

field. Where samples cannot be obtained, this appraisal is based upon detailed descriptions or specifications. In some instances, notably certain imported goods, surveys have been made to estimate or appraise the extent of the price increase in the country of origin since the Canadian basic period, in order to arrive at prices which properly discount or eliminate such price increases. Thus, current laid-down costs of imports do not serve as a basis for determining maximum prices. Similarly, current costs of domestic goods are not the basis for determining ceilings for such goods. In some cases where direct appraisal by comparison with goods having an established ceiling price is difficult, reference may be made as a guide in appraisal to estimated production costs at basic-period rates. The initial appraisal may be made of the retail price, as in the case of toys or of the manufacturer's selling price. In the latter case, maximum prices at other levels of sale will be determined through the application of restricted markups over cost, with the final objective of providing an appropriate retail price.

The Board has also set price ceilings for surplus merchandise released to the civilian market by the War Assets Corporation. Where maximum prices have not previously been established, the usual principles of pricing 'dissimilar' goods are generally applied with the War Assets Corporation as applicant.

Import and Export Price Problems.—Problems resulting from the existence of higher price levels in foreign countries occupied the Board increasingly during 1944. For example, some imported consumer goods now available to Canada have increased in price to such an extent that importation at a profit is not feasible, either for the importers or for all but direct importing retailers. However, essential imported consumer items are generally eligible for import subsidy, which offsets price increases in the country of origin. Thus necessary supplies are not being excluded and accordingly no deviation from the basic-period principle has been made.

In the case of exports, higher prices make foreign markets in some instances more attractive than domestic markets. The resulting drain on merchandise could be serious for goods in short supply and the higher export price constitutes a threat to the domestic ceiling. Hence the export of a variety of goods has continued to be controlled by a permit system.

Quality Control.—Rising costs and the need to use substitute materials have resulted in a tendency towards a deterioration in the quality of some products. The Wartime Prices and Trade Board is concerned with the problem of quality degradation since the maintenance of quality and serviceability in relation to price is a necessary part of a fully effective system of price ceiling control. Some changes of quality have, of course, been unavoidable, owing to the shortage of certain materials—e.g., the substitution of reclaimed for natural rubber in the manufacture of children's play shoes. Moreover, the need to conserve materials and industrial facilities has led to the elimination of many "frills" in production and distribution. Apart from such necessary changes, however, manufacturers have been required to maintain the same relationships between quality and price as in the basic period. As indicated above, price-quality relationships are taken into account in setting maximum prices for new and modified goods. In addition a Standards Organization was set up early in 1943 to work specifically on the problem of quality control. This administration, with its staff of inspectors, has worked mainly in the apparel field and has conducted investigations at the factory level to see that manufacturers are maintaining the quality, with respect to materials and workman-