, and so on.

Q. The growth throughout the provinces has been bad recently?—A. Yes, the farmer has got to combat that. If the farmer could get more per bushel, he would not need such a big crop, but he has not been getting it for the last two years.

[Mr. W. R. Bawlf.]

Q. What do you think of the sample market, how it would work out?—A. I think the sample market will work out all right, once we get into it.

Q. Where will most of the buying be done when you have a sample market?—A. I would say most of the buyers will have to see the samples at Montreal or New York. Buying the grain on sample we would expect to ship the grain to Buffalo or some other place, and send the samples along to the buyers, and once we find out what they will pay for that sample of wheat, we will work on it for the balance of the year, but a lot of it will still be graded in the usual way and the high grade crop will be graded, even if we have a sample market.

Q. Take the country elevator, it is not every farmer that has a carload of grain or wheat?—A. No.

Q. What are you going to do. Are you going to mix his wheat if it is a sample market?—A. No. If a man wants to special-bin his wheat, you have got to keep it separate, or you can give him a price and you can do what you like with it.

Q. I think most of the buying on the sample market will be done at the country elevator?—A. Yes.

Q. I do not know that the men we have to-day handling our country elevators are wheat-buyers?—A. All of them.

Q. I do not think they are?—A. The war took a lot of men away.

Q. But even before, buying under the present system—that is the inspection market—he sends forward his wheat. The car is inspected, and it does not matter how it is handled, but selling on a sample market, if that farmer wants to send a fraction of a car of wheat, the only way he can do is to sell it at the country elevator, and I do not think we have enough men in the country who are good judges of wheat? —A. It is hard to get them. We are drilling returned soldiers in elevators now. We have a special arrangement, and we take them in the elevator; we were educating about 65 men in the business, but when it came to the fall none of them wanted a job. They decided they would stay in Winnipeg.

By Mr. Pringle:

Q. None of them wanted the job?—A. No.

By Mr. Davis:

Q. Have you studied the transportation problem this year? I understand that about two-thirds of our wheat goes out through American ports?—A. Yes.

Q. As the American wheat will come on the market first, what is likely to be the effect upon our wheat?—A. I am on the council of the Grain Exchange and on the board of supervisors, and our recommendation to the Government has been that the Government allow United States grain to come through our ports up to September 1, provided a tonnage has been shown to take care of that wheat to the seaboard, so that when our wheat starts to move, it can be handled, and our wheat will move down earlier this year than I have ever seen it. I think we will have new wheat in very early. The idea is that we will have boats for our own wheat. We want enough ocean tonnage available for Canadian wheat when it comes down, but in the meantime we have no objection to Americans shipping their wheat providing they have the tonnage to ship it out.

By Mr. Reid:

Q. You want the road clear when the Canadian wheat is to be taken down. What effect do you think the excessive rates that are charged from Fort William to Montreal will have on our wheat crop?—A. Excessive rates?

Q. Yes, about 12 or 13 cents?—A. What effect, you mean, on the price?

Q. Yes?—A. I have been thinking that the lake rates will come down when we start to move something.

[Mr. W. R. Bawlf.]

Q. In other words, I think you will agree with me that the price of wheat is going to come down?—A. Yes, but not as much as they think. People seem to think it will go down to nothing.

Q. I understand they have a nine penny loaf in the old country?—A. Yes.

Q. What will our wheat have to sell for in Liverpool to produce that ninepenny loaf?—A. It will have to sell about $1.80 delivered.

Q. How much will that bring to the farmer at Fort William?—A. We figured out that on that basis the price on wheat would have to be about $1.60 at Fort William.

Mr. Pringle: I did not think it would be that much.

By Mr. Reid:

Q. It will have to be sent down the lake. It will cost 60 cents to send across the Atlantic Montreal to Liverpool. That will make it pretty dear wheat?—A. That is a cent a pound. I do not think it will cost that. That would make it very expensive.

Q. That is the rate to-day, a cent a pound. We were told so by Mr. Black—the rate from Montreal to Liverpool?—A. We were figuring the other day on exchange, and I understood the freight rates had come down round 30 cents a bushel, and we figured they would be down to about 25.

By Mr. Davis:

Q. On a hundred pounds?—A. No, it is all figured on bushels, but to give the ninepenny loaf, the Government have taken a loss of a dollar a bushel on wheat.

Q. The spread is big?—A. Yes, but I am figuring that the freight rates will come down.

By Mr. Pringle:

Q. How are the lake freights fixed?—A. They go up and down, just like a barometer. I have seen years we have shipped lots of oats to Buffalo at a cent a bushel.

Q. What do you think of fixing rates?—A. The rates were fixed with the fixed price of wheat. The fixing of the rate is all right if you get a reasonable rate.

By Mr. Reid:

Q. What do you think of bringing the lake tonnage under the Board of Railway Commissioners?—A. I do not know. I think the Board of Railway Commissioners have their hands full looking after the railways.

Q. Well, a similar board?—A. I always believe in everything being wide open with the grain market.

By Mr. Pringle:

Q. Is not a lake carrier as much a public utility as a railroad?—A. It has not been treated that way in the Inter-State Commerce Commission. There is no difference, if the Canadian Pacific Railway bring the wheat to Fort William and ship by boat from there, or if they take it all the way down by rail, if they get the rate——

By Mr. Reid:

Q. Some of these boats belong to the railway company?—A. I do not know.

Q. If the ocean rate does not come down and the lake rate does not come down, what will be the effect on the wheat in Canada?—A. Well, you have this fact: The United States is going to ask $2.26 for wheat if she can get it, plus the regular charges to get it over. Mr. Barnes is going to try to get all he can for his wheat. He is going to try to keep the price up. Our wheat always commands a better price than the American wheat, and there is no reason in the world why we cannot get as much as

[Mr. W. R. Bawlf.]

they get or more. The American exports his surplus wheat. Mr. Barnes exports his surplus wheat to Europe. We do not know what the price will be, but naturally he will try to get all he can, and the more he tries to get, and the more he holds his price up, the more the exporters will pay for our crop. That is why it is necessary to get our crop out in July without restriction so that we can offer it to Europe, to be shipped in August and September, at the time the American wheat has been offered there. The United States has less wheat for August and September shipment. Our wheat has always been in better demand than any other wheat in the world, once it is shipped, but to get the flow of wheat started at the right time our sales of wheat start in July and August, and they sell right ahead. We do not know who sells the wheat, on option, but somebody is willing to sell it. We turn around and buy the future, or the exporter does, and he turns round and offers to Europe so much wheat. Then he trades his future for the cash wheat when it comes in.

By Mr. Pringle:

Q. The sooner the question is settled, as to the prices or the free market, the better?—A. The open unrestricted market in wheat is the logical way. It has been handled that way up to the time of the war.

Mr. Reid: I am of the opinion that if wheat drops to $1.50 or lower, the result will be very serious in the West. Many farmers jumped in and bought land at a very high price.

Witness: Yes.

By Mr. Reid:

Q. And they have purchased machinery and gone into it very heavily, and I am sure they cannot produce wheat at $1.50?—A. I do not think wheat is coming down to $1.50. I think it may run to $1.75 for a day or two.

Q. The farmer who went along carefully and did not increase his holding, if he has no great obligations to meet, will get through?—A. If the prices were not fixed in the United States, the market would be open, and you would have this enormous quantity of American wheat coming in on us.

Q. After all, Johnny Bull is the best buyer in the world?—A. Yes.

Q. And he buys the best, and he is always out for business?—A. Yes.

By Mr. Pringle:

Q. He plays no favourites?—A. No.

The Committee adjourned.

WEDNESDAY, July 2, 1919.

The Special Committee to inquire into the prices charged for foodstuffs, etc., met at 11.00 a.m., Mr. Stevens, Vice-Chairman, presiding.

Members present.—Messieurs Davidson, Davis, Douglas (Strathcona), Fielding (Hon.), Nesbitt, Nicholson (chairman), Stevens (vice-chairman), Sutherland and Vien, and Mr. Pringle, K.C., assisting as Counsel.

John I. McFARLAND, called, sworn and examined.

By Mr. Pringle:

Q. You are connected with the Alberta Grain Company, Limited?—A. Yes.

Q. What is your official position?—A. I am President and Managing Director.

Q. When was the Alberta Pacific Grain Company, Limited, incorporated?—A. In the fall of 1912, under Dominion Charter.

Q. Who are the original incorporators?—A. You mean the original directors?

Q. I mean the provisional directors at the time of incorporation?—A. I have brought here the minute book containing all the minutes of the meetings since the first meeting. The original incorporators were John Black, John Burling Roberts, Daniel Lee Redman, Edward William Robinson, George Allford.

By Mr. Nesbitt:

Q. They were just the lawyers' office?—A. Yes.

By Mr. Pringle:

Q. These are minutes of your first meeting held at the office of Messrs. Lougheed, Bennett, McLaws & Company, 122 Eighth Avenue, West, in the city of Calgary, Monday, September 30, 1912. Your letters patent had issued at that time, and this was your organization meeting?—A. I presume so. I was not at that meeting.

Q. Then the five directors were elected at that meeting, John Black, John Burling Roberts, Danied Lee Redman, Edward William Robinson, and George Allford. I suppose your directors have changed from time to time?—A. Yes. Our directors, after I became identified with it, were Nicholas Bawlf, president, myself, vice-president and managing director, and P. Burns, a friend of Mr. Nicholas Bawlf, director.

Q. That is P. Burns, Calgary?—A. Yes, cattleman; R. B. Bennett, director, representing the shareholders in the old country, and B. R. Ker, of the Brackman, Ker, Milling Company.

Q. Are those the present directors?—A. No.

Q. Who are the present directors?—A. Since the death of Mr. Bawlf in 1915 I have been president and managing director, Mr. R. B. Bennett is vice-president and director, Mr. P. Burns is still a director, Mr. S. G. Wark is managing director at Winnipeg, and Charles M. Hall, our assistant manager in Calgary.

Q. Is that the present board?—A. Yes, sir, that is our present board.

Q. What was your original capital stock?—A. Our original capital stock was $2,650,000—well, the authorized capital stock is $3,000,000—$1,500,000 of common stock and $1,500,000 of cumulative preferred.

[Mr. John I. McFarland.]

Q. Authorized capital $1,500,0000 common, and $1,500,000 preferred?—A. Cumulative preferred.

Q. Bearing what rate of interest?—A. Seven per cent.

Q. How much of this stock was subscribed for and taken up?—A. There was subscribed for and paid in full $1,250,000 of preferred and $1,400,000 of common.

Q. Were these payments made?—A. It was all paid in full. The only common stock ever sold by the company was $300,000, sold to Mr. R. B. Bennett.

Q. That could not be common, because you had $1,250,000?—A. One thousand five hundred shares of common and one thousand five hundred shares of preferred, making three hundred thousand, as shown by the minutes at page 43.

Q. An application was read from Mr. Richard Bedford Bennett, K.C., to purchase 1,500 fully paid preferred shares and 1,500 of fully paid common shares of the capital stock of the company at par, and enclosing his cheque for $300,000 in payment therefor.

> "On motion the application of Mr. Richard B. Bennett to purchase the said shares in the capital stock of the company was granted and it was unanimously resolved that 1,500 fully paid cumulative preferred shares and 1,500 fully paid common shares of the capital stock of the company be issued to Richard B. Bennett, of the City of Calgary in the Province of Alberta, King's Counsel."

Q. Was that bought for himself in his own individual capacity, or as trustee for English shareholders?—A. I do not know.

Q. It is not material. Have you got the annual reports?—A. This is the first report issued in 1913.

Hon. Mr. Fielding: Did he say the stock was subscribed and paid for at par?

Mr. Pringle: Yes, subscribed and paid for at par, and Mr. Bennett enclosed his cheque for $300,000, the minute shows, in payment for his purchase of shares.

By Hon. Mr. Fielding:

Q. Both classes of stock were issued at par and paid in cash?—A. Well, those are the only shares I have any knowledge of—the shares the company sold themselves.

Q. The original subscription?—A. The properties were paid for in shares.

Q. The next paragraph explains that. It says:—

> "The secretary read a communication from Alliance Trust Company, Limited, offering to pay to the company $24,500 in cash and to transfer to the company certain properties therein mentioned, including all the elevators of the Globe Elevator Company, Limited, Alberta Pacific Elevator Company Limited, West Coast Grain Company Limited, and Alberta Grain Company Limited, in consideration of there being issued to the Trust Company 11,000 fully paid Cumulative Preferred shares and 12,495 fully paid common shares in the capital stock of the company.
>
> On motion the offer of the Alliance Trust Company, Limited, was accepted, and it was unanimously resolved that upon payment of $24,500 in cash and the vesting by proper conveyances of the title to the properties mentioned in the communication of the Trust Company, in the company, there be issued to Alliance Trust Company, Limited, 11,000 fully paid Cumulative Preferred shares and 12,495 fully paid common shares in the capital stock of the company."

Q. What was the total number of preferred?—A. One million two hundred and fifty thousand of preferred issued.

Q. Par value one hundred?—A. Yes.

Q. The minute continues:—

> "The secretary was instructed to give notice of a meeting of the shareholders to be held at the office of Messrs. Lougheed, Bennett, McLaws & Co., 122 Eighth

[Mr. John I. McFarland].]

Avenue West, in the city of Calgary, on Monday, the 7th day of October, A.D. 1912, at the hour of ten o'clock in the forenoon, unless by consent a meeting of all the shareholders of the company could be sooner held for the purpose of sanctioning, ratifying and approving of, etc."

A. Here is the letter referred to here, and the secretary read a communication—

Q. Letter dated September 30th, 1912, from the Alliance Trust Company, to the Alberta Pacific Grain Company, Limited:—

"Dear sirs:

We have acquired and hereby offer to sell to you the following property, real, personal, and mixed, formerly belonging to the Globe Elevator Company, Limited."

And it gives a list of the properties?—A. That is the Terminal Elevator in Calgary.

Q. Then the letter says:—

"The following property, real, personal and mixed, formerly belonging to the Alberta Pacific Elevator Company, Limited, leases from the Canadian Pacific Railway Company of elevator sites situate on the right of way of the said railway company at the following stations:"

Then it gives a list of the properties and leases, and it says:—

"Together with grain elevators situate on each of the said respective elevator sites.

(*b*) Leases from the Alberta Railway and Irrigation Company of elevator situate on the right of way of the said railway company, at or near the following stations:—Cardstone, Magrath, Raley, Spring Coulee, Warner. Together with the grain elevators situate on each of the said respective elevator sites."

Q. Then a number of other properties, all of which are enumerated and clearly set out in this letter of September 30th, and this will be filed. Then I take it from you that, instead of this stock being issued and sold for cash, they were transferred to the Alliance Trust Company, Limited, of Calgary, Alberta, a certain number of shares in consideration of their transferring to the company these properties which they controlled?—A. That is correct.

Q. And that practically took both your common and preferred stock, with the exception of the amount that was sold to R. B. Bennett?—A. And with the exception of what has not been sold yet.

Mr. NESBITT: And that practically covers your issue.

By Mr. Pringle:

Q. What you have transferred to the Alliance Trust Company, Limited, and to R. B. Bennett practically covers all stock issued both common and preferred?—A. Yes, except the five shares that were issued to the original incorporators, and they were paid into the company also.

Q. Five shares representing five hundred dollars paid to the original incorporators, and they were paid for in cash?—A. Yes.

By Hon. Mr. Fielding:

Q. If these shares were all given to the Alliance Trust Company except five, how did you get qualification for these gentlemen on the board?—A. Which gentlemen?

Q. You have given us a list of gentlemen who were directors?

By Mr. Pringle:

Q. I suppose the five shares qualified them?—A. Yes.

Q. That is the idea?—A. Yes. That is the original five Mr. Pringle read here as incorporators.

[Mr. John I. McFarland.]

By Mr. Nesbitt:

Q. Then the other directors as they were nominated would have to be qualified by holding a quantity of stock?—A. Yes, that is Bawlf, Burns, Bennett and myself.

By Hon. Mr. Fielding:

Q. They would have to get their shares second-hand?—A. Yes.

Q. They were not issued by the company?—A. No.

Q. They would get them from the Alliance Trust Company or someone else?—A. Yes.

Q. The Alliance Trust Company was an English company, was it not?—A. No, it was a Canadian company with an office in Calgary.

Q. Was there not an Alliance Trust Company, an English company, doing business up there?—A. I could not say.

Hon. Mr. FIELDING: However that is not material.

By Mr. Pringle:

Q. Well now, the Alliance Trust Company having become the owners of these shares, they paid $24,500 in cash, then they got $11,000 fully paid preferred shares, and they got $12,495 shares of common stock; now do you know what they in turn, did with that stock?—A. The Alliance Trust?

Q. Yes?—A. They sold that stock, they disposed of it in some manner, because at the present time they only own a few shares.

Q. Do you know—I suppose your statement will show us where that stock ultimately became lodged?—A. I have a list of the shareholders.

Q. Will you give me that list?—A. But the amounts which each one has are not mentioned in the list; that is the verified list of our stockholders last year (document produced and handed in).

