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9/101 37.2 - Price Establishment
Dec. 1943 - Jan. 1944

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ALLIED FORCE HEADQUARTERS

MILITARY GOVERNMENT SECTION

AGENDA

AND

PAPERS

FOR

CONFERENCE ON PRICE POLICY - ITALY

5TH & 6TH JANUARY 1944

PAPERS

FOR

CONFERENCE ON PRICE POLICY - ITALY

5TH & 6TH JANUARY 1944

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ALLIED FORCE HEADQUARTERS

Military Government Section

AGENDA

Conference on Price Policy to be followed in Italy.
5-6 January 1944

5 January

[redacted]1000 - Preliminary remarks by the Chairman.

1000-1230 - Review of domestic price situation in Italy; evaluation of price policy currently being followed, with particular reference to:
a) Effectiveness of current enforcement of general price ceilings.
b) Consideration of current control of prices of important ~~foods~~ Commodities -- especially wheat, flour, bread, and pasta.
c) Critical consideration of proposals for modification of current price-control policy and mechanism.

1430-1630 - Import price policy, with particular reference to:
a) Desirability of charging all imports to the ~~Italians~~ authorities at landed cost.
b) In general, the attitude to be taken by AMG-ACC toward sales of imports at a loss, as an element in price control.
c) Payment procedure

1630-1830 - Price and marketing problems of Sardinian coal industry:
a) Evaluation of current practice of selling at very low subsidized price for local Sardinian consumption.
b) Policy to be followed in exporting to other parts of Italy.
c) Policy to be followed in pricing and handling imported coal.
d) Export to foreign markets will be considered at a subsequent session of the Conference.

pasta.

c) Critical consideration of proposals for modification of current price-control policy and mechanism.

1430-1630 - Import price policy, with particular reference to:

a) Desirability of charging all imports to the Italians at landed cost.

b) In general, the attitude to be taken by AMG-ACC toward sales of imports at a loss, as an element in price control.

authorities

c) Payment procedure

1630-1830 - Price and marketing problems of Sardinian coal industry:

a) Evaluation of current practice of selling at very low subsidized price for local Sardinian consumption.

b) Policy to be followed in exporting to other parts of Italy.

c) Policy to be followed in pricing and handling imported coal.

d) Export to foreign markets will be considered at a subsequent session of the Conference.

6 January

0930-1100 - Export price policy, with particular reference to:

a) Problems involved in determining an FOB price to be paid to producers.

b) Consideration of price to be charged in foreign markets.

c) Payment procedure to be followed in foreign markets.

1100-1230 - Application of export price policy to:

a) Sardinian coal) in North African
b) Sicilian sulphur) market.

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1430- adjournment - Various matters, including:

a) Consideration of setting up an Allied Export-Import Agency to handle all export and import accounts.

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ALLIED FORCE HEADQUARTERS

Military Government Section

2 January 1944.

CONFERENCE ON PRICE POLICY - ITALY.

1. A two-day conference on the Price Policy to be followed in Italy will be held 5th and 6th January 1944 in the Conference Room at St. Genevieve AFHQ commencing at 1000 hrs 5th January. Folder containing Agenda is attached. The following papers (copies of which appear in the folder for those representatives who have not already received them) will be referred to:-

A. Price Policy to be followed by AMG/ACC in Italy - Recommendations as to - dated 7 December.

B. Italy - Price of Coal and Handling of Coal, paper prepared by Brigadier Norman Smith dated 5 December.

2. It is requested that you will attend or be represented at the conference. Representatives of HQ AMG/ACC and of HQ AMG 15 Army Group will also attend.

A. T. MAXWELL
Colonel
Deputy Chief

DISTRIBUTION:

QM(Coal Section)
Brigadier Norman Smith

Pet Sec AFHQ
Lt. Col. Morgan

AFLRB
Col. Brian Clarke
Col. J. Morrow

NAEB
Joint Chairmen

Copies to:
Brig. Gen. J. C. Holmes
Col. Butterworth
Lt. Comd. Southard
Major Rulf
Major Jackman

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ALLIED FORCE HEADQUARTERS

Military Government Section

JCH/TBJ/dlc
7 January 1944

SUBJECT: Price Policy Conference

1. Sets of the Minutes of the Italian Price Policy Conference held at AFHQ 5-6 January are forwarded herewith in accordance with the distribution set out below.

