

*Combines Investigation Act*

**Mr. Coldwell:** This was to be regarded as confidential by both the administration and—

**Mr. Garson:** Well, perhaps I had better deal with it. My hon. friend questions it, so perhaps I had better. I hold in my hand that to which the hon. member for Rosetown-Biggarr has just referred in his interjection. This is a memorandum of a talk which took place with the Minister of Finance, with Mr. Gordon as chairman, and Mr. Short; and to avoid any possible misunderstanding perhaps I should put the whole thing on record.

**Mr. Coldwell:** Yes.

**Mr. Garson:** This is the memorandum dated June 21, 1943:

Mr. Short, president of the flour millers association for many years, has been talking to the Minister of Finance and the chairman on the subject of flour millers' profits and stabilization of prices, et cetera:

The chairman—

That is, Mr. Gordon—

—agreed:

(1) that the industry is not being subsidized—

That is, at that time; and—

(2) that it is not his desire to ask the industry to reduce prices or to reduce the amount of drawback which it is presently receiving from the treasury.

As a result of the wheat board's action in stabilizing the cost of wheat for flour millers at 77½ cents per bushel, basis No. 1 Northern, Fort William, it appears that the flour millers are obtaining cheap wheat at the expense of the treasury.

It is the chairman's desire—

And in this he was stating the government's desire—

—that the millers should consider seriously refunding to the treasury profits in excess of say 116½ per cent of standard profits. By so doing the industry if and when criticized could then say that it was not making excess profits at the expense of the government.

As the present arrangement does not include the W.P.T.B. or the C.P.S.C. it is preferable that any revision should be made through the presently established channels.

Mr. Short is to present the case unofficially to the large millers for their consideration.

I ask you, sir, and through you the hon. members of the house to pay special attention to the next paragraph:

If it is agreed to refund all or a portion of the drawback dependent upon earnings, it is considered that it may be desirable or necessary to place a minimum price on sales of flour in order to prevent any miller from taking undue advantage of the arrangement to reduce domestic flour prices at the expense of the government.

If I may interject for a moment I would say that with a government's ceiling price on flour and with the milling companies' profits under the rigid control that was visualized in this proposed arrangement the

[Mr. Garson.]

milling industry's profits were fixed, and it could not make or lose money no matter at what level its prices were fixed. But what the milling companies could do was to drop their prices lower and lower either to make good fellows of themselves with the consumers or to build up their markets at the expense of the other fellow's market; and the whole of this process could be carried out at the cost of the federal treasury. In peace time if a miller wanted to drop the price of his product in order to get some business away from his competitor he had to pay the shot out of his own pocket. Under a profit control arrangement he could engage in a price war, and finance it at the expense of the federal treasury. Therefore it was to the interest of the treasury that prices should not be cut. One suggestion that was made was that the cutting would be stopped by putting a floor under prices below which they could not go. I refer to that because I intend to come back to it in just a moment. Meanwhile I shall go on with the rest of this statement which reads:

Mr. Sharp of the minister's office is thoroughly conversant with the problem and the chairman has requested Mr. Hart to get in touch with Mr. Sharp to ascertain the background and to develop a suitable formula for application of profit control.

The foregoing is to be treated very confidentially and not made known to either the administration or to the industry at this time.

I asked about that last statement and was told that its significance lay entirely in the circumstances prevailing at that time, that it was desirable at that stage of the conception of a new policy, shall we say, to avoid any misunderstandings through premature disclosures until both sides were able to deal with their own principals.

**Mr. Coldwell:** But the floor was never established.

**Mr. Garson:** No, and I am coming to that very point. As the hon. member for Rosetown-Biggarr says, the floor was not established, and a great deal has been made out of that fact by my hon. friend, by his colleagues, by the flour report and by other critics of the government. It has been argued that if the government had desired to really impose a limitation in this matter they could have done it quite simply by putting in a floor.

But it was not quite as simple as that. There is a tendency for the layman when dealing with technical matters to look at the outside and assume that, after all, the problem is quite easy and that some apparently simple device like a floor price could cure it without much trouble. I am sure that those who were beset by a number of worries and problems in their duties as