Q. Well, then, generally speaking, the stock which the Alliance Trust Company, Limited, obtained for the transfer of the properties set out in the letter of September 30, 1912, has practically been disposed of by them?—A. Yes.

Q. And they are now only owning, you say, some five hundred shares?—A. Some small amount, I do not know just how much.

Q. And the list which you have handed to the committee shows the present shareholders of this company?—A. Exactly.

Q. This list is dated November 23, 1918, and purports to be a list of shareholders of the Alberta Pacific Grain Company, Limited, as of that date. Now I see these shareholders seem to be scattered all over Canada, with a large number in England and some in the United States, Brooklyn, New York, and other places.—A. Exactly, there were a few sold over there last year.

Q. Can you tell us what the market price of that stock is at the present time?—A. All I know is that those shares that were sold in the States last fall, I think it was, or sometime last year, I was told had been sold at somewhere around $180 or $200.

By Hon. Mr. Fielding:

Q. Were they common or preferred?—A. They were common stock.

By Mr. Pringle:

Q. Where is your preferred stock mostly lodged at the present time, is it scattered?—A. It is scattered all over, yes.

Q. I see you have shareholders here in Ottawa, you have shareholders in Montreal, you have shareholders in New Brunswick, you have shareholders in Toronto and in Victoria, B.C., in Edinburgh, Scotland, the Magdalen Islands, Chicago, Bridgeport, Conn., Trinidad, Philadelphia?—A. I think there are 356 shareholders on that list.

[Mr. John I. McFarland].]

Q. You have shareholders in Surrey, England, in Lanchashire, England, in Nova Scotia, and generally speaking your stock is pretty well scattered over the country?—A. Pretty well scattered over North America and the British Islands.

Q. Yes, it is pretty well scattered over North America and the British Islands and I see that you have stock held in Trinidad, in Bristol, England, in Sheffield, England, in New Haven, Conn., Bournemouth, England, in Anglesea, England, Amherst, Nova Scotia, in Kilkenny, Ireland, and you have now how many shareholders?—A. There are 356 on that list I believe.

Q. There are 356 shareholders as shown by the statement put in. And you say that the market value, as far as you have been able to ascertain for the prices obtained for the stock was about $180 for common stock.—A. $180 to $200 I heard it was sold for.

Q. Now we will go into these financial statements?—A. Yes.

Q. Are the Alliance Trust Company still your transfer agents?—A. No, the Montreal Trust Company is now our transfer agent and the Montreal Safety Deposit Company is our registrar.

Q. You are handing to the committee the first annual report for the fiscal year ending August 15, 1913, that is the first year you were doing business?—A. Yes.

Q. And I see you had a net profit of $322,326.91, that out of the net profits that year you paid two half-yearly dividends at the rate of 7 per cent per annum on $11,250 issued and fully paid up accumulated preferred shares of the company, that distributed in the first dividend $40,272 and the second dividend distributed $43,750; you transferred to replacement and reserve account $12,500 to provide for other than ordinary depreciation, and from the remaining balance of the net profits you have declared a dividend on the 14,000 issued and fully paid shares of common stock of the company of $2 per share payable on the 15th of October next to shareholders of record on the 15th of August, 1913, thereby distributing $28,000, and leaving a surplus of $197,082.91 which has been carried forward to next year to the credit of profit and loss. Now this statement gives a general balance sheet and shows the profit and loss account, the net profits for the fiscal year ending the 15th of August, 1913, were $322,326.91, less dividends on preferred shares $84,024, less dividends on common shares $28,000, less transferred to replacement reserve account $12,500 making a total of $124,524 leaving a balance to be carried forward of $197,802.91. This statement appears to have been audited and certified to by George A. Touche and Company, Auditors, of Vancouver?—A. London, England. I might say that we appointed George A. Touche and Company our auditors because they are very well and favourably known in the Old Country, and we thought it would add to the prestige of the company among the shareholders.

By Mr. Nesbitt:

Q. Do they operate in this country too?—A. Yes, they have offices in the important places.

By Mr. Pringle:

Q. I see that the first year you made an investment in the Fort William Elevator Company of $10,000?—A. Yes.

Q. What did you obtain for that?—A. Stock in this company, Mr. Bawlf transferred over 100 shares in that elevator company I think at that time.

Q. Have you a statement for 1914?—A. Yes. (Document produced).

Q. The annual statement for the fiscal year ending August 15, 1914, which you produce, shows net profits for the year of $459,819.53, and carrying forward a balance on credit on 15th August, 1913, of $197,802.91, gives $657,622.44. You distributed in dividends on preferred shares at the rate of 7 per cent, $87,500; you paid a dividend on common shares at 4 per cent with a bonus of 1 per cent, making a total of $70,000,

[Mr. John I. McFarland.]

and you transferred to replacement reserve account, $187,500, leaving a balance of $312,622.44, which you have carried forward for that year, and this again, is certified to by the same firm of auditors. I see this statement goes into your whole operations in greater detail because the total quantity of wheat handled by your different elevators is given, and I do not know if it gives the percentage on the total amount of money used.—A. No, it does not, but I have that here with me.

Q. We will reach that then in a few minutes, in the meantime I would like to finish these general annual statements. Now you produce a statement for the fiscal year ending August 15, 1915, and your net profits for that year were $926,260.77, your balance at credit on the 15th of August, 1914, was $312,622.44, making a total amount available for distribution of $1,238,883.21. You have paid the usual dividend on your preferred stock, and that amounted to $87,500, and you paid a dividend on the common shares, No. 3, at 5 per cent with bonus of 10 per cent payable 15th October, 1915, amounting to $210,000; and you transferred to replacement reserve account $600,000, making a total of $897,500. And you carried forward a balance of $341,383.41. Now just to get these figures on the notes precisely your replacement reserve account stood prior to the addition of this $341,383.41?—A. (Interrupting). That is an addition of $600,000.

Q. Yes, then your replacement account then stood, with the addition of this $600,000 at $800,000?—A. Yes.

Q. That is correct, is it not?—A. That is correct.

Q. And your shares in the Fort William Elevator Company, Limited, increased in value and are shown at the value of $27,143.70?—A. No, we did not increase the inventory value of those shares, but we secured more shares.

Q. Instead of having $10,000 as before you secured shares in the Fort William Elevator Company to the par value of $33,000 on which you placed a valuation of $27,143.70.—A. Yes.

Q. Give us your statement for the year ending 1916. You produce a statement, being the fourth annual report of the Alberta Pacific Grain Company, Limited, for the fiscal year ending August 15, 1916. Your net profits for that year were $898,360.14. Let us see what percentage you made on your capital stock. From that you would require to deduct your preferred dividend of $87,500?—A. The percentage on that was 29.

Q. On the common stock? That is for the year ending August 31, 1916.—A. 1916. I have that figured out two ways. After taking off the Business Profits War Tax it left 16 per cent.

Q. I see you have that worked out, but I will take it up later. Out of that $898,360.14 and the $341,383.21 carried forward, making a total of $1,239,743.35, you paid the usual dividend on your preferred stock or $87,500, and you paid a dividend on the common shares, Nos. 4, 5, 6 and 7, with a bonus payable on 15th October, 1916, of $252,000. You do not state the rate on that. What was the rate for that year?—A. For 1915-16?

Q. Yes?—A. It was the regular rate of eight and a bonus of ten.

Q. So you paid 18 per cent that year?—A. Yes.

Q. Then you transferred to the replacement reserve account $200,000, and you paid a war profits tax for 1915-16 of $292,455.30, making a total disbursement of $831,955.30, leaving to be carried forward $407,788.05.

Mr. Nesbitt: What was carried to replacement that year?

Mr. Pringle: $200,000.

By Mr. Pringle:

Q. Your replacement account at the end of that year amounted to $1,000,000, and I see you were generous and contributed that year, and charged it up as a dis-

[Mr. John I. McFarland].]

bursement, $14,000 to the Patriotic Fund, the Red Cross and the Belgium Relief Fund. After making reasonable provision for depreciation, having regard to the amount expended on improvements and repairs charged against earnings on the appropriation of the directors, $200,000 were placed to the replacement reserve account, increasing that account to $1,000,000. Did you increase that year your holdings in the Fort William Elevator Company? It does not show.—A. It does not show, but my recollection is that there was no change whatever in the Fort William Elevator Company from the last report up to date. In fact, I am quite sure of that.

Mr. NESBITT: What did they carry forward there?

Mr. PRINGLE: $407,788.05.

By Mr. Pringle:

Q. Now let me see your next statement. You produce the fifth annual report of the Alberta Pacific Grain Company, Limited, for the fiscal year ending August 15, 1917. Your net profits for that year seem to be going up?—A. They were very high that year.

Q. I suppose that was the big year in Alberta?—A. That was the year that the wheat was held up by blockade in Western Canada because of a shortage of cars. It was not got out until the late spring or early summer, and the price went up over $3 per bushel.

Q. Your net profit was $2,173,306.24. You had carried forward $407,788.05, making a total of $2,581,094.29. You paid out of that the usual preferred dividend of $87,500. You paid dividends of $364,000 on common stock. At what rate was that? You must have had a very substantial bonus that year?—A. We paid out the regular eight per cent and a bonus of eighteen.

Q. Twenty-six per cent. That only absorbed $364,000. Then you transferred to the replacement reserve account $250,000, making your total replacement reserve account $1,250,000 and you were enabled to carry forward $748,893.55. Your assets appeared to be practically the same except that you have increased your holdings of war bonds and stocks to $213,565. Now let us have the statement for 1918?—A. Our present year is not completed. It is completed, but we won't have our statement for a month or six weeks.

Q. You produce the sixth annual report of the Alberta Pacific Grain Company for the year ending August 15, 1918. You had net profits of $1,779,635.35. The balance at credit on August 15, 1917, was $748,893.55, making a total of $2,528,528.90. You paid the usual preferred dividend of $87,500, and you paid $462,000 to your common shareholders. What rate was that at?—A. The regular dividend of eight per cent a bonus of ten after the close of the business, and a further bonus of $15 at the time of the Victory Loan Campaign.

Q. That was given in Victory Bonds?—A. No, but we asked the shareholders to invest in Victory Bonds at that time, when we sent out the cheques.

Q. That is 33 per cent?—A. Yes.

Q. You paid 33 per cent and you were able to carry forward $1,559,729.64, and you placed to the replacement reserve account and reserve, for income and war profits, December 31, $419,299.26.

Q. That brings your replacement reserve account—A. Up to a million and a half.

Q. You added to the replacement reserve account $250,000 out of the $419,299,26, the balance of that account being retained as your auditors estimated that they would have to pay the war tax for the year?—A. Yes.

Q. So you have now a reserve account of one and a half millions, and you carried forward to 1918 $1,559,729.64. The totals of these two are more than the total issue of common and preferred stock, or in other words, your total issue of common and preferred stock amounts to $2,650,000. You have a replacement reserve account of

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$1,500,000, and you have carried forward $1,559,729.64, a total of $3,059,729.64. Can you give us any idea of 1919?—A. I can not. The business is not closed. It has been a very bad year, a very short crop all over our territory.

Q. You have quite a little in reserve?—A. That is why we have it. We are living in a very precarious country as I know from an experience extending over twenty years, and I imagine we are going to have a deficit. But if it is, it will be very small. There may be a little to the good; I do not know.

Q. Now you have some other statements?—A. These are very similar to the balance sheets.

Q. You produce a balance sheet as at August 15, 1913, showing the stock issued, common and preferred, to the value of $2,650,000, and replacement reserve account $12,500?—A. That is duplication.

Q. What I want to get at is your turnover in each of these years, the total quantity of grain handled by you?—A. I haven't it in bushels; I have it in dollars as given in our yearly reports. I thought it was all in there, but I think one year is missing.

Q. Is that all given in your annual report?—A. The turnover is given except in the one year, namely 1914-15, which is missing. I have the turnover figured and the dividends.

Q. In 1912-13 your turnover seems to have been $6,000,000?—A. Yes.

Q. Your profits were $322,326.91, or a percentage of 5·3. In 1913-14, your turnover was $7,500,000; profits $459,819.53. Percentage 6.13. In 1914-15, turnover missing, profits $926,260, cannot tell percentage; 1915-16 turnover $26,000,000, profits $898,360.14, less war tax of $292,455.30.

By Mr. Nesbitt:

Q. That is a war tax for 1915?—A. Yes, for 1915-16 both. The way the Act was passed, our statement for 1915 had been made up long before we closed our books in August, and the Act was passed and made retroactive, so that it came in after our next year.

By Mr. Pringle:

Q. Your net profits seem to have been $605,904.84, after payment of war tax; percentage, 2·4——

Mr. NESBITT: That is over and above war tax.

Mr. PRINGLE: Yes, 1916-17, turnover $45,000,000, profits $217,336.24, equivalent to 4·82, deducting war tax of $1,130,700.74. Your net profits were $1,042,605.50, percentage 2·3. In 1917-18, turnover was $54,000,000, profits $779,635.35, percentage 3·29; deducting war tax of $169,299.26, your net profits were $1,610,336.09, war tax $169,299.26.

Mr. NESBITT: The year before you made a million.

Mr. PRINGLE: No. I am going to see how they work that out. It may be on the theory we worked out the other day that they are allowed to charge war tax as a disbursement, consequently reducing the war tax on subsequent years.

WITNESS: Our auditors work that out.

By Mr. Pringle:

Q. Your earnings are larger, and yet your war tax is very much less?—A. Yes, our earnings are smaller in 1918 than in 1917.

Q. Your earnings in 1916-17 were smaller than they were in 1917-18?—A. No, you are making a mistake.

Q. Oh yes, you are quite right. Your turnover was larger but your net profit smaller. Your profits for 1916-17 were $2,173,106.24. Your profits for 1917-18, $1,779,635.35.

[Mr. John I. McFarland.]

Mr. NESBITT: Does that take in the war tax for 1915-16?

Mr. PRINGLE: The first war tax was $292,455.30. That would cover 1915, would it?

WITNESS: I believe so. I think that is the way it was. That covered two years.

Mr. PRINGLE: Your next war tax that was paid was 1916-17, which would cover 1916, I should say.

Mr. NESBITT: That is what covered the two years, by the looks of it.

Mr. PRINGLE: Their net earnings were over one million greater in 1915—not a million, but a very large amount over. The earnings of the company in 1916-17 seem to have been the largest in their history, $2,173,306, as against $898,364.14 in 1915-16.

Mr. NESBITT: But the proportion of the war tax is not nearly the same as that.

Mr. PRINGLE: It does not seem to me to be so. I do not know on what principle it is worked out.

WITNESS: The statements are all on file in Mr. Breadner's office.

By Mr. Pringle:

Q. You have paid total war taxes to date, $1,592,455.30, and you have yet to pay the war tax for the last year?—A. Yes.

Q. You cannot tell us what that is yet?—A. No.

Q. It has not yet been adjusted?—A. No.

Q. You seem to have given us very full information in these reports. If you think there is anything particular in this, give it to us. Take the last year's balance sheet, No. 6. I see that you charge in 1918, salaries, management, commission, brokerage, and office expenses, accountancy, legal fees, and bad debts, $349,140.07. Would you give us the salaries paid to your officials—the high-up ones?—A. The president receives no salary as president, never has.

Q. Do you receive a salary as general manager?—A. I receive $5,000 a year and a management commission.

Q. What is that management commission? I suppose that varies, but what did it amount to last year?—A. Is it necessary that I should give out my private affairs?

Q. I personally do not desire to press that, but we had before us the other day the United Grain Growers' and all their salaries came out, from their president and the manager down, and it has been the desire of some members of the Committee that all these salaries should be placed on the record?—A. The salary and rate of commission have not changed since the company was organized.

The VICE-CHAIRMAN (Mr. Stevens): Have we the salaries?

Mr. PRINGLE: Only in lump sum.

The VICE-CHAIRMAN: Cannot he give them to us?

Mr. PRINGLE: He has given his salary as $5,000 a year and a commission, and the same rate of commission has prevailed for some years.

The WITNESS: Since the company was organized.

Mr. PRINGLE: If it is the desire of the Committee to obtain the information, they have a right to get it.

The VICE-CHAIRMAN: We have it in the other cases.

The WITNESS: You have got my salary. The commission depends upon what is made, as to whether it is more than my salary or not.

By the Vice-Chairman:

Q. What is the salary?—A. $5,000.

Q. As general manager and vice-president?—A. General manager.

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Q. Do you get any salary as president?—A. No, I am president and managing director.

Q. $5,000 salary, and what is the commission?—A. I do not think I should divulge my private affairs.

Mr. Pringle: I am afraid you are in the hands of this Committee, and if the Committee direct that you shall answer the questions, you shall have to answer them.

Mr. Davis: We have to get at the cost of doing business, and practically we are not doing our duty if we do not ask this.

The Witness: When it is on a commission basis, the cost of doing business depends whether you make something or make nothing.