2. The recommendations contained in the minutes will be submitted to the Combined Chiefs of Staff for approval. The Central Economic Board will until such time as its powers are surrendered to ACC/AMG, be the body responsible for carrying out the policies in question.

J. C. Holmes
J. C. HOLMES
Brigadier General, G.S.C.
Chief, Military Government Section

Distribution:

Central Economic Committee	3 sets
HQ ACC/AMG	6 sets
ACC (Region 6)	2 sets
HQ AMG, 15th Army Group	3 sets
CAO	1 set
G-4	2 sets
QM (Coal Section)	2 sets
Pet. Sec. AFHQ	2 sets
AFLRB	2 sets
NAEB	4 sets
MGS	12 sets

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ALLIED FORCE HEADQUARTERS

COPY NO. 1

Military Government Section

6 January 1944.

Conference on Price Policy - Italy

held 5 and 6 January at A.F.H.Q.

General

1. For list of those present see Appendix A.

2. In opening Colonel Maxwell pointed out that it was the purpose of the conference, on the matters under discussion, to arrive at a medium term as distinct from a long term policy, and that there was no suggestion of a change of charter on which ACC was to act. It was stated that so far as the import side was concerned, shipments now appeared to be coming in steadily and would continue to do so, and that schemes were being worked out to deal with transport organization for distribution in Italy.

Colonel Maxwell then referred in general terms to the suggestionsfor price policy which had been circulated by M.G.S. prior to the conference and to the written views of ACC/AMG (copies of which had also been circulated) and in which CEC generally concurred from which it appeared that there was already a very large measure of agreement both as to general policy and as to the way in which the policy involved should be applied. Copies of the M.G.S. policy suggestions and the views of ACC/AMG as shown in the revised form in which copies were distributed at the meeting will be attached to and form part of the master copy of these minutes.

3. Review of domestic price situation in Italy.

(1) On behalf of HQ ACC/AMG, Colonel Bernstein gave a general review of the rise in prices which had been going on and is tending to go on in all regions of Italy and dealt with the price control system adopted to arrest such upward movements, namely the fixing of legal prices for basic goods and the issuance of a general list of price maxima as a guide to local enforcement. The view was expressed that rise in prices was inevitable, but that it should be slowed down, particularly during the next 3 to 6 months. In his view it would continue to be necessary to subsidise CERTAIN basic commodities and to control prices for them, as letting all prices move up to the level of landed cost would only upset the present structure and would lead to further increases in wages.

(II) Representatives of CEC 15 Army Group and of Region 6 generally agreed with the views put forward by ACC/AMG, but it became clear in the course of the discussion that a sharp difference of opinion existed with reference to the application of the policy for petrol oil and lubricants and it was decided:-

views of ACC/AMG (copies of which had also been circulated) and in which CEC generally concurred from which it appeared that there was already a very large measure of agreement both as to general policy and as to the way in which the policy involved should be applied. Copies of the M.G.S. policy suggestions and the views of ACC/AMG as shown in the revised form in which copies were distributed at the meeting will be attached to and form part of the master copy of these minutes.

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(II) Representatives of CEC 15 Army Group and of Region 6 generally agreed with the views put forward by ACC/AMG, but it became clear in the course of the discussion that a sharp difference of opinion existed with reference to the application of the policy for petrol oil and lubricants and it was decided:-

Decision 1: That a special subcommittee composed of Lt. Colonel Henderson, Lt. Colonel Bernstein, Lt. Colonel Morgan and Colonel Butterworth be constituted to examine the question of price control of petrol oil and lubricants, and that the subcommittee be prepared to place their recommendations before the full conference on 6 January.

4773

(NOTE: Recommendation adopted as a result of the subcommittees report appear under recommendation 8.)

