

Disposing of Canada's Surplus War Material

By J. B. CARSWELL

WHEN World War I ended most of the surplus materials in Canada were the property of the Imperial Munitions Board. In order to liquidate its position and to get its people home, the British Government ordered the Board to get rid of these surpluses without delay and to close up shop. The Board did just that. They sold the surplus materials on the basis of first come first served and at negotiated prices.

As a result, numbers of shrewd opportunists made a lot of easy money while others, less astute, got a trimming. Although the disorderly dumping of these war surpluses on to the market had no important impact on the national economy because the quantities were not large enough, it aroused public virtue and provided Canada with a valuable lesson of which it is now taking advantage.

If, at the end of World War II, uncontrolled dumping of surplus materials upon the market is permitted to occur, the effect upon the national economy will be disastrous, particularly if one measures the national economy in terms of employment. Nobody knows what the investment value of these surpluses is likely to be but the guess of the Honourable C. D. Howe, of between three and four billion dollars, will probably prove to be not far off the mark.

Anyway there is not going to be any uncontrolled dumping of these surpluses on to the Canadian market. There is not going to be any dumping of any kind, controlled or uncontrolled, even though because most of us are rummage salers at heart and are secretly hoping to be able to buy a \$25.00 pair of binoculars for \$1.32, we are doomed to disappointment. Secure in its belief that bargain lines too often beget bread lines, the

government, by Act of Parliament, designated War Assets Corporation as the agency for the disposal of Crown-owned war surplus materials and instructed it so to manage its affairs that these surpluses will reach the market in a manner calculated to impinge as little as possible upon the going economy of the nation.

Organization

The measure creating this authority is the Surplus Crown Assets Act and it was given royal assent in July 1944. Actually it establishes two authorities. The first of these is the Crown Assets Allocation Committee. It advises the government, through the Minister of Reconstruction, on the broad international and intergovernmental aspects of the war surplus disposal problem, and, as well, receives and records all Crown property declared surplus by every department of government. It either transfers these surpluses to other government departments, when a specific need exists, or turns the surpluses over to the corporation for disposal. The second authority is the corporation itself and it sells or otherwise disposes of surpluses once they are officially declared.

The Crown Assets Allocation Committee has its headquarters in Ottawa. Its membership includes representatives of the principal industrial, trading and commercial groups, agriculture, labour and the householder. Committee and corporation are also comprehensive in that their direction is in the hands of individuals who represent the chief geographical divisions of the Dominion.

The corporation, although wholly Crown-owned, operates as a commercial undertaking, except that its books are examined by the Auditor General of Canada and it reports to a Minister of the Crown, the Honourable C. D. Howe, Minister of Reconstruction.

EDITOR'S NOTE: John Ballantyne Carswell, O.B.E. B.Sc., M.Inst.CE., M.E.I.C., President of War Assets Corporation, is a well known Canadian engineer and industrialist.

For convenience and effectiveness in operation the corporation has been organized in divisions under a General Manager, Hew M. Scott. The divisions are: Aircraft and Radio, Steel, Durable Goods, Real Estate, Construction and Engineering, Consumers' Goods, Mechanical, Traffic.

Each division is in charge of a chief and they are under the immediate authority of a Co-ordinator of Sales, Vernon H. Hopper, who has comprehensive experience in business management and sales organization in Canada and the United States.

As a further step towards decentralization, branch offices are being opened. Some are already in business and others will be added as occasion requires. When complete, each branch will be a replica, in miniature, of the head office.

Problem of Rates

While under these arrangements, the sales structure of the corporation conforms to the pattern of normal large merchandising organizations, the merchandising problems that confront the corporation are not normal and special means have had to be devised for their solution.

To begin with the corporation is merely the custodian, not the owner, of certain large Crown Assets. Owning nothing it can give nothing away. It is not the agency of government that measures the efficacy of the good works of institutions, public bodies, charitable organizations and the like and expresses it in dollars and discounts.

Also because ownership of these disposable assets is vested in the Crown, certain priorities have to be observed. These are priorities of service and selection, not of price. They are as follows:—

1. Federal Government.
2. Provincial Governments.
3. Municipal Governments.

Because of the nature of the surpluses and the irregularity of their flow to the corporation, publication of lists is not possible, except in very special cases.

Those who are entitled to priorities exercise their right by filing with the corporation lists of their potential requirements. These lists are broken down and distributed to the various divisions who undertake to notify the government concerned when the surplus materials become available.

Institutions of public or semi-public character such as hospitals, universities, scientific institutions, etcetera, have been included within the third priority category.

In its dealings with the public, the corporation is following, strictly, the long-established methods of trade procedure, and the policies covering this procedure may be reduced to nine cardinal points, as follows:—

First: today when goods are scarce, to sell all saleable surpluses at existing market prices but within ceilings set by the Wartime Prices and Trade Board.

Second: later, when the war ends and surpluses become so great that they might constitute a danger to the transfer of industry from war to peacetime production and rapid employment of labour, to control the flow of such surpluses so they will create the least possible disturbance to the normal economy of the nation.

Third: at all times to make every effort to control the price to the public and to reach the public by the shortest feasible route.

Fourth: to keep out of unfair competition with established business.

Fifth: to seek expert advice from industry on price levels and marketing methods but not to act on such advice to the expense of public interest.

Sixth: to distribute sales uniformly across Canada.

Seventh: to sell abroad in harmony with other governments that are facing the same problem, everything that becomes available abroad and that can be sold there.

Eighth: to keep out the speculator.

Ninth: to recover for the taxpayers of the nation and the original investors in these goods, the largest possible cash

return upon their investment without interfering with the eight cardinal points mentioned.