The Vice-Chairman: The commission on a million bushels of grain certainly affects the cost of living. We have here your statement and your earnings are practically all shown here. If we are going to give a fair judgment we must know also what you consider as proper cost of carrying on your business, and we can certainly judge that very much better if we have an idea of what these costs are.

The Witness: I do not see what my earnings have to do with it, compared with what some others——

By Mr. Davis:

Q. Do not these things come out of the earnings of the company?—A. Well, compared to what other salaries might be in the Grain Growers'—my earnings depend upon my ability to make profits.

By the Vice-Chairman:

Q. Others have been asked the same question, we are asking you, in order to enable us to estimate the cost of doing business, and I want to ask you to kindly tell the Committee the commission that you got in addition to your salary?—A. I did not think I was coming here to divulge my own private business, and I do not think it is fair.

Mr. Pringle: I have nothing to say whatever about it. It is entirely a matter for the Committee, but I may say that every other company that has come before this Committee has been compelled to answer all questions relating to salaries?—A. I have spent my lifetime in the grain business. Other people may have spent a few years and think they are grain dealers, and you want to compare my salary or earnings with theirs.

By Mr. Pringle:

Q. I do not think the object is for comparison. I think the desire of the Committee is to see just how your net profits are arrived at and the salaries and commissions paid? —A. It is the management commission. That is not saying I get it all. I do not, but the commission is 5 per cent—the management commission.

Q. On what?—A. On the net profits.

The Vice-Chairman: Gross profits or net profits?—A. Net profits.

Mr. Pringle: You can arrive at that by taking your annual statements.

By Mr. Nesbitt:

Q. Do you deduct the dividends from the profits?—A. No, after deducting expenses.

By Mr. Pringle:

Q. In 1918 your net profits were $17,796.35. You get 5 per cent on that in addition to your salary?—A. I do not get it. The management gets it.

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By the Vice-Chairman:

Q. How is that distributed?—A. That is not fair. Mr. Stevens, if I had you by yourself, I would tell you why, but I do not care to make the statement publicly?—A. I would ask you to leave that over till the afternoon.

The VICE-CHAIRMAN: We can leave that over till the afternoon sitting; we do not want to do anything unfair to the witness, but I do not think that information should be withheld.

By Mr. Pringle:

Q. You show there a large amount of profit that year, $1,779,635, and the commission on that represents a very substantial amount of money?—A. Yes.

The VICE-CHAIRMAN: I think perhaps that point, as far as I am concerned, might be passed over.

Hon. Mr. FIELDING: I understand that the principle was laid down the other day as respects other witnesses that such information should be given. I am not very fond of inquiring into the private transactions of any man but it seems to have been the view of the Committee that such questions should be asked and that they should be answered, and that being the case I do not think we should make an exception in regard to this witness?—A. You know what it costs the company in commissions and what more information do you need anyway.

By Mr. Davis:

Q. Are any other commissions paid than that paid to the employees?—A. None, sir, that is the only one.

Q. But the method of that distribution you do not wish to state?—A. Quite so.

Mr. NESBITT: It is the company we are investigating and what we want to know is the cost to the company of doing business.

The VICE-CHAIRMAN: We will leave that point to the next sitting anyway.

Hon. Mr. FIELDING: My advice to the witness is to tell these things because in the end we will get it anyway and he might as well tell us frankly?—A. I think if the Committee will think it over they will come to the conclusion that they have all the information necessary to enable them to ascertain the cost to the company of doing business.

By Mr. Pringle:

Q. Take for instance the year ending August 15th, 1917, in order to get at the principle upon which this is arrived at: the commission on your net profit for the year would be on $2,173,306.24, that would be $108,665.31. What I want to get at is this, Mr. McFarland, from what that must be deducted, from your net, or from your gross, because there is nothing shown in this report to show where this commission is deducted?—A. Oh, yes.

Q. Where is it in this report, for instance, that I am reading from?—A. That is the balance sheet—take the profit and loss account.

Q. Let us see that?—A. Salaries, management commission, brokerages, rent, office expense, etc.

Q. You are quite right, that is deducted before you arrive at the net?—A. Oh yes, that is the last thing to be deducted.

Q. So that what you do is this, as I take it: you get out your balance sheet, you show your net profits, up to the point of deducting your commission, then you deduct your commission from that balance, and then bring down the net profit, after the deduction of the commission?—A. George A. Touche and Company adjust it.

Q. They adjust it all?—A. Yes.

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Q. I am not going to press that matter further because from your explanation I understand that your commission of $108,665.31 is divided, it is not going to your salary but it is divided among the management?—A. Exactly.

Q. What you say is that it goes to the directors, the officers and the clerical staff?—A. It goes to the active management.

Q. Who are they?—A. There you see that is just the point I wish to leave over for the present.

By the Vice-Chairman:

Q. There is altogether too much mystery about that.—A. Will you leave it till after lunch?

Q. Yes, but I want you to keep this in mind, if you will allow me to suggest, that the information that this Committee wants is: they want to know who the managing spirits of this company are and what they get out of it for themselves. You are asking too much of this Committee when you suggest that we should not get that information?—A. I am not keeping anything concerning the cost of the business back, you know exactly what commission is paid, it is open and above board.

Q. I would suggest you come this afternoon prepared to give us evidence in that regard.

By Mr. Pringle:

Q. Now I want to get the percentage of profit on the capital. In 1913 your capital investment was $2,650,000, and your profit would be $322,326.91 or a percentage on investment of 12·16. In 1914 your capital was $2,650,000, your reserve $12,500, your profit and loss added $197,802, making a total of $2,860,302 and the profit was $459,819,53, a percentage of 16·07. Then in 1915 your capital remains the same, $2,650,000, your reserve $200,000, your profit and loss, which you contend should be added, and which you have added, $312,622, making a total investment of $3,162,622; your profits were $926,260.77 and your percentage 29 per cent. Then in 1916 your capital remains the same, $2,650,000; your reserve, $800,000; your profit and loss, $341,383, and your net profit, I suppose that is after deduction of the war tax?—A. Yes.

Q. Your net profit was $605,904.84 or 16 per cent on $3,791,383. In 1917 your capital remains the same, $2,650,000, your reserve account is $1,000,000, your profit and loss added $407,778, making a total of $4,057,788, your net profit $1,042,605.50 and your percentage was 25·6. Your capital in 1918 was $2,650,000, your reserve $1,250,000, your profit and loss $748,893, making a total of $4,648,893, and your net profit $1,610,336.09, a percentage of 34·6?—A. Yes.

Q. Then let us go back and take your capital alone without any reserve or your profit and loss added, will you give us the percentage for 1914 for instance?—A. I think that is all here.

Q. No, that is adding your reserve in?—A. I did not get it that way.

Q. I know you did not, but you can make it out. In the meantime I want to get an idea of what your percentages are on the original capital and I can get at it very easily. Your capital is $2,650,000?—A. Yes.

Q. Your profits for that year are $459,819.53.

By Mr. Nesbitt:

Q. Do you handle any grain on commission?—A. We do.

Q. Is the grain that you handle on commission included in these turnovers?—A. Yes.

Q. What portion of the total grain you handle is that?—A. It is a small proportion; our business, practically all of it originates in our own elevators and comes from the farmers in the districts where the elevators are located.

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Q. And you buy direct from the farmers?—A. We buy direct from the farmers in competition with the subsidized firms, the Co-operative Elevator Company.

Q. What do you mean by subsidized?—A. Subsidized by the provincial government, the Saskatchewan Co-operative and the Alberta under the U.G.G.

By the Vice-Chairman:

Q. You work with them?—A. No, against them.

Q. You are working in competition with them?—A. Yes.

By Mr. Nesbitt:

Q. And the prices set on the Winnipeg Grain Exchange?—A. No, the prices are fixed in the world's market.

Q. But that is set in Winnipeg?—A. We get our information in Winnipeg as to the world's prices.

Q. That is set from day to day?—A. Yes.

Q. That is the way you set the prices?—A. That is the basis.

Q. When grain is shipped to you on commission, what do you charge for commission?—A. The commission which is allowed by the Winnipeg Grain Exchange and which at present is one cent a bushel on wheat and five-eighths of a cent on oats.

By the Vice-Chairman:

Q. That is for handling through the country elevators?—A. No, that is for selling.

Q. What do you charge for handling through the elevator?—A. I have forgotten what that is, we raised that rate last year, it has been one and one-quarter cents right along till last year and I think it is one and three-quarter cents on wheat and one and one-quarter on oats, that is right.

By Mr. Nesbitt:

Q. If a farmer brings in a carload of grain and warehouses it with you on commission you charge him one and three-quarter cents on wheat?—A. That is for handling it through the elevator.

Q. Then you charge him the other commission?—A. If he sells it through us we charge him the other cent per bushel.

By the Vice-Chairman:

Q. And when he gets to the head of the lakes he pays another cent there does he not for the elevator?—A. The prices quoted in Winnipeg are exclusive of the elevator charge at Fort William, the buyer assumes that and that is, I think, three-quarters of a cent.

By Mr. Nesbitt:

Q. What is the total charge to the farmer when he deposits grain with you on consignment?—A. Two and three-quarter cents a bushel for passing it through the elevator and selling it for his account.

Q. At Winnipeg?—A. At Winnipeg or elsewhere. Our business is a merchandising business, buying in competition with all the other dealers in the Western country and selling it wherever we can sell it at the highest price both for ourselves and for our customers.

By Mr. Pringle:

Q. You have there $3,017,000 profit in grain accounts in 1917 and these represent largely profits on sales?—A. That is the profit between the price we bought at and the price we sold at. I wish also to make a statement to the Committee that when the world's war broke out in the fall of 1914 the Alberta Pacific Grain Company believing

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the situation was serious as regards collecting foodstuffs for the Imperial authorities, offered the Imperial Government the use of our elevators without profit to this company absolutely. Nothing came of that and in the fall of 1915 we again repeated the offer and these offers are on record in the Imperial Government offices in London, England.

By the Vice-Chairman:

Q. That was very creditable. They did not take advantage of it?—A. They did not.

By Mr. Pringle:

Q. Do you deal in coal? I see you have erected coal sheds?—A. About three years ago I was in Ottawa, and Sir Henry Drayton of the Railway Commission was wrestling then with the matter of car shortage to move grain and coal at the same time. He said: "Why don't you build a line of coal sheds, and fill them up in the summer. You have the capital to do it, and that will relieve the railways of a lot of traffic and of hauling coal in the winter when they should be hauling grain." We said we would do it, and since that time we have erected 170 coal sheds at different points in Alberta and Saskatchewan.

By the Vice-Chairman:

Q. I would like to draw your attention to the scale of dividends on your common stock from 1913 to 1918. In 1913, I notice you paid two per cent on your common stock?—A. That was the end of the first year's business.

Q. In 1914 you paid five per cent on common stock. In 1915 you paid 15 per cent on common stock. In 1916, you paid 18 per cent on common stock; in 1917, 26 per cent on common stock; and in 1918, 33 per cent on common stock. These figures are correct, are they?—A. I believe they are correct.

Q. I notice that you hold stock in terminal elevators?—A. We do.

Q. In the Fort William Terminal Elevator, is it?—A. We have an ownership in about seven per cent of the Fort William Terminal Elevator at Fort William.

Q. Have you any others?—A. We own shares in the Consolidated Elevator Company at Fort William, and we own them in the Northwestern at Fort William.

Q. I asked the question yesterday, and I am going to repeat it to you; it is a matter on which I desire information. The Grain Act provides that a terminal elevator shall not own or control line elevators, a provision, I presume, intended to safeguard the public. Now I notice that in your case, and in other cases, we have companies owning 100, 200 or 300 line elevators, companies which are more or less large shareholders in the terminal elevators. For instance, you are interested in three terminal elevators, and I think Mr. Bawlf was interested in two or three also. In other words, the line elevator companies very largely own the terminal elevators. Now what difference is there in principle between a terminal elevator company owning a line elevator or a line elevator owning a terminal?—A. Some of the line elevator companies own the terminal elevators, do they not?

Q. That is what I say, but the Grain Act says that a terminal elevator shall not own a line elevator?—A. It is by the Saskatchewan Co-operative and by the U.G.G.

Q. Do you think it is a sound principle for the line elevators to own the terminals which are public terminal elevators?—A. We always took the stand that we did not wish to control any terminal elevator, but we are shipping grain to some of them, and naturally we thought we might as well own some stock in them.

Q. The Consolidated Elevator Company, if I remember correctly, paid rebates to some line elevators. Did they pay any to your company?—A. Never.

Q. Or any other elevators?—A. No rebates; I never heard of rebates in Fort William.

[Mr. John I. McFarland.]

Q. They are paid?—A. All we got out of those companies were our dividends.

Q. There is one other thing to which I wish to call your attention. I notice that your assets increased from $2,937,879.58 in 1913 to $7,716,054.36 in 1918. I suppose that that increase in assets occurred largely out of the earnings of the company?—A. Of course, the assets in a grain business, on a balance sheet will vary from year to year according to your inventories.

Q. That is true, but take two items which are more or less fixed; your properties and investments. In 1913 your properties and investments were $2,431,318.20 and your assets in properties and investments in 1918 were $5,894,616.96?—A. In what year was that?

Q. 1918?—A. What was that invested in?

Q. Investments and properties?—A. That must be bonds and shares in other companies.

Q. That represents pretty well fixed investments, and that increase was occasioned by a surplus of the profits. Am I right in that?—A. By profits carried forward from year to year.

Q. Accumulated profits?—A. Yes.

By Mr. Sutherland:

Q. In regard to overages, I would like you to give to the Committee in the afternoon some information as to the quantity you give back and also with regard to the disposal of the screenings?—A. We do not control any screenings at all.

Q. In your country elevators?—A. In our country elevators all we get is so much a ton for our screenings.

Q. You do not ship them from your elevators?—A. Very few of them, and we do not pretend to clean the grain unless somebody wants some for seed.

By Hon. Mr. Fielding:

Q. You make a distribution under two headings, so much for dividend and so much as bonus. On what principle do you reach the proportion, how much shall be paid as dividend and how much as bonus? What really governs the division of the money? You pay 26 per cent, 8 per cent as dividend and 18 per cent in the shape of a bonus? —A. Because we have a by-law creating a regular dividend on the common share of $2 quarterly, making a regular dividend of $8 per year. That is the regular dividend. It depends on the earnings as to whether any more will be paid or not.

Q. It depends on the earnings whether even that is paid. If you do not earn it, you cannot pay it?—A. We have to take earnings that would guarantee them.

Q. Out of your reserve?—A. Yes.

Q. Does your by-law prevent you from paying a dividend of more than eight per cent?—A. Absolutely not.

Q. You are free to pay what you like?—A. Absolutely.

Q. I have not discovered on what principle you apportion the money in the payment of dividend and bonus?—A. We declare a bonus of what we think we can spare out of the finances and still carry enough reserve to make us safe and sound.

Q. So practically a dividend and bonus mean practically the same thing?—A. Well, no, the one is regular and the other is irregular.

Q. It is the same thing to the shareholder; it is a question of names?—A. He is fairly certain of his regular dividend, but he is very uncertain of his bonus. When he really has it in his hands, it is the same thing.

Q. Is it a matter of book-keeping?—A. I think so.

By Mr. Nesbitt:

Q. Is not the idea not to issue too high a regular dividend?—A. Exactly, not in a regular liability or presumed liability.

Q. So that if the shareholder does not get any bonus he is not disappointed; he gets his dividend?

By Hon. Mr. Fielding:

Q. Where a shareholder is getting ordinarily six per cent or seven per cent, and you give a bonus of six per cent extra, that one can understand, but when a bonus becomes bigger than the dividend, one is curious to know the principle on which it is divided?—A. We can go back further. I was manager of the Alberta Grain Company. We started business in South Edmonton in 1902 or 1903 and continued in business until 1912, and for all that time we had our stated capital, and we paid out every year a dividend equal to our net profits. We carried no reserve, but as a result of that method the directors of the company had to give their personal guarantee to the bank. When this company was organized, I objected to any other organization than one which would stand on its own feet and be able to pay from year to year, as the properties increased, and the number of elevators increased, so that it would not be necessary for a director to give a bank guarantee.

Q. By the creation of a reserve fund?—A. Exactly.

Q. That is reasonable; nobody objects to that?—A. Prior to 1912, we paid it all out in dividends.

WITNESS retired.

The Committee adjourned until 3 p.m.

The Committee resumed at 3 o'clock.

JOHN I. MCFARLAND, recalled.

By Mr. Vien:

Q. Who is the managing director?—A. I am managing director.

Q. How many directors?—A. Five.

Q. Did you name them?—A. Yes.

Mr. VIEN: What is the witness's objection to giving the information asked for this morning.

The VICE-CHAIRMAN: We asked Mr. McFarland what his salary was and he stated that it was $5,000. In addition to this there is a sum of 5 per cent of the net earnings paid to the management staff. This is entirely in Mr. McFarland's hands to distribute, and he distributes it on merit, he being the sole judge.

WITNESS: I might also say for your information that this commission and salary have not been changed or altered in any respect since 1912, when the company was organized.