(III) A particular point was then raised with regard to the purchasing by troops of goods and services in Italy. It was pointed out that troops were liable to pay without question extravagant prices for goods and the undesirable effect of this and the possibility of extending control to other than purely commodity goods was discussed. The percentage figure spent by troops in local purchases was given as 14 - 15% of their pay (in the case of Americans) in a normal month with a sharp increase towards the Christmas period. Suggestions were put forward that it might possibly be considered advisable to limit the amount expendable by troops in local purchases or that the same result might possibly be reached by expanding the PX and EFI services so that troops might purchase there, at a reasonable price, locally produced luxury and other goods not normally catered for. The facilities presently available to troops for saving and allotting their pay were also mentioned.

Recommendation 1: It was recommended that the points made above be brought to the attention of G-3, AFHQ.

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(IV) Summary of policy agreed under the heading of Domestic Price Control.

Recommendation 2

: (a) That price increases in Italy are in general to be resisted in
: view of the inflationary trend which has already shown itself, and
: that to this end prices of certain important commodities should for
: the time being be held at low subsidized levels.
:
: (b) That control and the fixing of controlled prices must of necessity
: be made in the field, each case being dealt with on its merits within
: the framework of the general policy.

4. Import Price Policy.

Representatives gave their views on import price policy, and it became clear that there was unanimous agreement that goods imported into Italy should be charged to the Italian Government at landed cost The question of whether the prices to be paid by the consumer should in every case be not less than landed cost and of subsidies in cases where it was decided these would be necessary would, it was felt, have to be worked out in the field in consultation where appropriate with the Italian authorities by those dealing with the current situation. It was accordingly decided to recommend

Recommendation 3

: All goods imported for civilian or Italian government use should
: be charged to the Italian Government at a price con-
: sidered to be equivalent to landed cost. In general, they should
: be sold on not less that a landed cost basis, but may be sold at a
: loss if a price based on landed cost is so high as materially to
: disturb the general price structure. The subsidy on such latter
: commodities will be for the account of the Italian Government.
: Even though legal retail prices are not fixed allied authorities
: will watch and if necessary control the retail price of imported
: goods consulting with Italian authorities where appropriate.

The question was then raised as to how, and in what currency, the landed cost should be charged up in the accounting books, and after discussion it was agreed to recommend

Recommendation 4

: That the Italian authorities will be charged for imports on the
: books as a future rather than an immediate claim, and that the
: question as to how and in what currency the landed cost of imports
: should be charged, and any question as to the dealing with inter-
: vening currency problems which might arise between the time of
: first purchase and delivery to Italy be referred to CCS for a
: directive to be issued on the matter.

5. Sardinian Coal.

Recom menda tion 3 : sidered to be equivalent to landed cost. In general, they should be sold on not less that a landed cost basis, but may be sold at a loss if a price based on landed cost is so high as materially to disturb the general price structure. The subsidy on such latter commodities will be for the account of the Italian Government. Even though legal retail prices are not fixed allied authorities will watch and if necessary control the retail price of imported goods consulting with Italian authorities where appropriate.

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Recom menda tion 4 : That the Italian authorities will be charged for imports on the books as a future rather than an immediate claim, and that the question as to how and in what currency the landed cost of imports should be charged, and any question as to the dealing with intervening currency problems which might arise between the time of first purchase and delivery to Italy be referred to CCS for a directive to be issued on the matter.

5. Sardinian Coal.

(I) General.

The paper presented by Brigadier Norman Smith, circulated with the agenda and the views on Sardinian coal submitted by ACC/AMG were considered in detail and the history of the industry vis a vis the Italian Government was reviewed. 4772

(II) Locally consumed coal.

So far as the use of Sardinian coal within the island was concerned, it appeared that the greater part was used in industries which were complementary to the coal industry itself and the question was discussed as to whether or not the price charged within the island should be raised from its present very heavily subsidised price to one meeting costs of production or comparable to that which had been or would be charged for Sardinian coal in Italy. The possibly inflationary consequences in Sardinia of a considerably increased coal price were considered, as was the fact that it was not yet possible to quote any proper production cost figure for Sardinian coal. It was, therefore, decided to recommend:-

Recom menda tion 5 : That the price charged to consumers in Sardinia for local coal remain at the present low subsidized figure for a period of three months and then be subject to review in the light of the information then available.

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(III) Sardinian coal for consumption elsewhere in Italy.

