

Combines Investigation Act

desire to have to pay out tens of millions of dollars in additional subsidies which the federal treasury would have to pay if the milling companies sold their flour at well below that ceiling price.

Mr. Coldwell: Would the minister permit a question? Why is it that there is no memorandum or document supporting that statement to be found in the return—and no minute?

Mr. Garson: I would prefer if my hon. friend would permit me to deal with that as I go along. However I might make casual reference to it at the present time: for the simple reason that it was inherent in this arrangement, and was well known to everyone who participated in it that it was inherent, that if the milling industry provided with this subsidy did not sell their products at very near the ceiling price the government would be involved in very large amounts of money, on top of the subsidy which it was already decided they were going to pay.

I go on with the quotation from Mr. Donald Gordon's statement:

As I have already stated there were a great many discussions not only with the flour administrator and other board officials, the industry and myself, but as well, there were many meetings with the appropriate ministers, other departmental officials and myself on the whole controversial subject of wheat and related prices. In the rush of events, few of these discussions were committed to writing, or if they were I cannot now trace them in the files of the board.

As soon as it became apparent that a drawback or subsidy was essential to maintain the price ceiling on flour and other subsidiary wheat products, it was obvious that millers should not be free to cut prices but should rather maintain existing ceilings in as practicable a manner as market conditions permitted. In due course this understanding was formalized when the "profit control" feature of the subsidy plan was adopted since it then became self-evident that habitual sales below the ceiling could only increase the subsidy. Moreover, by the imposition of this "profit control" clause, all milling profits (i.e. including profits on export business)—

Upon which, I may interject, there was no ceiling. That was the most profitable end of the business, but the government compelled them to pool the profitable export business into its profit-controlled pool in connection with the subsidy to provide wheat at low prices for domestic consumption. Then, to continue with the report it states that all milling profits, including those on export business—

—were brought into the calculation with the result that no agreement in regard to price could have yielded the millers additional profits.

And that is taking into consideration export as well as domestic profits.

In a file of one of the senior officials of the prices division, I find a note dated June 21, 1943 (copy attached hereto)—

And this is the one about which the hon. member for Rosetown-Biggart (Mr. Coldwell) asked his question a few moments ago—

—and recording a discussion I had with him dealing with an interview between the Minister of Finance, Mr. C. H. G. Short, then honorary chairman of the Canadian National Millers Association and later flour administrator of the wartime prices and trade board, in which the obvious need for an understanding on minimum prices was discussed and Mr. Short was requested to present such an understanding to the millers for their consideration. At that time I assured Mr. Short that an agreement of this kind was not in contravention of the Combines Investigation Act.

And, if I may interject: How does one suppose it would be possible to secure the co-operation of an industry in regard to a wartime prices and trade board arrangement if you were telling them that at the same time they would be contravening the Combines Investigation Act? Mr. Gordon's report continues:

(In parenthesis I should perhaps also explain that the structure of ceiling prices in this industry did not lend itself to the mechanics of formal orders for the reason that different ceilings were applicable to different companies in different districts and to different classes of buyers. The "ceiling" principle froze all prices as they existed on the date specified in the wartime prices and trade board regulations. Therefore, the supervision of the actual ceiling prices in the different districts and to different classes of buyers for each district was left to the flour administrator with the general understanding that formulas for agreements were permissible.)

He goes on now to deal with this immensely complicated matter. I go on with the report:

It should be understood that the flour milling industry was always hostile to the administrative procedure whereby the subsidy was paid through them, claiming, quite properly, that the payment was for the benefit of the wheat farmer and domestic consumer and not for the millers. They accepted the procedure which was worked out at the special request of the Minister of Finance. If they had not co-operated, any other procedure would have been so clumsy that I was afraid it could not have been made to work and a damaging breach of the price ceiling on essential supplies would have resulted. It is necessary to re-emphasize, however, that the subsidy or drawback procedure accepted by the millers meant that they were expected by the board to sell at or reasonably close to ceiling prices at all times, since any price cutting would have been at the expense of the public treasury.

The calculations involved in this particular subsidy were of a most complicated nature and frequent revisions of the arrangement were required. The particulars are fully set forth in the following orders in council:

And then he sets out in the report a list of the various orders in council, which hon. members may see.

Mr. Coldwell: Will the minister put on record the other document, because it is a material part of this matter?

Mr. Garson: No, I do not think so, because I have covered—