By Mr. Vien:

Q. This 5 per cent is distributed entirely to your employees?—A. And myself.

Mr. PRINGLE: To the staff.

By Hon. Mr. Fielding:

Q. I did not understand you to say to the employees generally?—A. To those who are actively engaged in the management.

By Mr. Sutherland:

Q. Would that include managing the line elevators?—A. Partially so.

[Mr. John I. McFarland.]

By Mr. Vien:

Q. How many men share in it?—A. The most ever was four.

Q. It would not be a great list for you to give the Committee?—A. I could not tell you the figures myself if I wanted to. I have not got it with me.

Q. $150,000?

Mr. PRINGLE: The biggest year was $105,000.

By Mr. Vien:

Q. Distributed among four people. Who are the four people?—A. There is just the point.

Q. Why do you object?

The VICE-CHAIRMAN: He says this matter is left by the company entirely in his hands, and he distributes it according to what he judges is the merit of the case, and if it is placed on record that Jones got so much, and Smith so much, and Robinson so much, and some one else so much, and he retains so much, then there might be trouble.

By Mr. Vien:

Q. It is not distributed to any outsiders?—A. Not at all.

By the Acting Chairman:

Q. Nor to any of the directors?—A. No.

Mr. PRINGLE: It is also shown in the records that this charge is deducted.

By Mr. Vien:

Q. When was your company organized?—A. In the fall of 1912.

Q. Who organized it?—A. I do not know who you would call the promoter. Mr. Bennett was——

Q. He was a lawyer; he supervised the promotion of the company, but I mean to say who was the originator of the company?

The VICE-CHAIRMAN: It is all on the record.

Mr. PRINGLE: No. The provisional directors were simply dummies.

By Mr. Vien:

Q. Who was the main agent in the organization? (No answer.)

By Mr. Pringle:

Q. Who conceived the brilliant idea of forming the company?—A. I believe it was Sir Max Aiken.

By Mr. Vien:

Q. Was he active in the organization?—A. I only met him once.

Mr. PRINGLE: He has good vision.

Mr. VIEN: Yes, in big schemes.

WITNESS: I did not meet him till he was looking for a managing director for the Company.

By Mr. Vien:

Q. When was that?—A. In the fall of 1912.

Q. Had your concern been in operation then?—A. Not this concern, no.

Mr. PRINGLE: There is an Alliance Trust Company of Calgary who seem to have got possession of a number of small companies, and they wrote a letter, all of which is on the record, stating that they would transfer all the titles to all these different proper-

[Mr. John I. McFarland.]

ties owned by the other companies to this company, in consideration of a certain amount of common stock and a certain amount of preferred stock. Practically all the common stock issued, and all the preferred stock which has been issued, except an amount that was issued for cash to R. B. Bennett for $300,000, went to the Alliance Trust Company, and they in turn have evidently sold that stock, because we find from the list of shareholders that that stock is now in the hands of 356 different shareholders who reside in different parts of the British Empire, and in the United States, and so on. We have that, and we have very very complete annual statements from the inception of the company down to the present day showing all the items, their reserves, the rate of interest they paid, and the rate of interest they have earned down to the present time, and the total of what has been paid up, and what has been put away in the shape of reserves, and, so far as Mr. McFarland has testified, there is no watered stock in the company. I do not suppose there is any way of getting at the values of these properties the Alliance Company turned over, and we have the market value of the stock, the latest quotations being 180.

By Mr. Vien:

Q. Is Sir Max Aiken still connected with the concern?—A. He has never been connected with it. He has never held a share of stock in his name.

By Hon. Mr. Fielding:

Q. His name is on the stock list?—A. There is W. M. Aiken and Company. The stock has always been held in trust. The dividends went to the Montreal Trust Company.

Hon. Mr. Fielding: His name is on the list of shareholders now.

Mr. Pringle: W. M. Aiken and Company, Montreal Trust Company.

By Mr. Vien:

Q. Lord Beaverbrook was connected with the company at the time of its inception, since he was looking for a general manager he had something to do with it?—A. He has never had anything to do with the managing of it whatsoever.

Q. If you will please give all the information you possess?—A. I do not know what you want.

Q. Perhaps I am not clear enough. You say that in 1912 Sir Max Aiken, or Lord Beaverbrook, as he now is, was looking for a general manager?—A. Yes.

Q. And you were general manager of one of the companies that they took over?—A. Exactly.

Q. If Sir Max Aiken was looking for a general manager, he was in some way or other interested in the company?—A. I have no doubt he financed it.

Q. Is he now financing the company, or has he any financial or other connection with the concern?—A. No connection whatsoever other than as a stockholder.

By Hon. Mr. Fielding:

Q. The Alliance Trust Company practically purchased the smaller properties and consolidated them and turned them over to your corporation?—A. Exactly.

Q. Who were the directors of the Alliance Trust Company?—A. I do not know.

Q. Were any of the directors or any of the parties now connected with the other companies in the Alliance Trust Company?—A. I could not tell you. I never even inquired who owned the Alliance Company. I know I never had anything to do with it.

By Mr. Vien:

Q. From what time was Lord Beaverbrook disinterested in it?—A. I do not suppose he has ever been disinterested since he has had shares in it. I have only seen him once in five years.

[Mr. John I. McFarland.]

Mr. PRINGLE: He seems to have shown good judgment in organizing the company and selecting a general manager.

By the Vice-Chairman:

Q. We were discussing the question of fees. If I remember rightly he stated that the rate for handling grain had been increased from a cent and a quarter to a cent and three-quarters in the country elevators?—A. I might go back further to explain that. At the time the Alberta Farmers' Co-operative Elevator Company was organized and subsidized by the Alberta Government, that company has since been amalgamated with the U.G.G., but at the time it was first organized it was necessary that they get some stockholders for it among the farmers. They thought it was necessary they should do something to show the farmers that they were helping them, and they said, "We are going to save you half a cent a bushel, and while they were organizing it they reduced the rate half a cent.

Q. To what?—A. From one and three-quarters to one and a quarter. After they became organized they wanted it raised.

Q. Your company and other commercial companies charged the one and a quarter during this period?—A. All the time. They wanted to raise back again to where it was, and we refused to raise it, and did not raise it for two or three years, until last year, when, owing to the increased cost of operation and everything else, we thought it was only fair that it should be raised.

By Mr. Vien:

Q. Coming back to the $105,000, how much of this was distributed to yourself? How much did you get out of that $105,000 for last year?—A. I could not tell you even that. I have not the figures with me.

Q. You could not tell me how much you distributed to yourself out of the $105,000 that was left to you to distribute?—A. I mean that I could not tell you exactly. I cannot carry it all in my head. I can tell you I received about half of it.

Q. Will you tell us the names of the persons who shared with you in that $105,000?—A. That is the information we have been talking about this morning.

Q. Well, I am talking about it now?—A. Well, I refuse to give it.

Q. You refuse to give the names?—A. It is not mine to give, and I am not going to break a trust, in view of the fact that you know what it cost the Alberta Pacific Grain Company in salary and commission and that should serve the purpose of this investigation in arriving at the cost.

Q. I will not ask you the distribution so long as you tell me you have practically 50 per cent of it? That will satisfy me as far as that goes, but there might be some reason for your not giving out the proportion distributed to the others, but I want to get the names of the persons to whom you gave a share of it.

Mr. DOUGLAS: I can quite see the reluctance of the witness to give that information. He has in the management of the business a number of employees, in the managerial office, and he has singled out a number of them, say four, to whom he says, without the other employees in the office knowing it, "I am going to give you a bonus of $10,000 this year," and he gives it to them. He may say to another man, the next door neighbour of one of these men, "I will give you $5,000." These four men are not telling their fellow employees that they are receiving this bonus. The point the witness is urging is that if these names are published and some of these men see that these particular men are receiving special privileges over and above the salaries paid, it might cause a lessening of the morale in the office staff.

WITNESS: That is the only reason. I am on my oath, and I am prepared to swear that none of this money goes to any one excepting those who are giving their full time in the occupation and employment of the Alberta Pacific Grain Company.

[Mr. John I. McFarland.]

Mr. VIEN: It is a most extraordinary thing that the manager of a company is allowed to distribute $105,000, or such amount as may be fixed, or that he has a free hand and is not accountable to his directors for the way he distributes it.

Mr. DOUGLAS: I think he is.

WITNESS: Not at all.

By Mr. Nesbitt:

Q. But the amount?—A. The amount is fixed by the auditors.

Q. If the directors say we will pay so much, $105,000, and leave it to the general manager to say who is to get the benefit of it?—A. The amount is fixed by the auditors.

Q. The directors sometimes say we are prepared to leave 5 per cent of the profits to be distributed among the officials of the company and we leave it to the general manager of the company to say who shall receive that. Mr. McFarland has stated on his oath that the amount of money goes to the employees of the Pacific Grain Company and does not go to the outsiders at all?—A. It goes to those actively engaged in the management of the business and who are spending their full time, the same as I am, and I am a director.

By the Vice-Chairman:

Q. Is this sum distributed to the directors outside yourself?—A. I said it went to the employees employed entirely in the service of the company.

By Hon. Mr. Fielding:

Q. You said distinctly it did not go to the directors, in so many words you made that statement.

By the Vice-Chairman:

Q. To settle this question Mr. McFarland can say whether there are any directors besides himself sharing in it?—A. You are going to press me to a point now where I will have to disclose what I do not want to disclose.

Q. You can say whether other directors than yourself share in it or not?—A. They all hold managerial positions.

Q. That is all you will say?—A. Yes.

Q. That means then that other directors take a share in it?—A. All that share in it hold managerial positions.

By Mr. Nesbitt:

Q. They may be directors and have charge of branches?—A. Yes, exactly.

By Mr. Pringle:

Q. What I would like to know is whether any director who shares in this holds a managerial position in the company?—A. Certainly.

By Mr. Davis:

Q. I would suggest that if the witness does not want to give this information that he be asked to give the particulars of the head office expenses. I notice there is one item of $9,000 in office expenses?—A. We will be delighted to give that in detail.

By the Vice-Chairman:

Q. You have not that information with you?—A. No, I have not.

The VICE-CHAIRMAN: The Committee concurring in the suggestion of Mr. Davis, we will ask the witness to file a complete statement of the item in the profit and loss account entitled head office expenses, last year, amounting to something over $300,000.

WITNESS: Yes.

[Mr. John I. McFarland.]

Mr. Pringle: I see that in 1912 you sent an agreement, or a proposition to the president of the Alberta Pacific Grain Company, Calgary, which reads as follows:—

> "I am willing to become a director of your company and to accept the position of managing director for the term of three years from the 1st day of September, 1912, at an annual salary of $5,000 per annum, payable in equal monthly instalments together with a bonus of 5 per cent of the annual profits of the company, payable as soon after each annual meeting of the company as conveniently may be."

And that is signed by J. I. McFarland.

Q. It was a voluntary agreement on your part?—A. Yes.

Q. And has that agreement continued in existence from 1912 down to the present time?—A. Yes, it has been renewed.

Q. Now in the early days of course your commission would not be very large?—A. No.

Q. But now, of course with an increased business the commission has become a very substantial matter and while under this agreement, you, apparently, are not bound to give any portion of that commission to anybody, you have seen fit to share that commission with certain men who are actively engaged in managerial work in connection with this company?—A. It was entirely voluntary on my part.

Q. It was a voluntary agreement on your part?—A. Yes.

Mr. Douglas: That clears up the whole question, if Mr. McFarland is in receipt of 5 per cent of the net profits of the Alberta Pacific Grain Company that is all right and it is his own private business if he gives one-half of that away to somebody else.

Debate followed.

By Mr. Douglas:

Q. Is it a fact that your country buyers have got absolute control in their own hands as to what dockage for dirt or seed they impose on the farmers?—A. Absolutely, but at the same time they have instructions from the office to the effect that to bring this out with a surplus is no credit to them and they are supposed to have it come out as near even as possible.

By Mr. Vien:

Q. As a matter of fact do they come out even or do they come out with a surplus?—A. As a matter of fact they could not come out even, lots of them come out ahead and some of them come out about level, but there is a record of it in the office.

Q. Does the law compel you to keep a record?—A. No.

Q. You do that for your own guidance?—A. Yes.

Q. Can you file a statement of the overages and the shortages in your elevator?—A. I think so, if all the companies do the same thing I will do so.

Mr. Douglas: I think we have evidence to show there is a very close percentage.

The Vice-Chairman: I think the only statement we had was that the farmer himself was the best judge.

By Mr. Nesbitt:

Q. The farmer has the right to appeal?—A. Absolutely.

Q. If he does not agree with your weight?—A. He can weigh it himself, the farmer has the right to weigh it himself.

Q. And also as to the quality?—A. The quality is for the inspector to decide.

Q. If he does not agree with the quality set by your buyer he has the right to appeal?—A. A sample is drawn by the agent and the farmer and is sent to the Government Inspector at Winnipeg or Calgary and his decision is final.

Q. That is as far as grading is concerned?—A. Grading or dockage; the farmer has access to the scales, and can check his own weight, and I do not think there are many farmers in Western Canada that require nursing at the present time, they can look after themselves pretty well. Those are the facts of the case.

By Hon. Mr. Fielding:

Q. To-day's examination appears to have followed along the line adopted at some previous meeting of the Committee, at which they thought it was right to know what remuneration was received by various officials of various companies. As I understand you have given us that class of information for yourself. You get $5,000 salary and then you get 5 per cent which is distributed in the way you have mentioned, and you had one-half of $105,000 last year, therefore it would be correct to state that approximately you received last year for your services about $60,000. Is that correct?—A. Yes.

Q. That is the drift of the questions that were put to other witnesses before this Committee and that is the nature of the information the Committee obtained from them.

Mr. PRINGLE: Would it not be well for Mr. McFarland to give us the details of this large item of office expenses, salaries, etc., not only for one year, but for two or three years?

By Mr. Vien:

Q. How many managers have you?—A. We have a branch with a manager at Winnipeg, we have a branch with a manager at Vancouver, and we have an assistant manager at Calgary.

Q. That is three managers?—A. And myself.

By Mr. Davis:

Q. And have you not travellers?—A. We have travellers like all other companies who go around the country.

Q. And each one of these has charge of a certain territory?—A. Yes.

By Mr. Vien:

Q. Are there any other persons connected with your managerial staff?—A. Except what I have mentioned?

Q. Yes.—A. None whatever.

By Mr. Davis:

Q. By travellers you mean buyers?—A. They are travelling buyers.

Q. You are not seeking orders to sell grain?—A. No.

By Mr. Vien:

Q. Is Sir James Lougheed connected with your corporation?—A. Not to my knowledge.

Q. He does not receive any salary from your corporation?—A. No.

Q. Nor does Mr. R. B. Bennett, K.C.?—A. Only what is shown here as director's fees.

Q. He is a director?—A. Yes.

By Hon. Mr. Fielding:

Q. Was Mr. Bennett a director, to your knowledge, in the Alliance Trust Company?—A. Not to my knowledge.

Q. To your knowledge he was not?—A. I do not know anything about the inside business of the Alliance Trust Company.

[Mr. John I. McFarland.]

By the Vice-Chairman:

Q. You handle wheat and other grain?—A. All kinds of grain.

Q. Do you keep distinct what you are making on each of these different grains?—A. No, it is all together; you could not divide the expenses over the different grains.

Q. You could not locate the expenses of the different elevators?—A. It would be too minute, it would cost too much money.

By Mr. Davis:

Q. Your profits have been very large, you have been one of the most successful grain companies that has come to our notice. How do you account for this? Roughly you have made 99 per cent in dividends on common stock in the last six years; that is a calculation from your statements, and your accumulations in investments and the increase in value in your properties and reserve amount to nearly $5,000,000 in excess of your original assets. So that means nearly 300 per cent earnings in six years on a capitalization of two and a half million dollars. These are certainly large profits. Have you been margining your grain; have you been hedging?—A. No, sir, very seldom.

Q. That would be one source of your gain?—A. Surely.

Q. You were taking your own risk?—A. Exactly. In my experience I have seen too many people go broke on that game. I saw them in 1917 when they were on the verge of it and when the Winnipeg Exchange Clearing House was in danger of being bankrupt, when wheat went up to $3.16 and lots of firms who had their wheat sold for May delivery could not get it delivered. Lots of it were low grade stuff not applicable on the Western Grain Exchange, and what had been worth ten cents of No. 1 widened out its spread from 10 cents a bushel to about 50 or 60 cents.

Q. How long have you been conducting your business on that line?—A. Ever since I started in 1899.

Q. And you have not hedged at all?—A. Very seldom.

By Mr. Nesbitt:

Q. You had the goods?—A. We held the goods the same as a merchant holds his goods on his shelves. Naturally we try to get them to a place where we can market them, and that place is Fort William as a general rule.

By Mr. Sutherland:

Q. Does all your grain go to Fort William?—A. Not all. Last year they were ordered to hold it for the mills and this year it is the same way.

Q. You say you have 250 line elevators, and that there is no cleaning done at these elevators. It goes on direct to the terminals?—A. Practically entirely.