It was pointed out that the price of Sardinian coal which had been imported to the West of Italy had always, from the consumers point of view, been related to that charged for Istrian coal in the east of Italy, and it was urged that this continue. The impossibility of quoting at present a proper production cost for Sardinian coal on which an F.O.B. price could be calculated was again mentioned, and it was felt that in the circumstances it would be necessary, at least for the next three months, to fix an arbitrary consumers price for Sardinian coal in Italy, such price to be common for all districts in which the coal might be used. After discussion it was decided to recommend:-

: (a) That discussions take place with the Italian Government with a view to devising arrangements whereby that government will undertake the responsibility for the handling of Sardinian coal for civilian use and that a base price per metric ton with variations for grade or quality be fixed as the price which shall be charged to Italian consumers.

Recom menda tion 6

: (b) That negotiations be undertaken by Brigadier Norman Smith with the MERO, with a view to fixing a uniform freight rate to cover freight charges from Sardinian to any Italian port.

: (c) During the next three months the whole question will be studied as to how the prices decided on above work out in practice and that the prices be reconsidered at that time.

6. Imported Coal.

Discussion centered on the circumstances obtaining that the landed cost of British or American coal at Italian ports is between 2500 and 3000 lire per metric ton, whereas the pre-invasion price for imported coal in Italy was 300 - 350 lire. Recognizing that it is, from the point of view of inflation control, impracticable to charge consumers of imported coal the full landed cost, it was recommended:-

Recom menda tion 7

: That the full landed cost of imported coal be charged to the Italian authorities but that the price to consumers be fixed for the next three months at such price per metric ton as is agreed on in the field as tolerable and that if practicable the Italian organization mentioned in Recommendation 6 above, handle imported coal for civilian use.

(the conference adjourned at this point until January 6th)

: charges from Sardinian to any Italian port.

6 :

: (c) During the next three months the whole question will be studied
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: use.

(the conference adjourned at this point until January 6th)

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7. Petrol, Oil & Lubricants.

The subcommittee appointed under Decision Number 1 of the meeting submitted a verbal report as to the result of their deliberations and on their recommendation and after discussion it is recommended:-

Recommendation 8

(a) That petrol, oil and lubricants should not form an exception to the general rule of charging the landed cost of imported commodities to the Italian Government.

(b) That Pet. Sec. AFHQ be the channel for furnishing figures as to the landed cost of petrol, oil and lubricants.

(c) That consideration be given to the question of whether, and if so in what manner and to what extent petrol should be subsidised by the Italian Government and in the light thereof the price to be paid by the consumer be determined. The Italian Government will be consulted in this matter. Pet. Sec. will not be responsible for making the decision.

Note A paper dated 4 Jan. prepared by Pet. Sec. AFHQ on retail price of petroleum products is attached to the master copy of these minutes.

8. Public Information.

Colonel Maxwell raised the question as to whether, in what manner and to what extent it was desirable to make our price and control policy known. In the discussion it became evident that there were many points of view and many factors to consider. It was finally recommended:-

Recommendation 9

That the views of INC be obtained in the light of the decisions reached at the conference and that if it then appeared that it might be desirable to make our policies widely known at home and in Italy the matter be raised with CCS at the same time that approval is sought to the general policies hereby recommended.

9. Export Price Policy.

A full discussion which took place showed that there was general acceptance of the proposition that so far as exports were concerned the price paid to Italian producers should be amounts in lire which would be designed to cover actual production costs plus a fair margin of profit except where goods can be obtained at lower prices in the open market. So far as concerns prices at which such exports should be sold abroad there was general agreement that it was reasonable to obtain prices equivalent to those generally obtaining in such markets. In the case of French Africa which may desire firm prices to be quoted for Italian exports prices will be fixed by relating them to F.O.B. prices of comparable articles in world markets

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In the light of the above discussions it is recommended:-

Recommendation 10 :

(a) That Italian producers be paid in lire for goods for export at such prices as are judged to cover actual production costs plus a fair margin of profit except where goods can be obtained at lower prices in the open market.

4770

(b) That in the case of goods exported to countries other than French Africa the goods be sold in the country of import at prices prevailing in such markets.

