

largest item concerned. To obviate any injustice it is proposed that orders for fertilizer on account of last year's ration which are still undelivered at the time the change is made, because of transport difficulties, will be supplied at the old subsidized price. The whole procedure has been agreed in principle with representatives of the major export industries.

It should be clearly understood that making these adjustments does not in any way mean that the Government is abandoning its stabilization policy, which has served this country well since it was first introduced in the emergency conditions of 1942. A special wartime prices index was established covering a wide range of essential cost of living goods and services, the prices of which, as a group, were to be kept stabilized. This has been accomplished, but, because of rising overseas prices and upward movements in wages and other internal factors, the cost in subsidies has been heavy. For last financial year the expenditure on subsidies, including both consumer and farm cost subsidies, amounted to £14,500,000. But for the adjustments now being made it is estimated that the figure for this year would have risen to £19,600,000. Subsidies of this magnitude are a severe strain on the public finances.

Owing to the shortage of goods, stabilization is still very necessary, but it is now two years since the war finished and conditions have changed greatly since 1942. It is now clear that a great deal of the costs met by subsidy is not a passing phase, and it is considered that, as part of the post-war readjustment, the time has come to make a move towards normal peacetime procedures by withdrawing or reducing some of the subsidies. Furthermore, with heavy subsidies, prices are so far separated from real values based on cost that many, and often absurd, anomalies exist in the price structure.

Even though prices are altered as a result of reducing or cancelling subsidies they will still be subject to review and control by the Price Tribunal and Stabilization Commission. Table No. 12 attached to this statement shows the annual value of the subsidies to be cancelled or reduced. All must be provided for in this year's Estimates up to the time of cancellation. Reference to the Estimates will show that for these and other subsidies a total vote of £13,459,000 is required for this financial year.