Q. All excess of three per cent is returned or disposed of by you at the terminal elevator?—A. The terminal pays us for it at the fixed price of screenings.

Q. That is some arrangement you have with the terminal elevators to dispose of it for you. You are entitled to have it returned, if you wish it?—A. Yes, but they have a price fixed on those screenings down there.

Q. Can you give the Committee any idea of the quantity of screenings disposed of?—A. I cannot. That goes through our Winnipeg office entirely.

Q. You could furnish that statement?—A. I think I could.

Q. I would like to have a statement from the time you began business in 1912 down to the present time, as to the quantity of screenings from the grain?—A. There was a time when we got a percentage of screenings back. I forget when it was that the Board of Grain Commissioners said that a certain percentage must go back.

[Mr. John I. McFarland.]

By the Vice-Chairman:

Q. Make your statement from the time you received them?—A. Yes, we can get that.

By Mr. Sutherland:

Q. You say that you disposed of your screenings at these elevators without any idea as to where they were going?—A. Absolutely.

Q. There was an embargo placed on the exportation of screenings from Canada a little over a year ago?—A. It did not concern us because we were not holding them. We sold them to the terminals.

Q. I would also like to have the price you received for the screenings?—A. That will vary from time to time.

Q. Naturally, but there was a fixed price paid for screenings by the Government during the past year?—A. I will get that information for you.

Q. You are aware of that?—A. I am not very conversant with that; that goes under our Winnipeg manager.

By Mr. Pringle:

Q. But you can get it all?—A. I can get it. I have never paid any attention to screenings.

By Mr. Davis:

Q. You say that in some cases you did not get them but in some cases you did. Why the difference?—A. It is kind of hard to explain why the difference. Sometimes you may think you have a little too much stuff and you take a chance and think that surely you would get enough stuff to the lakes to fill a certain quantity. We have frequently made sales of actual wheat ahead.

By Mr. Douglas:

Q. Without options?—A. Without selling options.

Q. Do you wish to convey to the Committee that your operations since 1912 have been on a very legitimate method of buying and selling grain?—A. Straight merchandizing business.

Q. The statement has been made that some of the grain companies are high speculators, and I think your company was mentioned?—A. I suppose so, we have enemies.

By Mr. Vien:

Q. Who are your enemies?—A. If I am not badly mistaken, the Grain Growers are probably the chief.

The VICE-CHAIRMAN: I don't think it would be advisable to go into that.

By Mr. Pringle:

Q. Have you keen competition in this business, or have you a monopoly or combination in any shape, manner or form?—A. We have keen competition.

Q. Who are your competitors?—A. They are very numerous.

Q. Give us a few of the big concerns?—A. The United Grain Growers, the Saskatchewan Co-operative Elevator Company, the N. Bawlf Grain Company, the Home Grain Company, the National Elevator Company, the British American Elevator Company, Gillespie and Company—why they are numerous; I cannot think of them all.

By Mr. Vien:

Q. Is that a list of your enemies?—A. They are competitors, not enemies.

[Mr. John I. McFarland.]

By Mr. Nesbitt:

Q. They operate over the same territory as you do?—A. Yes.

By Mr. Pringle:

Q. Is there a tacit or formal agreement, or an agreement of any class or description between the different grain companies in regard to price, or is your price fixed by the British price?—A. The price is fixed on the basis of the British price, and price lists are sent out by the Northwestern Grain Dealers' Association on a basis which is considered fair.

Q. Who are the Northwestern Grain Dealers' Association?—A. They are not maintained, I may tell you.

Q. Is that an association composed of the different grain companies?—A. Yes.

Q. Does the Northwestern Grain Dealers' Association fix the price based on the English market price?—A. Yes, that is their guidance.

Q. Do you all pay to the producer the same price, or is there a cutting or competition in prices between you?—A. There is competition in practically every market in the country.

Q. You need not go into details; I mean in the grain business generally?—A. I have some of those price lists here.

Q. What I want to find out is whether the Northwestern Grain Dealers' Association have the fixing of the price and whether you all abide by that price, or whether you go into the open market and bid in competition with other grain companies?—A. We go into the market and bid in competition.

Mr. VIEN: You might ask, Mr. Pringle, in what way does the fixing of a price affect the market?

By Mr. Pringle:

Q. How does the fixing of the price by this Association govern; it evidently does not govern?—A. It is only a sort of guidance as to what the trade think the price should be.

Q. Are you bound to live up to the price fixed by that association?—A. Not by any means.

Q. It is a guidance as to what the price should be, and having that guidance you go into the market and bid in competition with the others? Have you been enabled to pay as good a price to the farmer as the other companies?—A. I think we pay more in view of the fact that we get a greater share of the business.

Q. And I suppose the larger the volume of business you get, the greater the profit and the less the expense in running the business?—We make a profit on volume.

Q. I think you have given us a very clear statement from 1912, from the organization of that company, but I would like to go back a little bit. There was a trust company in Calgary called the Alliance Trust Company, Limited. That trust company evidently got possession of the Globe Elevator Company. The Alberta Pacific Elevator Company, Limited, all the leases from the Alberta Irrigation Company, the West Coast Grain Company, all the capital stock of the Globe Elevator Company that had been issued, the Alberta Pacific Elevator Company, Limited, all the outstanding assets of these companies, the Alberta Grain Company, and the leases from the C.P.R. of elevator sites, and the leases from the Canadian Northern Railway Company. Do you know whether there was an appraisal made in regard to the value of all these properties before your company handed over to them 12,495 shares of capital stock and 11,000 shares of preferred stock?—A. I do not know. I was not connected with the company at that time.

Q. And you cannot tell us what the value of these properties was that were handed over to the company?—A. No.

[Mr. John I. McFarland.]

By Mr. Davis:

Q. You have 242 elevators. What proportion of these are situated at non-competitive points?—A. That would be where we are alone?

Q. Yes?—A. Well there would not be 5 per cent.

Q. And are they building platforms at all these points?—A. Yes. I doubt if there would be 5 per cent. I could make it up in a very short time, but I do not believe there is 5 per cent.

Q. That would be about twelve?—A. Yes, and there are not twelve.

By Mr. Nesbitt:

Q. Do you pay the same price at non-competitive points?—A. The same price exactly.

Q. The other day something came out in evidence about some grain company complaining that another grain company had broken the price of the Winnipeg Stock Exchange?—A. Would not that be the track price?

By Mr. Douglas:

Q. No, they claimed the Winnipeg Grain Exchange had something to do with fixing of prices on track—the prices at the country elevators?—A. The Winnipeg Grain Exchange control the track price in this way, that a man must make a clear profit of a cent a bushel on wheat and a certain profit on oats. He must have a buyer of wheat at a cent a bushel more than the price he pays to the farmer.

Q. If the Grain Exchange live up to their constitution, they expel a man who goes contrary to their resolution?—A. Yes.

Q. I think Mr. Nesbitt was inquiring in regard to where the grain dealers sent out a man to buy. Supposing the man buying at Regina exceeded your price, and your competitor says "You are not playing fair, inasmuch as you are paying more than the Grain Dealers' Association say grain is worth at that time," but you say you are not compelled to abide by the price set out by the Grain Dealers' Association?—A. No, it is broken every day.

Q. And the Grain Dealers' Association price is merely a guide to you?—A. Yes.

Q. And if you go higher you do it at your own risk?—A. Yes.

Q. Then the Grain Dealers' Association is an association formed by the grain dealers for the purpose of giving information to their members for their own guidance I suppose?—A. Yes.

By the Vice-Chairman:

Q. Are all the elevator companies members of that Association?—A. I could not say as to that.

By Mr. Pringle:

Q. Elevator companies or grain buying companies?—A. I do not know whether they are all members or not. I could find out by getting their list of membership.

By Mr. Douglas:

Q. I would take it the Grain Dealers' Association have the same relation to the grain dealer that Bradstreets or Dunns has to a merchant?—A. It is a cheap method of sending out guidance in prices.

Q. And you are not compelled to abide by it if you do not wish to?—A. No.

By Mr. Pringle:

Q. Do you handle much grain?—A. We have handled, I suppose, the largest quantity of seed grain of any company in Western Canada.

Q. On what basis do you handle it?—A. In 1914 there was a very serious crop failure in Western Canada. In a large area the Dominion Government appointed J. Bruce Walker of Winnipeg to supply the farmers with seed grain, and my recollection is that J. Bruce Walker made the statement that if it had not been for the fact that the Alberta Pacific Grain Company had held such good stock in the country elevators, he did not know how he would ever have supplied the demand.

Q. That was a Government guarantee?—A. They fixed the price and we supplied the grain.

Q. Do you ever supply it yourselves? Supposing you find there has been a crop shortage, and the farmers are without seed grain, do you take a chance on the seed grain?—A. You bet, we do, we give the farmers service. That is what we are up there for. Every year when there is a failure of crops in the districts, and the farmers need seed grain, and they cannot get it anywhere else, they come to us, and last spring we advanced the farmers in the neighbourhood of four hundred thousand dollars' worth of seed grain, and they were farmers in every case who had been refused assistance by the Provincial Government and by the Dominion Government and by the municipalities in which they lived.

Q. You took a chance with them?—A. Yes.

Q. I suppose you felt it was good business; if you succeeded it would be good business?—A. We were in the country, and we would make or break on it, and if we had not enough confidence to help out some of our farmers who had been customers up there, we had no right to live there.

By the Vice-Chairman:

Q. You gave them credit?—A. Yes.

By Mr. Vien:

Q. You are going to supply us with a full statement of the head office expenses, salaries, etc., and to whom they were paid?—A. Yes.

Mr. PRINGLE: Do you want it to cover all the year?

Mr. VIEN: The last two years.

By Mr. Vien:

Q. How do you explain the spread in that item of office expenses between 1913 and 1918? In 1913 your office expenses were $81,000; wages, rent, and taxes, $204,000. In 1918, you have wages, rent, and taxes, $686,000, as compared with $204,000, and in addition to that you have got office expenses, $349,000 as compared with $81,000 in 1913. How do you explain that?—A. In the first place, in 1913, we had considerably less than half the elevators that we had in 1918, and in the next place the wages of all employees have increased probably about 50 per cent in that time.

Q. That I understnad would account for the first item, the spread from $204,000 to $698,000, but in so far as the head office expenses are concerned, from $81,000 to $349,000?—A. You can see what part of it is in that 5 per cent.

Q. That would account for $105,000, leaving $242,000 as against $81,000, minus 5 per cent?—A. Since that time we have vastly increased our office staff.

By Mr. Douglas:

Q. You have opened up the Winnipeg office?—A. Yes, and the Vancouver office.

By Mr. Nesbitt:

Q. You have a lot more elevators?—A. More than double, yes, about two and a half times.

Q. You have naturally increased your office staff?—A. About two and a half times. I wish to make a remark about a scheme which we introduced two years ago, when the country was calling the men to the front, and there was a great labour shortage in the west, and the farmers needed help. We advised all of our employees whom we could spare in the offices, and at all those at points where we could close up the elevators, that we would guarantee them the same wages they were getting in the elevators, and they could go out and earn from the farmers what they could. There is where some of our money goes.

By Mr. Nesbitt:

Q. You leased your men to the farmers?—A. Yes.

By the Vice-Chairman:

Q. During your slack season?—A. Yes.

Q. And kept up their salaries?—A. Yes, so that they would earn as much as they would in the elevator.

Q. Supplemented their salaries?—A. Yes.

By Mr. Douglas:

Q. Did that embrace a large number of men?—A. I could not tell you, but there was a lot of them went out. There was a number out of the head office. The boys went out. We also financed our employees in the matter of buying Victory Bonds—lent them the money at 5 per cent.

Q. I hope you did not buy back the bonds?—A. No, they own practically all they bought, and we have retained positions for all our overseas men.

Witness discharged.

The Committee adjourned.

APPENDICES

APPENDICES to the Proceedings and Evidence in connection with the inquiry by the Special Committee on Cost of Living, comprising certain Exhibits which were ordered printed.

APPENDIX No. 1.

CENTRAL EXPERIMENTAL FARM,
OTTAWA, June 9, 1919.

Clerk of the Committee on High Cost of Living,
House of Commons,
Ottawa.

DEAR SIR,—As requested when I gave evidence before the Committee on High Cost of Living, I beg to inclose herewith tabulated information as to cost of production as compiled from records obtained on the Experimental Farms system.

Yours very truly,
E. S. ARCHIBALD,
Director.

STATEMENT.

Submitted by Mr. E. S. Archibald, Experimental Farm, in connection with evidence given on June 6, 1919.

COST OF RAISING DAIRY HEIFERS, 1918-1919.

(Compiled May, 1919.)

Price per ton of feeds:—

Hay	$ 7 00
Silage	2 00
Roots	2 00
Green feed	3 00
Straw	4 00
Meal	42 00
Whole milk	40 00
Skim-milk	4 00

N.B.—These are old standard cost prices and used only in the continuous records for comparison. See Summary, page 86.

FINAL SUMMARY COST OF RAISING HEIFERS.

	Total.	Average.
6 heifers from 1 to 6 months cost	$ 70 43	$11 74
17 " " 6 12 " "	217 95	12 82
28 " " 12 18 " "	297 64	10 63
16 " " 18 24 " "	128 80	8 05
18 " " 1 24 " "	837 20	46 41

Present Feed Prices (June 1, 1919).

Hay	$38 00
Silage	6 00
Roots	6 00
Green feed	6 00
Straw	10 00
Meal	50 00
Whole milk	60 00
Skim-milk	5 00
Pasture (for season)	6 00

On the basis of these prices the feed cost of rearing would be approximately as follows:—

Birth to 12 months	$35 40
" 24 "	94 00

COST OF MILK PRODUCTION.

Factors in Cost of Production.

I.	Cow..	Her excellence.
II.	Feed..	Cost and quality.
III.	Labour..	(a) Handling cows, etc. (b) Farm work in producing feed.
IV.	Buildings, etc..	Interest on investment.
V.	Losses in herd..	(a) Abortion, tuberculosis, black-leg, scours, etc., etc.
VI.	Proximity to city. Methods of marketing.	
VII.	Above all the efficiency of the owner,	

Feeds—Central Experimental Farm, 1917-18—Averages.

—	All Breeds and Grades.	Grade Holstein.	Holstein.	Ayrshires.
Number of animals	55	8	15	14
Days in milk	325			
Milk produced ... lbs.	8,065	9,773	9,857	7,324
Percent fat	4.1	3.86	3.68	3.83
Feeds—Average per cow :—				
Meal—				
W. Br. ... 6; C. Br. ... 3; D.D. Gr ... 3; Cotton ... 2; Oil ... 1 } at $45 cwt.	2,619	3,058	3,174	2,349
Roots and silage, lbs. (at $4)	11,066	12,424	12,567	9,656
Hay, lbs. (at $18)	1,810	1,885	1,911	1,806
Gr. feed, lbs. (at $6)	1,714	1,524	1,801	1,788
Straw, lbs. (at $8)	100	100	115	150
Pasture, mos. (at $2)	2	2	2	2
Total feed cost	$106.86			
Meal at $45 per cwt.—				
Milk cost per cwt	$1.32			
Total cost of feed	$119.98			
Meal at $55—				
Milk cost per cwt	$1.49			
Total cost of feed—				
Meal at $65	$133.10	$150 82		
Milk cost per cwt	$1.65	$1.55	$1.50 (app.)	$1.60 (app.)

SUMMARY STATEMENT—CENTRAL EXPERIMENTAL FARM—1917-18.

Per Cow (8,065 lbs. milk av. 4·1% fat)—average 69 cows.

Dr.—	Feed. (Meal at $55.00)	$119 98
"	Labour per cow (barn only) (commercial, not experimental)	58 00
"	½ labour in dairy per cow (on basis of slubbing milk)	3 00
"	Int. and dep. cow $300 at 11% ($300 average value pure-bred and grades)	33 00
"	½ annual int. and dep. on building valued at $200, per cow at 8%	8 00
	(This building suitable to meet requirements of city milk trade).	
"	Losses (calves, etc., etc., per cow)	4 00
		225 98
Cr.—	8,065 lbs. milk at $3.00	$241 95
"	12 tons manure at $2.00	24 00
"	Calf at birth av. value	30 00
		295 95
	Credit balance per cow	69 97

Cost for 100 lbs. milk at least $2.80 per cwt.

N.B.—The above figures are correct and applicable to milk production for the city trade.

Had this milk been for butter or cheese trade, the labour would be slightly less, and the interest, etc., on building probably not more than $2 per cow. Thus reducing cost of milk to about $2.70 per cwt.

On the other hand, this milk would sell at only $2 per cwt.—hence a loss per cow.

COST MILK PRODUCTION.

Feeds—Central Experimental Farm, 1918-19—Averages.