(c) That in the case of goods exported to French Africa the prices to be charged to the French, which will be settled by NAEB after consultation with MGS, be arrived at by relating them to F.O.B. prices of comparable articles in world markets, benefit thus being given for difference in freight rates and the French to be permitted if they so desire to carry the insurance risk themselves.

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(d) That the proceeds of sale of Italian goods exported to US, UK and French Africa, less any freight or other charges incurred in non lire currencies, be paid into accounts in each country in the name of the Italian Government and held by or under the control of the US, UK or French Africa respectively.

(e) That in the case of shipments to areas other than French Africa shipments be on consignment and risk of loss be on the Italian Government.

(f) That the question of actual payment by the Italian Government of currency which it is charged for imports and the actual payment of currency credited to the Italian government as proceeds from exports be left to the future for settlement as part of the larger financial arrangements which will have to be worked out between the Allies and Italy but that existing procedures and arrangements be continued whereby the distributors who obtain imported commodities be required to pay to the appropriate ACC/AMG H.Q's cash lire for such commodities and Italian producers be paid by the appropriate ACC/AMG H.Q's lire for exports at prices agreed on. In the ultimate financial settlement with the Italian government lire thus received or paid out will be dealt with in the accounting.

10. Consideration of the setting up of an export-import agency.

The desirability for the setting up of an export-import agency was put forward and the functions which it might carry out were discussed generally. It appeared clear that while there was a general agreement that adequate unified export-import accounts must be kept there was need for clarification of the additional functions of such an agency and where it should be placed in existing organisations.

It was therefore recommended:-

Recommendation 11: That the question of setting up an export-import agency be deferred and be fully considered at a later date, after submission by MGS to all concerned of a paper on the matter.

Views of ACC/AMG

In the course of the above discussion the views of ACC/AMG as set out in their paper of 2 January 1944 presented to the conference were considered in detail and it is recorded that the conference was in general agreement with the views therein expressed but that the paragraphs 19 and 20 therein were not dealt with as they related to what were considered to be field problems to be handled in conformity with

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4769

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APPENDIX "A"

Central Economic Committee	-	Lt. Col. Henderson
A.C.C. A.M.G.	-	Col. Evans
		Lt. Col. Bernstein
		Capt. Eiker-Raczll
A.C.C. (Region 6)	-	Lt. Col. Waters
H.Q., A.M.G., 15 Army Group	-	Lt. Col. Gerry
		Lt. Col. McFadzean
Q.M. (Coal Section)	-	Brigadier Norman Smith
		Capt. Riddell
Pet. Sec. (AFHQ)	-	Mr. Hofland
		Lt. Col. Morgan
N.A.E.B.	-	Mr. Hoffman
		Mr. Gridley
		Mr. Dolphin
		Mr. Lyn-Jones
		Mr. Villard
		Mr. Hayes

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		Mr. Gridley
		Mr. Dolphin
		Mr. Lyn-Jones
		Mr. Villard
		Mr. Hayes
		Mr. Ballard
M.G.S.	-	Col. Maxwell
		Col. Butterworth
		Lt. Col. Rulf
		Lt. Comdr. Southard
		Major Jackman

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SECRET

COPY NO. 4

Lt Col. Henderson

ALLIED FORCE HEADQUARTERS

Military Government Section

TBJ/mit

5 January 1944

Conference on Price Policy - Italy.

Minutes of first day's meeting held

5 January at AFHQ.

Preliminary draft

General.

1. For list of those present see Appendix A.

2. In opening Colonel Maxwell pointed out that it was the purpose of the conference, on the matters under discussion, to arrive at a medium term as distinct from a long term policy, and that there was no suggestion of a change of charter on which ACC was to act. It was stated that so far as the import side was concerned, shipments now appeared to be coming in steadily and would continue to do so, and that schemes were being worked out to deal with transport organization for distribution in Italy.

