

*Combines Investigation Act*

step right up to the final delivery of his report to the minister without any approval whatever from the minister of the department.

**Mr. Diefenbaker:** He says that Mr. Ilsley knew.

**Mr. Garson:** Therefore, it was not necessary for Mr. McGregor to consult the minister. In the strict interpretation of the act it was certainly not the responsibility, and in the strictest sense it might not have been proper for the minister to interfere with the preparation of that report or with the steps which the combines commissioner thought were proper for him to take in connection with the preparation of it.

We are inclined to think that as a consequence of the fact that Mr. McGregor never went near Mr. Gordon in connection with the preparation of the report there are certain references in the report to wartime prices and trade board policy, which it is not the particular function of the commissioner under the Combines Investigation Act to state, and to which Mr. Gordon takes very strong exception. Of course Mr. Gordon also completely dissents from most of the conclusions of the report.

What does Mr. Gordon himself say with regard to the subsidy and proper control arrangements which prevailed in the milling industry that we are discussing? Before I quote Mr. Gordon perhaps I should say a word or two in introduction. The necessity for the subsidy arose because during the time when there was a price ceiling upon most products in Canada the government, for reasons which it thought proper, and which any wheat farmer can readily explain to the curious, thought it was proper to refrain from putting a ceiling on the price of wheat. Therefore the price of wheat was permitted to rise at that time while the price of flour was still under a ceiling. Of course, if the cost of the millers' raw materials rises and the price of their finished product, flour or millfeed, still remains under a ceiling, the millers are bound to be squeezed against that ceiling. I am informed that the milling companies had no objection to the price of wheat being permitted to rise. Their solution for the problem which that rise created was to let the price of flour rise as well. They said they thought that in the circumstances it was only fair to the farmers that there should be a rise in the price of wheat. I think most hon. members would agree with that view. They said that if there could only be a corresponding rise in the price of the products like flour manufactured from wheat, why, it would be fair all round. But the difficulty, sir, was this. I was going to say it is extremely difficult but it is more accurate

[Mr. Garson.]

to say that it is impossible to maintain a general price ceiling without maintaining a ceiling upon the flour which goes into the staff of life. Therefore the government had to find some way of permitting the price of wheat to rise while at the same time seeing to it that the ceiling was maintained on the price of flour.

At this stage I cannot do better than to quote from the statement of Mr. Donald Gordon which is included in the return that I tabled this morning. He says:

One of the first major difficulties in the maintenance of a fixed price ceiling—

That is, on flour.

—was the fact that the price of wheat was not held under a ceiling. A great many discussions took place about the effect of this on the prices of other commodities such as flour, mill-feeds and the products of wheat generally. In the first instance, efforts were made to have the millers "absorb the squeeze" in accordance with the administrative practice which the wartime prices and trade board endeavoured to force as a preliminary step in all such discussions. It was soon apparent, however, that the magnitude of the price rise in wheat made such a course impossible, and as a tentative and temporary arrangement, the "appropriate" price of wheat for all domestic use was fixed by the wartime prices and trade board on the basis of 77½ cents on No. 1 Northern wheat, and the treasury undertook to pay the difference through the wheat board in the form of a drawback or subsidy.

Under date of October 9, 1942, Messrs. McDonald, Currie and Company, a firm of chartered accountants, were at the direction of the government, employed by the wartime prices and trade board to undertake an immediate examination of the financial and operating conditions of the flour milling industry to determine *inter alia* an appropriate price of wheat in relation to prevailing ceiling prices of flour. In due course their report stated that, "the profit realized on domestic flour under prevailing prices is not sufficient to absorb an increase in the price of wheat over the 'tentative appropriate price' of 77½ cents per bushel for No. 1 Northern wheat in store at Fort William or Port Arthur."

The wartime prices and trade board then formalized the appropriate price at 77½ cents.

I ask hon. gentlemen to listen to this:

In the meantime the milling companies were instructed orally by myself and Mr. K. W. Taylor and by other officials not once but several times that they were expected to sell at or close to ceiling prices so as to insure that the drawback or subsidy payments out of the public treasury be kept at a minimum.

May I interject a few remarks in the course of reading this report? The government had carried on long negotiations. They had hired a firm of chartered accountants to determine that amount which it was thought to be advisable to be appropriated from the public treasury to hold the price of wheat for domestic consumption at 77½ cents a bushel. Having gone to all that trouble to determine the cost of the subsidies necessary to maintain a named ceiling price for flour they did not