—	All Breeds and Grades.	Grade Holstein.	Holstein.	Ayrshires.
No. animals	61	9	18	10
Days in milk	312	291	319	267
Milk produced ... Lbs.	7,755.8	7,654.6	10,400	6,554
Per cent fat	4.1	3.25	3 45	3.61
Feeds—Average per cow—				
Meal—				
W. Br. 5, D. Gr. 1, Oil. C. 2, P. nut 1 ... Lbs.	2,555.0	2,361.0	3,202	2,302.0
Roots and silage at $4	10,835.0	10,681.0	12,831·0	9,140.0
Hay at $18	2,247.0	1,946.0	2,314.0	2,395.0
Green Feed at $6	610.0	793.0	978.0	
Straw at $8	100.0	90.0	110.0	140.0
Pasture, 2 months	2	2	2	2
Total cost feed—				
Meal at $45	$ 94 77	$ 87 55	$113 12	$ 87 05
Milk cost per cwt.	1 38	1 29	1 24	1 50
Total cost feed—				
Meal at $55	107 55	99 37	129 12	98 56
Milk cost per cwt	1 38	1 29	1 24	1 50
Total cost feed—				
Meal at $65	120 32	111 18	145 17	110 07
Milk cost per cwt	1 55	1 45	1 39	1 67

FINANCIAL STATEMENT FOR DAIRY CATTLE, YEAR ENDING MARCH 31, 1919.

	April 1, 1918.		March 31, 1919.		Returns including sales of dairy products, breeding stock, etc.	Gross returns including increased values, sales, etc.
	No.	Value.	No.	Value.		
Cattle all ages and breeds	188	$42,134 00	195	$48,505 00		

Returns.

By increased value of herds	$ 6,371 00
" returns from dairy products	12,417 00
" " " sales breeding cattle. 21 head	2,590 00
" " " " veal and beef. 33 head	1,952 59
† " " " manure. 1113½ tons at $2	2,227 00
Gross returns	$25,558 27

† Value of manure is much too low

Expenditures.

To value of all feeds and bedding used	$10,587 65
* " total cost of labour dairy	2,242 45
* " " " " cattle	8,583 79
" purchase breeding stock, 11 head	5,123 25
" repairs to equipment	110 00
Gross expenditures	$26,657 14
Net debit balance	$1,098 87

* Of this gross labour, $3,105.55 was expended in experiment work and extra cleaning of barns

COST OF MILK PRODUCTION IN ONTARIO AND EASTERN CANADA.

To discover accurately the cost of milk production is no easy matter in accounting because of the complexity of conditions surrounding the dairy industry. However owing to the importance of the product a large number of American and Canadian experiment stations have for several years compiled accurate figures as to production on these stations and also gathered information as to costs of production on the average farm.

Feed Expenditure per Cow.

Many items of expenditure vary so materially, depending on the quality of pastures and other feeds, also on the constitution and health of cows, the efficiency and care of the labour employed, and many other items, that the following figures represent only a fair average which probably does not apply accurately to any other herd.

The cost of feed is the greatest individual item in expenditures, and this varies largely with the type of dairying conducted.

A very large number of farmers freshen their cows in the early spring and milk them until they dry off naturally, which is usually in late fall or early winter. These farmers cater largely to the cheese factory trade, where manufacturing is done almost wholly in summer. As a rule also they have the benefit of the full pasture season, which under certain circumstances is a great factor in cheapening production. However, the adverse phases of summer dairying are briefly as follows:—

(1) Too great a dependence on pastures, hence pasturing too early and too late in the season.

(2) The cows while in full flow of milk have to suffer intense heat and flies, consequently tend to dry off sooner and yield less milk in the year than where milked during the winter.

(3) The higher prices for milk and butter in winter are largely missed.

(4) All the labour on the farm is thus concentrated during the summer months, as both the regular milking and all the outside farm work must be done during the same season. A fair feed charge per year for summer dairying as commonly found in cheese factory districts as follows:—

Pasture—5½ months at $2 per head per month	$11 00
Meal or grain feed per cow per year, 300 pounds at 3c. per pound.	9 00
Hay consumed per cow per year, 1 ton at	18 00
Straw consumed, ½ ton at $6	3 00
Ensilage or roots consumed per year, 2 tons at $4	8 00
Total	$49 50

The average production per cow under summer dairying is generally under 4,000 pounds per cow per year.

In year-round dairying, where the bulk of cows are freshened in the fall, we find greatest production per cow, highest prices received during winter months, and even distribution of labour over the whole year, thus retaining hired help; and the cows are naturally dry during the season of the year when heat and flies mitigate against greatest comfort and production.

Under year-round dairying conditions we find a fair feed charge about as follows:

Pasture, 4 months at $2 per head per month	$ 8 00
Meal, at least 1,200 pounds at 3c. per pound	36 00
Hay, 1½ tons at $18	22 50
Straw, 100 pounds at $6 per ton	0 30
Ensilage, or roots, four tons at $4 per ton	16 00
Total	$82 80

Under these conditions the average production has amounted to over 6,100 pounds of milk.

Total Expenditure per Cow (Summer dairying).

The feed item is always subject to more variation than any other item of expenditure. Almost identically the same labour, interest, depreciation, etc., are used for high or low producing cows, while cost of housing, etc., are identically the same in either case. The following table is a fair estimate per year on a basis of summer dairying, when labour is more expensive:—

Feed, cost per annum	$ 49 50
Labour, per cow, including handling of milk, per annum	58 00
Interest and depreciation on herd per cow, $100 at 11 per cent.	11 00
Herd losses due to abortion, tuberculosis, pneumonia, etc.	1 95
Interest, insurance, repairs, and depreciation on building and equipment	9 22
Veterinary services and drugs	0 86
Cash sundries	1 96
Total	$132 74

Receipts per Cow.

4,000 pounds milk at $2.79 per cwt.	$108 00
Ten tons of low-grade manure at $1 per ton	10 00
Total	$118 00

Under the above conditions, milk costs the farmer *33 cents per gallon, or 8 cents per quart,* and during these summer months he is extremely fortunate if he obtains 27 cents per gallon for it.

Total Expenditure per Cow (Winter dairying).

Feed, cost per annum	$ 82 80
Labour, cost per cow per annum	53 00
Interest and depreciation on herd per cow, $150 at 11 per cent.	17 50
Interest, insurance, repairs and depreciation on buildings and equipment	9 22
Losses from abortion tuberculosis, pneumonia, etc.	1 95
Veterinary services and drugs	0 86
Cash sundries	1 96
Total	$166 29

Receipts per Cow.

6,100 pounds of milk at $3 per cwt.	$183 00
Twelve tons of good manure at $2 per ton	24 00
Total	$207 00

Under these latter conditions milk costs the farmer 28.1 cents per gallon, or about *7 cents per quart.*

The above figures are all fairly conservative, and the result of very careful tabulation of actual costs on Dominion Experimental Farms, and on many private farms. These figures do check closely with investigations conducted elsewhere.

While 6,100 pounds of milk per cow per year may seem a small yield to some farmers, it is in reality a fair average provided the percentage of fat in milk is above legal requirements and it exceeds the average for Eastern Canada by about 2,000 pounds.

The only solution towards cheapening milk production is *better breeding,* so that the cows will under either summer or winter conditions produce more for feed consumed, and finally, *more careful* and *thorough feeding.* That this is possible may be demonstrated in almost every dairy district in Canada, where we find occasional farmers with a herd averaging a production of 10,000 pounds per cow per annum, with feed costs little if any in excess of the above.

COST OF FINISHING BEEF.

Ottawa, Ont.—Representative figures in winter steer finishing of two-year-old steers may be taken from results of the past winter's work.

—	All Lots.	Lot 1, Shed Light Grain.	Lot 2, Shed Heavier.	Lot 3, Barn Grain, Heavier Grain.
Steers in lot .... No.	59	23	24	12
Total gain, 130 days.................. Lbs.	12,879	4,380	5,280	2,219
Total hay consumed. ... . "	50,688	18,720	18,720	13,248
Total ensilage consumed ... . "	351,360	144,960	144,960	61,440
Total meal consumed.... .... "	44,792	10,304	22,992	11,496

Present prices are—

Hay, $30 to $40 per ton.
Ensilage, $4 to $5 per ton.
Meals, $44 to $55 per ton.

Hence the gains 12,879 pounds cost.

Hay at $30 =	$ 760 32
Silage at $4 =	702 71
Meal at $45 =	1,007 82
	$2,470 85

Steers sold at 13½ per pound.
Gains then were worth. $1,738 60.
Difference, $732.25.
Original weight steers, approximately 53,000 pounds.
Hence almost 1⅜c. per pound live weight.
Spread needed to break even on feeds only, or at least 2½c. spread to leave a net profit.

Western Canada.—(The two bulletins attached give fair results of cost on western Experimental Farms.)

THE COST OF MUTTON PRODUCTION.

The scarcity of wool and meat has given a new impetus to the sheep breeding industry in Canada and once it becomes again firmly established as a common farm industry and the benefits coming from it are fully recognized, the writer feels confident that it will not again go into decline.

This class of stock, while enjoying to the full the benefit of the increased high prices of the products produced, is probably the one which has been affected the least by increased cost of production, common to the products from other classes of stock.

This is due to the fact that the feed consumed consists largely of home grown roughages and grains thus eliminating, to a large extent, the purchase of high priced concentrates. It is also due in part, to the fact that very little labour is required to handle a flock so that the increased price of labour has not the same effect.

To arrive at the cost of mutton production many factors must be taken into consideration. It may be safely considered that the value accruing from the manure produced and weeds destroyed fully offsets the labour expended. From the records of the breeding and feeding work at the Central Experimental Farm, the remaining factors in the cost of production of year old mutton may be tabulated as follows:—

Cost of feed in maintaining ewe from weaning of one lamb to weaning of next	$6 10	
Interest on value of ewe ($30 at 6 per cent)	1 80	
Service charges and maintenance of ram	0 35	
Cost of feeding lamb from weaning till finishing at one year old	7 18	
		$15 43
Wool from ewe (seven pounds at 40c. per pound)		2 80
Cost of 120 pounds mutton, labour not included		12 63
Value of 100 pounds mutton, spring, 1918		17 75
Cost of 100 pounds mutton, labour not included		10 50
Profit per 100 pounds		$7 25

This is a profit of $8.70 per lamb if but one lamb is raised per ewe.

The above figures are based on an increase of one lamb per ewe. Where two lambs were raised practically the same results in weight may be expected at the end of the year. In such a case the first three items in the cost would be split between the two thus reducing the cost and increasing the profit per hundredweight.

The foregoing estimates are exclusive of overhead charges or depreciation but these items may well be overlooked as they are almost negligible in sheep raising owing to the fact that so little is required in buildings or equipment. Moreover the estimates are conservative and though they show a return of at least 29 per cent on the investment of $30 per ewe, the same may be looked for under Eastern conditions while under Western conditions even greater dividends may be realized.

THE COST OF PORK PRODUCTION.

The unprecendented price of pork for the past eighteen months naturally causes the consumer to question whether or not the rise is legitimately due to increased cost of production or to manipulation by the much abused middleman. The producer himself is frequently uncertain as to the actual cost of production when the various factors influencing costs have been accounted for. Indeed, the charges against young pigs at eight weeks of age, where the maintenance of the dam is properly charged and where present feed prices apply, where no cheap by-produce or refuse is available, and particularly where only one litter per year per sow is raised, is greater than many swine growers suppose.

The following figures are available from swine breeding operations at the Experimental Farm, Ottawa, and elsewhere on the Experimental Farms System and may throw some light on the question. To arrive at the cost of young pigs the feeding costs of not only the dam but also the grand-dam are necessary. In other words the full maintenance cost of the young sow together with her milking period charges, should be figured to arrive at the cost of the first litter. For succeeding litters a pro rata charge for each individual of the latter, should be made of feeding and breeding charges incurred while the sow was carrying and later suckling the litter up to weaning time.

Feed cost to raise a gilt to first farrowing	$28 37
Breeding charges, cost to feed while suckling litter	$10 00
Total feed cost of first litter	$38 37
Feed cost per pig at weaning (seven in litter)	5 48

If the *cost were figured on the market value of the young sow the feed cost* of the litter per pig would be considerably higher—$8.24.

If sold after raising one litter the sow might be expected to bring about $35 or to nearly pay the total cost of her first venture.

If retained as a brood sow bred shortly after weaning and subsequently raising a second litter of seven raised pigs, the cost per *pig would be in the vicinity of $2.90.*

The average cost per pig may be safely figured at $3, seven raised pigs per sow is a high average, numerous individual cases to the country.

A Comparison of Costs Then and Now.

Several years ago at the Ontario Agricultural College it was estimated that where all incidental feeding, maintenance and breeding charges were considered, young pigs could be raised to six weeks at a cost of $1.27 each with an average litter of 6½ pigs. Meal was charged at the rate of $20 per ton; skim-milk, $3 per ton; and roots, $2. Present-day prices would be $50, $4, and $3, respectively, at the lowest estimate, and would explain the fact that the foregoing figures are so much higher than the Guelph findings, which were practically similar to those shown at the Central Experimental Farm at that time.

The cost to produce pork (a 100-pound hog) from these young pigs against which feeding charges at the average rate of *$3 each must be levied at eight weeks of age,* will vary widely with the methods of feeding. Figures from the Experimental Farms records would indicate that five pounds of meal, or the equivalent in other forms of feed, per pound gain would be a minimum basis. In the case of the bacon hog this would amount at present feed prices ($50 per ton averagely) to at least *$17 per pig,* probably $20 per pig. Adding to this the $3 or $5.50 or $8.25 charge up to weaning time, the total feeding charge would be from *$20* to *$28.* Where skim-milk and pasture were both available to replace meal, $25 might be taken as a fair feeding charge.

While the average overhead charge is relatively small in the case of the farmer who keeps but a few pigs, it is capable of wide variation, depending entirely upon the intelligent understanding of the owner concerning the principles of swine husbandry. Possibly a range of from 20 per cent to 30 per cent of the feeding charges might be allowed. In most cases the lower figure might be fairly applied.

The foregoing estimates include only feeding and breeding charges, and are exclusive of *labour, depreciation,* and *overhead charges generally.* The element of risk, much in evidence in swine raising, is also omitted. Generally speaking, the feed charges in pork raising constitute about 65 per cent of total cost.

Under proper management there is a fair profit in hogs. To the consumer and the prospective swine grower the foregoing figures, however, would indicate certainly that such profits are not excessive.

APPENDIX No. 2.

HESPELER, ONT., June 19, 1919.

Mr. NICHOLSON,
Chairman, Committee *re* High Cost of Living,
House of Commons, Ottawa, Ont.

DEAR SIR,—The writer has returned to Hespeler and I beg to enclose a letter and telegram which will serve two purposes. First, in regard to the wool market, the contents of the letter will confirm much of what came out in my evidence before your Board on Tuesday, particularly showing the very rapid advances on fine wools with prevailing neglect of cheaper qualities. Please bear in mind that all the references in this letter are related to business in England, not in Canada, but since we have to look exclusively to England for the raw stock needed in our fine lines, your committee can readily see the position we are in at the present time in the matter of purchasing raw materials for the goods we have already sold.

I do not think the fact was mentioned the other day before your Board but it is nevertheless a fact that Canada in this present year is to have no direct access to Australian and New Zealand wools. Owing to conditions under the control of the British authorities all wools from New Zealand and Australia are ordered to be shipped direct to England from the colonies and Canada will have to buy in England in a secondary market instead of as heretofore having access direct to Australia and New Zealand. Just what this all means in its effect upon the raw wool and wool top market, no one can predict.

It was not very clearly stated but the facts of the matter are that such handicaps as the above mentioned in relation to raw wools have prevailed during the war years in a dozen different ways so that the matter of figuring costs down to a nicety was an absolute impossibility and the mills such as the Paton mill or others were certainly under the necessity of figuring with a fair margin of safety and I know that in our own case the elements of uncertainty that were constantly asserting themselves rendered it utterly impossible to figure costs by any means as closely as was possible in pre-war times and any one with a degree of "safety first" principle in his make-up naturally kept a safe margin between his cost figures and his selling prices, a condition which in normal times would not be to the same extent necessary.

As I think I mentioned when talking to you the other day, even were it possible for a mill to know more nearly the actual cost of its raw materials and the actual status of its labour costs, the woollen manufacturing business could not be safely conducted at any time on a narrower margin than 6 or 8 per cent above estimated costs and between this factor of safety and the average of about 12 per cent, which was the Paton Company's return on their output for their three best war years, it would not show any appreciable increase in the cost of a suit of clothes, even allowing 6 per cent as an ordinary factor of safety and 12 per cent as the Paton's average on their turnover, the difference in the cost of 3½ yards of their highest-priced line would not exceed $1, so that while in the aggregate their profits appeared "quite handsome," as Mr. Paton admitted, figured down to a safe basis there was very little margin over a safe working basis charged on the goods they produced.

The second purpose which the letter and telegram enclosed will serve is to explain our president's absence and the writer's consequent inability to furnish the annual statement which your committee desired of our company. Mr. Collins has explained in a subsequent letter of a personal nature that he is at the Parker House, Boston, broken down in health with nervous trouble and earnestly solicited a visit from Mr. Forbes there and the writer does not know how long it will be necessary for our Mr. Forbes to be away from home.