Colonel Maxwell then referred in general terms to the suggestions for price policy which had been circulated by M.G.S. prior to the conference and to the written views of ~~the Economic Directorate~~ of ACC/AMG (copies of which had also been circulated), from which it appeared that there was already a very large measure of agreement both as to general policy and as to the way in which the policy involved should be applied. Copies of the M.G.S. policy suggestions and the views of the Economic Directorate ACC/AMG as shown in the revised form in which copies were distributed at the meeting will be attached to and form part of the master copy of these minutes.

which had been generally concurred in by CEC

3. Review of domestic price situation in Italy.

(1) On behalf of HQ ACC/AMG, Colonel Bernstein gave a general review of the rise in prices which had been going on and is tending to go on in all regions of Italy and dealt with the price control system adopted to arrest such upward movements, namely the fixing of legal prices for basic ~~goods and~~ the issuance of a general list of price maxima as a guide to ~~local~~ enforcement. The view was expressed that rise in prices was inevitable, but that it should be slowed down, particularly during the next 3 to 6 months. In his view it would continue to be necessary to subsidise basic commodities and to

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(II) Representatives of 15 Army Group and of Sardinia generally agreed with the views put forward by ACC/AMG, but it became clear in the course of the discussion that a sharp difference of opinion existed with reference to the application of the policy for petrol oil and lubricants and it was decided 4763-Lt.

Decision 1. That a special subcommittee composed of Colonel Henderson, Lt. Colonel Bernstein, Lt. Colonel Morgan and Lt. Col. Rulf be constituted to examine the question of price control of petrol oil and lubricants, and that the subcommittee be prepared to place their recommendations before the full conference at 1000 hrs, 6 January.

goods and services

(III) A particular point was then raised with regard to the purchasing by troops of ~~commodity and luxury~~ articles in Italy. It was pointed out that troops were liable to pay without question extravagant prices for goods and the undesirable effect of this and the possibility of extending control to other than purely commodity goods was discussed. The percentage figure spent by troops in local purchases was given as 14 - 15% of their pay (in the case of Americans) in a normal month with a sharp increase towards the

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Christmas period. Suggestions were put forward that it might possibly be considered advisable to limit the amount expendable by troops in local purchases or that the same result might possibly be reached by expanding the PX and EFI services so that troops might purchase there, at a reasonable price, locally produced luxury and other goods not normally catered for. The facilities presently available to troops for saving and allotting their pay were also mentioned.

Decision 2. It was ~~decided~~ brought to attention of G.3 AFHQ. ~~that the matter of troops purchases was one which should be consid~~ered by the Army authorities in the light of the suggestions made above and ~~that ACC/AMG~~ should ~~do all possible to control prices~~ of the commodities ~~in question~~.

(IV) Summary of policy agreed under the heading of Domestic Price Control.

Decision 3. (a) That price increases in Italy are in general to be resisted in view of the inflationary trend which has already shown itself, and that to this end prices of certain important commodities should for the time being be held at low subsidized levels.

(b) That control and the fixing of controlled prices must of necessity be made in the field ~~by the organizations concerned,~~ each case being dealt with on it's merits within the framework of the general policy.

4. Import Price Policy.

Representatives gave their views on import price policy, and it became clear that there was unanimous agreement that goods imported into Italy should be charged to the appropriate Italian ministry or other state agency at landed cost. The question of whether the prices to be paid by the consumer should in every case be not less than landed cost and of subsidies in cases where it was decided these would be necessary would, it was felt, have to be worked out in the field where appropriate ~~in consultation with the Italian authorities by those dealing with the current situation~~. It was accordingly decided:-

Decision 4. All goods imported for civilian or Italian government use should be charged to the appropriate Ministry or Agency at a price in lire considered to be equivalent to landed cost. ~~The price at which these goods are subsequently sold will, wherever possible, be a subject for joint consideration by Allied and Italian officials.~~ In general, they should be sold on not less than a landed cost basis, but may be sold at a loss if a price based on landed cost is so high as materially to disturb the general price structure.

necessity be made in the field [illegible]
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Decision 4. All goods imported for civilian or Italian government use should be charged to the appropriate Ministry or Agency at a price in lire considered to be equivalent to landed cost. ~~The price at which these goods are subsequently sold will, wherever possible, be a subject for joint consideration by Allied and Italian officials.~~ In general, they should be sold on not less than a landed cost basis, but may be sold at a loss if a price based on landed cost is so high as materially to disturb the general price structure.