Some Illustrations

To illustrate what is meant by following the normal channels of trade, two examples of corporation merchandizing methods may be cited.

Recently a number of civilian-type motor trucks were declared surplus. They became available in varying quantities in various parts of the country. From Wartime Prices and Trade Board the corporation learned the ceiling price covering the sale of trucks of this type and age to the public. By examination the corporation determined the average cost of

- (a) repainting these trucks
- (b) of transporting them from where the corporation would sell them to where they would be sold to the public.
- (c) the cost of overhauling them and putting them into condition to be sold to the public on a 30-day guarantee.

These sums together with modest allowances for overhead and profit were deducted from the ceiling price to the public and the resultant figure was the sum at which the trucks were sold to the dealers. Under this arrangement, which was effected through the co-operation of the manufacturers, serving without charge, and the association of recognized dealers, the corporation kept out of the automobile repair and dealer business but saw to it that the trucks reached the public under a normal 30-day guarantee of operating performance, at prices established by law, and under the priority rulings of the Motor Vehicles Controller. The speculator was kept out of the picture and no excessive profits were enjoyed by anyone. At the same time the government received the maximum sum which it could reasonably expect to recover from the sale of these vehicles.

The second example concerns new sweaters which were declared surplus by

the air force because of the closing down of many branches of its activities. In this case the Wartime Prices and Trade Board set the ceiling prices to the wholesaler; to the chain store; to the retailer and over the counter to the public. The Corporation, utilizing the normal channels of trade sold to the wholesaler and the chain store at ceiling prices and the public eventually got these sweaters at prices which the proper authority of government said were fair. As these sweaters became available in sufficient quantities to permit of national distribution, they were given national distribution. The trucks which became surplus in relatively small quantities in various parts of the country were sold in the areas where they were declared surplus. These are typical examples of practices that the corporation intends to employ in its marketing operations.

Not all disposal problems are so quickly susceptible of solution. Nor are sales always so remunerative to the public purse. There have been instances where it has cost more to render obsolete planes into scrap than the value of the scrap itself. Two destroyers, whose original investment value must have been considerable, were sold for \$15,000 because that was their value as scrap. These things are cited because they provide eloquent testimony of the fact that there seems to be no way in which the corporation can accurately report the income from its operations in terms of percentages of original investment values of the surpluses which come to it for disposal.

Post-War Problems

As long as the corporation remains in the first stage of its operations, namely selling in a market of scarcity, it will encounter little difficulty in getting rid of surplus materials generally. The difficulties and the greatest dangers will arise in the second phase which will not begin until the war ends and vast quantities of surpluses come to the corporation for disposal. The job then, will be one of compromise, and to under-

stand what is meant by that phrase it is only necessary to think in terms of metals. When the war ends, huge quantities of metals in the form of manufactured, semi-manufactured and raw materials will have accumulated. If the corporation should allow these to reach the market uncontrolled, metal prices would drop out of sight, mines would be closed down and the impact would shake our whole economic structure. Inevitably, the course that the corporation will have to pursue will be to stock-pile these surpluses of metal, to consult frequently with the primary producers with respect to their potential output, in terms of employment of labour, and then to feed the surplus metals on to the market under the most careful control so as to cause the least possible disturbance of the stability of labour in the mining and allied industries.

Where materials are of a nature which makes their distribution through normal channels of trade difficult, particularly in the category of consumers goods, the corporation will use the avenue of the public auction sale. However, these will not be mass auctions. The goods will be offered in quantities large enough to attract the average householder but small enough to discourage the speculator. Auctions, as far as possible, will be held in small towns and rural districts where opportunities to purchase surpluses are not so great as in urban centres.

Not all the surpluses will become available in Canada. Huge quantities of them will be declared abroad. The corporation will endeavour to dispose of them abroad when the economics involved do not justify their return to Canada. However, too much hope should not be placed in the ability of the corporation to sell abroad all surpluses that become available there. Other members of the United Nations will have surpluses abroad too and they have the same idea in mind. The result may be that the supply of surpluses abroad will be far greater than the demand for them. Sales of Canadian surpluses of some magnitude are already being made through the agency of U.N.R.R.A. but

it is possible that such sales will be limited by the extent of Canada's pro-rata contribution to the coffers of that organization.

The Task Before Us

The job that War Assets Corporation has been called upon to perform is a hard one and full of perplexities. It was never better stated than by the Honourable C. D. Howe, Minister of Reconstruction, who, in a radio talk he made in October, on the object of war surplus disposal, said:

"Upon War Assets Corporation falls the difficult and intricate task of deciding how disposal of physical surpluses will be undertaken, of establishing the price structure of sales and the channels through which sales will be made within the broad policies prescribed from time to time. Because many war materials will have no peace-time value, the corporation must also decide what surplus will have to be destroyed. Its job will be neither easy nor enviable . . ."

". . . it will need the co-operation of all thinking business men in the country to assist it in maintaining its resolve to salvage our war assets without undue interference with the national economy or the imposition of hardships upon labor. If such co-operation is refused or is apathetically offered or if, still worse, selfish advice is proffered, business will have no one but itself to blame if the corporation proceeds, as proceed it must, to liquidate its assets without help and according to its best judgment. For the first duty of the corporation is to the people of Canada. That duty it intends to perform without fear or favor.

"Thus, you see, War Assets Corporation, with the consent and unqualified support of the government, will endeavour through constant vigilance to protect Canadian industry, Canadian labor, Canadian agriculture, Canadian merchants and the Canadian public from the greed of the speculator, the cupidity of the profiteer and to insure that all our war surpluses shall be liquidated to the greatest benefit of the greatest number of the citizens of Canada."