I would request that you kindly return the enclosed letter, as I have not had time since returning from Ottawa to have a copy typewritten and without the return of the letter our files will be incomplete.

I am sending a copy of my letter to the secretary of your committee, but cannot enclose to him a copy of the letter referred to for the lack of time to get same written before our mail leaves.

Yours sincerely,

D. N. PANABAKER,
Manager, R. Forbes Co., Limited.

APPENDIX 2A.

BRADFORD, April 25, 1910.

Messrs. R. FORBES COMPANY, LTD.,
Hespeler, Ont.

GENTLEMEN,—We never had more pleasure in answering a letter of yours than the one we have just received from your people.

We have had to pass through, mentally, one of the most depressing times in the history of our country. The boys belonging to our family have passed through the war with their lives, the younger one, who was wounded seriously in 1915, but ultimately pulled through with a slight lameness, and was out of the army in 12 months. The elder one was wounded several times but graded through to be major, and has retired with the rank of captain. This one you may have the pleasure of seeing after the writer has finished his travels, which are getting nearer the end. The scourge has left many physical wrecks, also many with mental afflictions. We trust that you have been lucky with yours.

Wool.—We know well the class of wools that suit you, and as far as we know we shall be taking our usual collections of wool, which for the last two years have been in the hands of the Government. The price yet of these wools will not be quotable unless at a gambling quotation until the latter end of June, but we shall be prepared to take the risk any time when the season opens, and hope to have your favourable consideration as indicated in yours just received.

We have been at a disadvantage in not having a suitable agent in Canada during the late war to represent us, as tops made by us have been shipped through the hands of other people to your honourable selves, which did not go down very nicely, but that is past.

On the strength of you being interested in fine Australian and New Zealand tops we are sending you a range from our 46's to 50's, which we hope you will receive safely.

The writer anticipates being in New York by the middle of June, and will contrive to either see you in Hespeler or Toronto.

The present conditions on this side for fine wools and fine tops are what we consider exceedingly high, not at all through the fault of the top-maker, or the dealer, but as the result of the large margin the spinners have on yarns and the manufacturers on piece goods. At the last London sales the spinners ran wool up from 10 per cent to 15 per cent on Government issue prices at the time the wool was offered, the same applies to-day on fine-pulled wools which are an open commodity, with no Government restrictions attached. The lower grades do not appear to be in demand at all, the ordinary 40's N.Z. tops can be sold at 35½d., where the 50's standard price is 49d, or has been. The trade buying openly in London has been costing round 60d. These prices have only been paid by spinners and woollen manufacturers. We are hoping when two or three more sales are over the avaricious buying of these fine grades will abate and become more reasonable. The ordinary top-maker is out in the cold where he meets the competition of spinners for these wools.

There is yet no lifting of the embargo, only in isolated cases to neutral countries, but we are expecting before the month is over some daylight in shipping to the States. We have several offers there but cannot move in the matter on account of Government restrictions. You can gather by the foregoing, and by the tops we are sending you some idea as to the conditions of trade obtained here. Our own home trade, when the market gets better supplied with wool, cannot uphold the present limit of prices.

In the meantime our appreciation is recognized in the contents of your letter.

With all good feeling and respect, we beg to remain,

Yours very truly,

WILLIAM COLLINS & SONS.

APPENDIX 2B.

Telegram.

Boston, Mass., June 12, 1919.

To R. Forbes Company,
Hespeler.

Offer fifty or one hundred thousand, weight usual Shropshire, eighty-eight cents delivered Hespeler, cover three months' delivery. Are you likely to be in Boston within ten days?

COLLINS,
Parker House, Boston.

APPENDIX No. 3.

Sherbrooke, Que., June 27, 1919.

V. Cloutier, Esq.,
Secretary, Special Committee, Cost of Living,
House of Commons, Ottawa.

Sir,—As other manufacturers have been allowed to produce samples of cloth before the Committee, with their selling prices and their figured costs, we beg to respectfully submit that it is only fair that we should be allowed to do the same. We are therefore taking the liberty of sending you herewith some samples of our cloths, with the selling prices and approximate estimated cost as figured by us marked on each line for fall 1918 and fall 1919, and request that our samples be submitted to the chairman and members of the committee for their inspection and consideration. We are informed by a clothing manufacturer who makes staple lines that he requires on the average 3⅝ yards of our cloth to make a suit and 2⅞ to 3¼ yards to manufacture an overcoat or ulster, according to style.

We give below memo. of our prices and cost of cloth per suit and overcoat from the undermentioned fabrics, and have calculated the yardage for overcoatings and ulsters at an average of 3 yards each:—

		FALL 1918.		
3,118	Overtoating.. .. ..price.	$2 00	Cost of cloth per overcoat..	$6 00
2,876	" .. .. "	2 55	" " "	7 65
2,876	" .. .. "	2 80	" " "	8 40
4	Beaver.. .. .. "	4 00	" " "	12 00
3,128	Tweed.. .. .. "	2 35	" " suit..	7 94
3,069	Serge.. .. .. "	2 95	" " "	9 97
1,775	fine worsted mixture.. .. "	3 45	" " "	11 66
		FALL 1919.		
3,190	Overcoating.. .. ..price.	$3 00	Cost of cloth per overcoat..	$9 00
2,876	" .. .. "	3 25	" " "	9 75
4	Beaver.. .. .. "	4 40	" " "	13 20
3,145	Suiting.. .. .. "	2 35	" " suit..	7 94
3,134	" .. .. "	2 50	" " "	8 45
3,069	Serge.. .. .. "	3 05	" " "	10 30
1,775	fine worsted mixture.. .. "	3 65	" " "	12 33

The Business War Profits Tax is not taken into consideration in the above statements of estimated costs as figured by us.

Kindly acknowledge and oblige.

We are, sir,

Your obedient servants,

PATON MANUFACTURING COMPANY,

W. E. PATON,

Manager.

P.S.—Samples are being forwarded to you to-day by registered mail.

APPENDIX No. 4.

MONTREAL, June 28, 1919.

Mr. V. CLOUTIER,
Clerk of the Committee,
High Cost of Living,
Ottawa, Ont.

DEAR SIR,—Enclosed please find schedules as follows:—

No. 1. Cost of upper material, prices July, 1914, and present, 1919.
No. 2. Bottom material prices, July, 1914, and present, 1919.
No. 3 and No. 4. Findings and supplies, July , 1914, and present, 1919.
No. 5. Labour, overhead and royalties per pair, July, 1914, and present, 1919.
No. 6. List of 25 of the most staple lines such as we manufacture, giving net prices to the retail trade of July, 1914, and present, 1919.

Yours very truly,

T. H. REIDER,

President.

Upper Material Prices. June 28, 1919.

	Per Foot 1914.	Per Foot 1919.
Box Calf	0 26	0 88
Gun Calf	0 25	0 90
Coloured Calf	0 29	1 00
Storm or Winter Calf	0 33	0 75
Box Kip Side	0 22	0 60
Gun Kip Side	0 22	0 60
Coloured Kip Side	0 25	0 70
Black Kid	0 20	0 80
Coloured Kid	0 20	1 00
Patent Side	0 32	0 85
Tan Willow Calf	0 30	1 00
Dull Calf (For Tops)	0 25	0 82
Black Cloth	2 20 Per Yard	4 00 Per Yard
Black Elk	0 27	0 60
Coloured Elk	0 28	0 62
Men's Grain	0 23	0 60
Kang. Grain	0 23	0 60
Split Grain	0 25 Per Lb.	0 45 Per Lb.
Wax Upper	0 48 "	0 82 "
Chrome Kip	0 25	0 60
Box Grain	0 16	0 40
Red Kip	0 22½	–
Tan Grain	0 23	0 60
Pebble	0 17	0 35
Sheep Skin Trimmings	0 07	0 24
Cotton Linings—Men's	0 15½ Per Yard	0 47 Per Yard
" —Wos	0 16¼ "	0 47 "
Cotton Flannel—Men's	0 12¾ "	0 36 "
" —Wos	0 09 "	0 36 "
Gem Duck	0 13 "	0 38 "

Bottom Material Prices. June 28, 1919.

	Per Pair 1914.	Per Pair 1919.
Outsoles	0 35	0 72
Slips	0 08	0 15
Insoles	0 10	0 24
Counters (Leather)	0 07¼	0 11
" (Fibre)	0 02	0 03
Heels—Leather	0 10½	0 19
" —Pulp and 2 Lifts Lea	0 06½	0 07
" —Tops	0 04	0 12
Lea. Bd. for Heels	55 00 Per Ton	85 00 Per Ton

Findings and Supplies. June 28, 1919.

Description.	Per 100 Lbs. 1914.	Per 100 Lbs. 1919.
¾ oz. Mche. Tacks	12 95	23 44
1 " " "	11 40	22 64
1½ " " "	10 15	21 44
2 " " "	9 50	20 40
3 " " "	8 95	19 12
1 " Hand "	9 70	20 16
1½ " " "	7 80	19 20
2 " " "	7 25	18 20
3 " " "	6 70	16 92
4 " " "	5 90	16 12
Toe Wire	0 14 Lb.	0 22 Lb.
Box Toe Gum	0 45 Gal.	1 85 Gal.
T.N.T. Wire	0 08 $\frac{9}{10}$ Lb.	0 30 ⅘ Lb.
Wood Alcohol	0 65 Gal.	2 00 Gal.
Shellac	0 25 Lb.	0 85 Lb.
Steko	0 12 "	0 15 "
Children's Leather Counters	0 02 ⅞ Per Pr.	0 03¾ Per Pr.
" Fibre Counters	1 30 Per 100 Prs.	1 70 Per 100 Prs.
Women's Leather Counters	0 06⅔ Pr.	0 90 Pr.
" Fibre Counters	1 80 Per 100 Prs.	2 15 Per 100 Prs.
Men's Leather Counters	0 08½ Pr.	0 13 Pr.
" Fibre Counters	1 42 Per 100 Prs.	2 25 Per 100 Prs.
Wood Shanks—Wos	0 21 ⅝ M	0 36 M
Steel and Fibre Shanks—Wos. McKay	2 06 M	6 74 M
" " " Turns 4-E	2 38 M	7 35 M
Laces	0 76 Gross	1 65 Gross
114 G.M. Filler	1 30 Gal.	2 27½ Gal.
Repair Crayons	2 70 Doz.	3 38 Doz.
Russia Repairer	4 50 "	6 08 "
Vamp Flow	1 70 Qt.	3 38 Qt.
Nails	3 50 Per 100 Lbs.	11 32 Per 100 Lbs.
Steel Wire	0 15 Per Lb.	0 18 Per Lb.
Brass Wire	0 32 "	0 52 "
Welting	0 06 Per Yd.	0 12 Per Yd.
Cement	0 08 Per Gal.	1 15 Per Gal.
Wax	0 08¾ Per Lb.	0 14⅞ Per Lb.
Blacking	1 35 Per Gal.	2 35 Per Gal.
Brass Nails	0 31 Per Lb.	0 60 Per Lb.
Shanks	3 36 Per M.	8 04 Per M.
Silk	7 50 Per Lb.	14 25 Per Lb.
Cotton Thread	1 68 Per Spl.	3 90 Per Spl.
Eyelets	0 53¾ Per M.	0 75¼ Per M.
Hooks	0 52½ Per M.	0 73 M.
Buttons	0 28 Gt. Gr.	0 47 Gt. Gr.
Stalys	0 70 Per Gr.	1 65 Per Gr.
Fe & Box Toes	0 03¾ Per Pr.	0 04 Per Pr.
Leather Box Toes	0 06 Per Pr.	0 09 Per Pr.
Finishing Stain	2 00 Per Gal.	3 00 Per Gal.
Dressings	1 50 Per Gal.	2 25 Per Gal.

Labour and Overhead—Factories No. 1 and 2.

	Average Per Pair. 1914.	Average Per Pair. 1919.
Labour	0·52	0·70
Overhead	0·31	0·52½

FACTORY NO. 3.

Labour	0·19	0·40
Overhead	0·09½	0·26
Royalties. Factories No. 1 and 2	0·05¾	0·05¾
Royalties. Factory No. 3	0·01¾	0·01¾

APPENDIX No. 7

Comparitive Prices on Staple Lines.

	1914.	1919.
Men's brown lotus blucher..	$3 15	$5 80
" G.M. calf blucher..	3 75	6 55
" tan calf blucher..	3 85	7 50
" tan calf oxford..	3 45	6 45
" black kid blucher..	3 50	7 15
" split blucher..	1 65	3 00
" menno. grain blucher..	2 00	4 00
" black elk blucher..	2 70	4 75
" box kip blucher..	2 25	4 60
Women's black kid blucher..	3 10	6 80
" G.M. calf blucher..	3 20	5 50
" tan calf blucher..	3 35	7 40
" derby colt blucher..	3 20	5 25
" pebble bal'..	1 55	2 85
" box grain blucher..	1 70	3 20
" dongola blucher..	1 80	3 55
" dongola oxford..	1 50	3 10
Matrons' dongola bal..	1 50	3 15
Boys' box kip blucher..	1 95	3 55
" tan side blucher..	2 00	3 75
" kangaroo blucher..	2 00	3 40
Misses' pebble bal..	1 20	2 45
" kangaroo blucher..	1 65	2 70
" dongola blucher..	1 50	3 10
Childs box kip blucher..	1 15	2 15

APPENDIX No. 5.

TORONTO, CANADA, June 30, 1919.

Mr. G. B. NICHOLSON, M.P.,
Chairman, The Cost of Living Committee,
The House of Commons,
Ottawa, Ontario.

Dear Mr. NICHOLSON,—In forwarding memoranda to you the other day I omitted to send the detail which you suggested, covering the fixing of prices of cured meats in comparison with the cost of live hogs.

All hogs which we purchase go into either one of two groups:—

(1) "*Singers*"—that is hogs which are singed for the purpose of making Wiltshire bacon to be exported to England.

(2) "*Scalders*"—that is hogs which are scalded and made into domestic cuts for the Canadian trade.

In each case the cost of the product is based on weekly tests. These tests cover all the hogs killed during the week, and I attach herewith a copy of our last two tests.

In regard to the second test (that on domestic meats) you will notice that a fixed price per pound has been set on each cut. This price in each case is the actual average selling price of this cut during the week preceding the test.

I trust the tests will be intelligible to you. If you are anxious to ask any questions in regard to them I shall be glad to send our test clerk to Ottawa to see you.

Yours truly,

THE HARRIS ABBATOIR COMPANY, LIMITED,

J. McLEAN,

Secretary-Treasurer.

WILTSHIRE TEST ON 3,864 HOGS KILLED WEEK ENDING JUNE 19, 1919.

Killing Offal figured on basis of percentage Tests:—	
3,864 Hogs Killing Yield 73%	
Dressed Wt. 573,270 lb. Live Wt. 785,300 at 22½	$ 176,742 50
Yarding and Killing Cost 64c per 100 dressed weights	3,668 92
Gross Cost Dressed Hogs	$ 180,411 42

KILLING AND CUTTING OFFAL

Gut Fat	1·375%	10,797	at	23·45	$ 2,531 89
Bung Fat	·111%	871	at	18·25	158 95
Gullet Fat	·029%	228	at	13.00	29 64
Stomachs	·443%	3,478	at	3.	104 34
Black Guts	2·195%	17,237	at	2.	344 74
Gullets	·144%	1,131	at	2.	22 62
Pluck Trimmings	·153%	1,102	at	5.	60 10
Melts	·117%	918	at	1.00	9 18
Casing Scraps	·300%	2,356	at	1.	23 56
Narrow casings		57,960	yards at	1.	579 50
Hog Bungs balance in scrap		2,898	at	7.	202 86
Livers	1·500%	11,780	at	2.	235 60
Hearts	·150%	1,178	at	8.	94 24
Tongues	·035%	2,395	at	25.	598 75
Tongue Trimmings	·186%	1,461	at	8.	116 88
Dried Blood	1·025%	8,049	at	3.	241 47
Dried Hair	·349%	2,741	at	3.	82 23
Condemned Heads	·585%	4,594	at	3.	137 82
Skull Bones	·742%	5,826	at	2.	58 26
Scalps	·509%	3,997	at	8.	319 76
Cheek and Head Meat	·775%	6,086	at	15.	912 90
Snouts	·244%	1,916	at	13.	249 08
Lips	·065%	510	at	6.	30 60
Ears	·130%	1,021	at	4½	45 94
Fat of Scalps	·245%	1,924	at	15.	288 60
Hog Brains	·071%	557	at	5	27 85
Leaf Lard		17,106	at	31½	5,388 39
Kidneys		1,930	at	10	193 00
Tenderloins		5,264	at	41	2,158 24
Singed Feet		11,969	at	2	239 38
Aitch Bones		1,730	at	3	51 90
Neck Bones		5,908	at	3	177 24
Back Bones		14,559	at	2	291 18
Neck Fat		10,605	at	24	2,545 20
Trimming Fat		6,396	at	22	1,407 12
Tails		1,331	at	10	133 10
Value of killing and cutting Offal					$ 20,092 21
Net cost of Fresh Wiltshire					$ 160,319 21

7,728 Wiltshire sides.. .. ..463,750 cost $160,319.21 or $34.57 cwt.
Less curing gain (1½ per cent) 0.52

Cost per cwt, loose in cellar	$34.05
Expenses—	
Shipping shrink allowance (½ of 1 per cent)	0 17
Labour cutting	0 25
" curing and packing	0 47
Direct ratio expense	0 41
Overhead	0 28
Material	0 44
Packages	0 43
Icing and inland freight	0 47
Ocean freight	1 69
Commission	0 76
Interest	0 35
English landing charges	0 35
Discounts	0 32
Total expense	$ 6 39
Gross cost	40 44
Equivalent sterling	190s. 8d.
Present market	190s. 0d.
Result, Dr	8d.

