

but insisted upon debiting all those payments to that account because it was necessary to do so in order to maintain the Government's stabilization policy. The suggestion was that the Government in the present case is taking a diametrically opposite course in that it claims as of right under the agreement to debit the costs allowance to the Dairy Industry Stabilization Account. There is no analogy between the two cases, but if any inference is to be drawn at all it is the direct opposite of the inference that counsel for the dairy industry suggests. The difference between this case and the case relating to meat is that the payments made to the butchers could not from any point of view, so it seems to us, be regarded as payments to keep down the cost of production. It would have been different if the payments had been made, as in the case of producers of dairy products, to the producers themselves. In the case of meat, any payments made to the butchers did not keep down the cost of production of the meat, but they did enable the butcher to sell at a lower price to the actual consumer. The payments to the butchers were subsidies, of course, but subsidies for a purpose different from that of keeping down the cost of production of the meat. As it seems to us, the Government would not have been entitled to debit those payments to the Meat Stabilization Account except by special arrangement with the meat industry, and such a special arrangement was apparently made.

Incidentally during the proceedings it was contended by counsel for the industry that, if the costs allowances are to be debited to the Dairy Industry Stabilization Account, a credit equivalent to the amount so debited should be made to the Stabilization Account by reason of clause 5 of the Agreement—

if any increase paid from overseas on any product is paid for any general national purpose such as to maintain sterling balances, to offset general import price increases or Government expenditure in holding costs.

It was suggested that the annual lump-sum payments made by the Government of the United Kingdom were payments within clause 5. It does not appear to us that these lump-sum payments are attributable to any increase in price of products, and we find ourselves unable to say that they come within the ambit of clause 5. In any event, the point does not seem ever to have been previously raised or to be within the terms of our Commission.

Counsel for the industry contend that, even if the Government is entitled to debit the costs allowances to the Stabilization Account, the actual debit made is in excess of the terms of the agreement in that the datum point was to be the 15th December, 1942, and that the costs allowances should have been based upon the increase of cost as from that date, but that the allowances had been taken back to the 1938-39 level. That, again, is a new point which seems to have been raised for the first time during the proceedings before the Commission. It is to be pointed out that by clause 11 of the agreement, the "determined date" will be the 15th December, 1942, "unless by agreement between the producers' organizations and the Government a different date is fixed to meet particular circumstances." If there had been no agreement as to the taking back of the allowances to the 1938-39 level, and if there had been any suggestion that the difference between the costs allowances actually made and the amount that would have been paid on the basis of the 15th December, 1942, being the datum point could not be debited to the Stabilization Account, it is highly improbable that the costs allowances actually made would have been as large as they were. But the material before the Commission shows that the going back to the 1938-39 level was in fact agreed to by the producers' organizations or their representatives.

Our answer to the question put by the Commission may be summed up by saying that the Government is entitled under the agreement to debit to the Dairy Industry Stabilization Account the amount represented by both the subsidies and the cost allowances.

(Sgd.) MICHAEL MYERS.

(Sgd.) ROBERT KENNEDY.

29th July, 1946.