Loss, 112-8d. or 16 cents.
Loss 100 Wiltshire 14·3 cents.

APPENDIX No. 7

HOGS CUT FOR DOMESTIC TRADE.

		June 25/19.	
436 Live Hogs (Selects)	80,997	22.50	$ 18,224 33
176 " (Sows)	73,173	18.50	13,537 00
6 " (Stags)	3,057	15.50	473 83
Totals Live Weight	157,227	"	$ 32,235 16

436 Selects	73% Yield	59,128	Dressed Weight.
176 Sows	74% Yield	54,129	"
6 Stags	74% Yield	2,262	"
Total Dressed Weight		115,159	

Product	% Gain	% Shrink	Fresh.	Shrink	Net	Sell. Price	Value
Fresh Pork:						c. per lb	
Stag Meat		1·5	330	5	325	12	39 00
Rough Sow Shoulder		"	142	2	140	23	32 20
Rough Light Shoulder		"	172	3	169	27	45 63
Light Montreal Shoulder		"	8,942	134	8,708	$31\frac{1}{2}$	2,774 52
Sow Montreal Shoulder		"	4,394	66	4,328	$26\frac{1}{2}$	1,146 92
Picnic Hams		"	617	9	608	29	176 32
Boston Butts		"	730	11	719	36	278 84
Legs Pork		"	663	10	653	40	261 20
Fresh Light Hams		"	122	2	120	42	50 40
Loins Skin off		"	7,010	105	6,905	43	2,969 15
" on		"	16		16	40	6 40
Rib in Bellies		"	122	2	120	38	45 60
Tenderloin Reg		"	144	2	142	42	58 22
" Sow		"	386	6	380	40	152 00
Spare Ribs		"	1,767	25	1,742	15	261 30
Kidneys		"	372	6	366	12	43 92
Sow Lacones		"	1,444	22	1,422	$7\frac{1}{2}$	1,002 51
Neck Ribs		"	72	1	71	5	3 55
Hocks		"	1,175	18	1,157	14	161 98
Fresh Damaged Hams		"	65	1	64	35	22 40
			28,685	430	28,255		9,532 06
Pickled Meats:			Fresh	Cured	Smoked		
Clear Fat, Dry Salt			228	228		$32\frac{1}{2}$	74 10
Short Cut Back	2·0		4,242	4,327		$30\frac{3}{4}$	1,330 56
Mess Pork	2·0		6,230	6,357		$25\frac{1}{2}$	1,621 03
Bean Pork	2·0		1,620	1,652		22	363 44
Ham Butt Pork	2·0		1,305	1,331		$26\frac{3}{4}$	356 05
Tails			120	120		10	12 00
Feet	·5		2,073	2,084		$2\frac{1}{2}$	52 10
			15,818	16,099			3,809 28
Smoked Meats:							
Hams, 8/12	2·0	8·0	1,790	1,826	1,680	$45\frac{1}{2}$	764 40
" 12/18	2·0	8·0	2,289	2,335	2,148	$45\frac{1}{4}$	977 34
" 18/25	2·0	8·0	2,768	2,823	2,597	41	1,064 77
" 25/up	2·0	8·0	8,776	8,952	8,236	37	3,047 32
" Cookers	2·0	8·0	6,632	6,765	6,224	$45\frac{1}{2}$	2,831 92
Bellies, H. A		11·0	361	361	321	54	173 34
" York		11·0	3,578	3,578	3,184	54	1,719 36
" Light Devon	2·0	12·0	3,706	3,780	3,326	$46\frac{1}{2}$	1,546 59
" Heavy "	2·0	12·0	259	264	232	46	106 72
" Sow "	2·0	12·0	4,950	5,049	4,443	43	1,910 49
Backs, Sow	2·0	12·0	2,004	2,044	1,799	54	971 46
" Boneless	2·0	12·0	1,421	1,449	1,275	58	739 50
Shoulders, Reg. Bon	2·0	8·0	564	575	529	38	201 02
" Sow "	2·0	8·0	5,595	5,707	5,250	32	1,680 00
" Butts "	2·0	12·0	571	582	512	39	199 68
" Picnics	2·0	8·0	298	304	280	33	92 40
			45,562	46,394	42,036		18,026 31

HOGS CUT FOR DOMESTIC TRADE—*Concluded.*

Product.	% Gain	% Shrink	Fresh	Cured	Smoked	Sell. Price	Value
Lard Tank:		Yield %	Raw Material		Rendered Lard		
Untrimmed Fat	....	65·0	14,256	....	9,266		
Bones	....	12·0	3,619	....	434		
Leaf	....	90·0	2,929	....	2,636		
			20,804	....	12,336	36	4,440 96
Heads	....	....	3,569				
			3,569	....	....	5	178 45
			114,438	....	....	....	35,987 06

Killing Offal Value 95c. cwt. on Dressed Weight (For detail see attached).	1,097 43
Gross Avails	37,084 49

Expenses:

Hog A/c Killing and Cutting	·56c	cwt. on	115,519 lb.	646 90
Fresh Pork A/c	1·21c	"	28,255	341 88
Curing Cost	1·65c	"	62,493	1,031 13
Smoked Meats	3·39c	"	42,036	1,425 02
Pure Lard	3,86c	"	12,336	476 16
Trimming Dep't. (Boning Heads)	50c	"	3,569	17 84

(For detail of expenses see attached)

Total Expenses	3,938 93
Net Avails	33,145 56
Net Cost	32,235 16
Net Result Cr	910 40

Net margin per cwt. on volume of 115,519 lb. plus 78 8/10c.

Weight of Dressed Hogs	115,519 lb.
" Product	114,438 lb.
Cutting Shrink	1,081 lb.

HANDLING EXPENSES.

June 26/19

—	Pure Lard	Smoked Meats	Hog A/c	Fresh Pork	Cured Meats	Trimming Dep't.
Labour	·19	·82	·24	....	·36	·42
Direct Ratio	·91	·39	·21	·23	·36	–
Overhead	·42	·78	·08	·44	·29	·10
Material	....	....	–	–	·18	–
Buying	....	....	·03	–	–	–
Total Operating	1·52	1·99	·56	·67	1·19	·52
Selling	·30	·53	....	·27	·22	
Shipping	·17	·14	....	·11	·19	
Packages	1·87	·73	....	·16	·05	
Total Marketing	2·34	1·40	–	·54	·46	–
Grand total	3·86	3·39	·56	1·21	1·65	·52

APPENDIX No. 7

HOG " KILLING OFFAL ".

June 26/19.

Test made on 3,864 Hogs................................Live Weight 785,300 lb.
Dressed Weight 573,270 lb.

—	Percentage on Live Wt.	Total Wt. of Offal	Price per Unit	
	%		$ cts.	$ cts.
Gut Fat	1·375	10,797 lbs.	23 45 cwt.	2,531 89
Bung Fat	·111	871 "	18 25 "	158 95
Gullet Fat	·029	228 "	13 00 "	29 64
Stomachs	·443	3,478 "	3 00 "	104 34
Black Guts	2·195	17,237 "	2 00 "	344 74
Gullets	·144	1,131 "	2 00 "	22 62
Pluck Trimmings	·133	1,202 "	5 00 "	60 10
Melts	·117	918 "	1 00 "	9 18
Casing Scrap	·300	2,356 "	1 00 "	23 56
Narrow Casings	....	57,690 yards	0 01 yard	579 60
Hog Bungs				
balance in Scraps	....	2,898 lbs.	7 00 cwt.	202 86
Livers	1·500	11,780 "	2 00 "	235 60
Hearts	·150	1,178 "	8 00 "	94 24
Tongues	·305	2,395 "	25 00 "	598 75
Tongue Trimmings	·186	1,461 "	8 00 "	116 88
Dried Blood	1·025	8,049 "	3 00 "	241 47
Dried Hair	·349	2,741 "	3 00 "	82 23
				5,436 65

Offal Value per cwt. of Dressed Hogs = 95c.

APPENDIX No. 6.

DIONNE & DIONNE,

WHOLESALE AND RETAIL GROCERS AND BUTCHERS,

4120 ST. CATHERINE STREET,

WESTMOUNT, July 17, 1919.

Special Committee,
High Cost of Living,
Ottawa, Ont.

GENTLEMEN,—In accordance with our Mr. T. C. Dionne's promise when testifying before your Committee last month, we beg to hand you herewith figures which we trust will be sufficienlty clear for your information. Should you, however, be in doubt upon any point, we will be pleased to assist you in any way, if we possibly can do so.

Hoping these figures will be satisfactory, we beg to remain,

Yours very truly,

DIONNE & DIONNE.

4120 ST. CATHERINE STREET (NEAR ARENA),

WESTMOUNT, March 1, 1919.

Summary of costs of doing business, 1918-19, Dionne & Dionne, Wholesale and Retail Grocers and Butchers:—

1918.		
March 1—Our capital	$143,335	09
1919.		
March 1—Sales, March 1/18 to Feb. 28/19	354,455	24
Gross profits	61,791	96
Total expenses	51,846	00
Net profits	9,945	96
Delivery expenses	15,936	06
Or 25¾ (near) per cent of total expenses.		
Gross rate of profit on capital	.43	11
Gross rate of expenses on capital	.36	17
Net rate of profit on capital	.06	94
Ratio of gross profits in relation to sales	.17	43

(Signed) THOS. C. DIONNE.

APPENDIX No. 7.

MATTHEWS-BLACKWELL, LIMITED.

Stock of Meats on Hand.

(Submitted by W. E. Matthews.)

—	Dec. 1, 1918.	Jan. 2, 1919.	Feb. 1, 1919.	Mar. 1, 1919.	April 1, 1919.	May 1, 1919.
PORK.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
Fresh—						
Frozen	54,548½	86,620	63,472	27,841	165,976	27,150
Not Frozen	1,756,267	470,837	531,571	1,157,264	455,320	495,248
Cured—			483	24,272		
Dry Salted	86,257½	221,071	209,818	212,202	217,014	45,584
Sweet Pickled	4,487,099	4,212,724	4,626,552	6,350,717	2,916,036	4,364,639
In process of Cure	1,895,668	1,539,146	1,148,766	1,296,480	702,917	1,113,790
BEEF.						
Fresh—						
Frozen	1,771,534	1,851,622	1,809,514	1,649,365	1,537,813	1,775,991
Not Frozen	347,335	185,371	220,559	245,488	171,095	104,363
Cured	3,000	....	37,600	40,200	40,100	31,300
In process Cure	....	....	....	....	....	....
MUTTON AND LAMB.						
Frozen	486,657	542,473	519,577	505,256	469,101½	255,835
Not Frozen	39,082	4,185	4,319	1,316	305	54

APPENDIX No. 7

APPENDIX No. 8.

REPORTS *re* Staple Foods held in Cold Storage from month to month, June, 1918-June, 1919.

(Submitted by R. H. Coats, Dominion Statistician.)

Commodities.	Units.	1918. June.	July.	August.	September.	October.	November.	December.	1919. January.	February.	March.	April.	May.
Butter—													
Creamery	Lbs.	....	....	19,161,095	24,389,912	25,009,812	18,575,697	16,240,695	11,521,679	8,516,567	5,790,870	1,826,197	812,834
Dairy	"	....	....	1,562,447	2,227,909	2,081,442	1,679,775	1,667,849	1,378,684	717,511	426,092	118,237	102,570
Total	Lbs.	2,257,983	9,477,990	20,723,542	26,617,821	27,091,254	20,255,472	17,908,544	12,900,363	9,234,078	6,216,962	1,944,434	915,404
Oleomargarine	Lbs.	....	....	489,788	411,005	495,427	649,850	817,623	774,355	618,918	532,370	339,347	340,604
Cheese	"	2,960,997	9,283,319	11,965,337	7,745,610	6,019,624	6,086,892	5,621,665	4,483,678	3,530,440	2,410,024	1,500,293	1,129,210
Eggs—													
In Cold Storage	Doz.	....	....	10,997,707	10,749,787	9,963,291	6,634,930	4,835,202	2,122,983	431,624	164,225	114,801	2,562,861
Other than Cold Storage	"	....	....	552,724	1,096,370	749,417	1,041,453	568,835	398,083	279,381	187,175	357,897	953,503
Frozen	Lbs.	....	....	1,292,483	1,419,875	850,452	2,086,576	2,654,154	1,963,647	1,363,211	575,975	341,174	272,952
Total	Doz.	8,422,588	10,410,407	....	....	....	....	....	....	....	....	....	....
Pork—													
Frozen	Lbs.	....	....	9,585,475	8,257,528	5,002,553	2,877,019	3,572,399	4,832,915	6,031,015	6,686,193	6,320,552	4,544,097
Not frozen	"	....	....	3,486,252	1,452,838	2,102,409	3,579,981	5,352,674	2,545,567	2,847,471	2,942,379	2,448,321	3,241,116
Dry Salted	"	....	....	3,576,719	3,857,311	4,810,396	4,396,736	4,435,766	3,355,982	7,945,460	4,351,083	4,394,146	3,730,299
Sweet Pickled	"	....	....	11,825,581	15,521,213	7,666,748	9,238,909	10,959,219	13,143,323	11,354,208	16,695,898	11,600,272	13,191,660
In process of cure	"	....	....	16,552,437	8,148,129	11,904,655	13,045,172	17,098,890	15,598,790	18,482,655	23,680,841	13,495,078	15,236,196
Total	"	48,421,419	42,844,479	45,026,464	37,237,019	31,486,761	33,137,817	41,418,945	39,476,577	46,660,809	54,356,394	38,258,369	39,943,368
Beef—													
Frozen	Lbs.	....	....	12,564,022	16,077,952	19,346,126	25,499,156	42,736,330	52,029,122	48,323,684	41,971,885	41,394,359	33,244,271
Not frozen	"	....	....	4,427,842	4,658,054	5,764,535	6,088,803	6,441,877	5,090,188	3,318,125	3,314,755	2,065,666	1,978,076
Cured	"	....	....	220,294	238,218	512,542	417,764	2,443,470	549,518	338,551	534,153	710,873	961,100
In process of cure	"	....	....	371,219	473,764	416,140	342,847	516,790	900,663	597,992	339,262	451,454	5,124,230
Total	"	19,333,470	10,877,736	17,583,377	21,447,988	26,039,343	32,348,570	52,138,467	58,569,491	52,578,352	46,160,055	44,622,352	41,307,677
Mutton and Lamb—													
Frozen	Lbs.	....	....	2,200,216	1,842,062	3,337,231	4,547,915	7,661,585	8,853,341	8,147,351	7,000,889	4,463,122	2,607,345
Not frozen	"	....	....	87,723	115,904	202,837	241,673	610,646	180,476	170,001	111,378	30,060	249,398
Total	"	1,507,824	826,461	2,287,939	1,957,966	3,540,068	4,789,588	8,272,231	9,033,817	8,317,352	7,112,267	4,493,182	2,856,743
Poultry—													
Broilers	Lbs.	....	....	....	....	....	....	....	....	....	....	141,645	200,613
Chickens	"	....	....	....	....	....	....	....	....	....	....	1,079,076	1,030,184
Fowl	"	....	....	....	....	....	....	....	....	....	....	1,086,662	1,109,599
Ducks	"	....	....	....	....	....	....	....	....	....	....	46,724	39,986
Geese	"	....	....	....	....	....	....	....	....	....	....	139,874	146,148
Turkeys	"	....	....	....	....	....	....	....	....	....	....	314,552	298,362
Unclassified	"	....	....	....	....	....	....	....	....	....	....	605,662	307,530
Total	"	904,075	417,082	216,893	328,149	595,655	1,368,033	4,064,767	6,384,626	5,628,940	4,834,110	3,414,195	3,132,42
Fish—													
In Cold Storage	Lbs.	....	....	....	....	....	....	....	....	....	....	18,953,912	16,289,336
Other than Cold Storage	"	....	....	....	....	....	....	....	....	....	....	3,681,106	2,962,287
Total	"	16,154,305	22,471,496	23,944,090	28,369,991	29,715,892	25,642,503	28,296,985	23,913,157	24,185,288	23,223,764	22,635,018	19,251,62

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