The question was then raised as to how, and in what currency, the landed cost should be charged up in the accounting books, and after discussion it was agreed:

Decision 5. That the Italian authorities will be charged for imports on the books as a future rather than an immediate claim, and that the question as to how and in what currency the landed cost of imports should be charged, and any question as to the dealing with intervening currency problems which might arise between the time of first purchase and delivery to Italy be referred to CCS for a directive to be issued on the matter.

4766

5. Sardinian Coal.

(I) General.

The paper presented by Brigadier Norman Smith, circulated with the agenda and the views on Sardinian coal submitted by ACC/AMG were considered in detail and the history of the industry vis a vis the Italian Government was reviewed.

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(II) Locally consumed coal.

So far as the use of Sardinian coal within the island was concerned, it appeared that the greater part was used in industries which were complementary to the coal industry itself and the question was discussed as to whether or not the price charged within the island should be raised from its present very heavily subsidised price to one meeting costs of production or comparable to that which had been or would be charged for Sardinian coal in Italy. The possibly inflationary consequences in Sardinia of a considerably increased coal price were considered, as was the fact that it was not yet possible to quote any proper production figure for Sardinian coal. It was, therefore, decided:

Decision 6. That the price charged to consumers in Sardinia for local coal remain at the present low subsidized figure for a period of three months and then be subject to review in the light of the information then available.

(III) Sardinian coal for consumption elsewhere in Italy.

It was pointed out that the price of Sardinian coal which had been imported to the West of Italy had always, from the consumers point of view, been related to that charged for Istrian coal in the east of Italy, and it was urged that this continue. The impossibility of quoting at present a proper production cost for Sardinian coal on which an F.O.B. price could be calculated was again mentioned, and it was felt that in the circumstances it would be necessary, at least for the next three months, to fix an arbitrary consumers price for Sardinian coal in Italy, such price to be common for all districts in which the coal might be used. After discussion it was decided:

Decision 7. (a) It was recommended that a base price of 550 lire per metric ton with variations for grade or quality be fixed as the price which during the next three months shall be charged to Italian consumers for Sardinian coal, and that the final determination of the price should be made by CEC.

(b) That negotiations be undertaken by Brigadier Norman Smith with the ~~War Transport Board~~, with a view to fixing a uniform freight rate to cover freight charges from Sardinian to any Italian port.

MCCCO

(c) It was recommended that CEC should ~~ACC/AMG will~~ during the next three months examine the whole question as to how the prices decided on above work out in practice and ~~will submit a report and recommendation thereon for future guidance.~~ should reconsider the price at that time.

it was urged that this continue. The impossibility of quoting at present a proper production cost for Sardinian coal on which an F.O.B. price could be calculated was again mentioned, and it was felt that in the circumstances it would be necessary, at least for the next three months, to fix an arbitrary consumers price for Sardinian coal in Italy, such price to be common for all districts in which the coal might be used. After discussion it was decided:

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McCloy

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CEC

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6. Imported Coal.

Discussion centered on the circumstances obtaining that the landed cost of British or American coal at Italian ports is between 2500 and 3000 lire per metric ton, whereas the pre-invasion price for imported coal in Italy was 300 - 350 lire. Recognizing that it is, from the point of view of inflation control, impracticable to charge consumers of imported coal the full landed cost, it was decided:

4765

It was recommended

Decision 8. that the full landed cost of imported coal be charged to the Italian authorities but that the price to consumers be fixed for the next three months at 1200 lire per metric ton, ~~this being a figure agreed on in the field as tolerable.~~ and that the final determination of the price should be made by CEC.

Minutes prepared by

T. B. JACKMAN
Major

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ALLIED FORCE HEADQUARTERS

Military Government Section

JCH/TBJ/dlc
7 January 1944

SUBJECT: Price Policy Conference

1. Sets of the Minutes of the Italian Price Policy Conference held at AFHQ 5-6 January are forwarded herewith in accordance with the distribution set out below.

2. The recommendations contained in the minutes will be submitted to the Combined Chiefs of Staff for approval. The Central Economic Board will until such time as its powers are surrendered to ACC/AMG, be the body responsible for carrying out the policies in question.

J. C. HOLMES
Brigadier General, G.S.C.
Chief, Military Government Section

Distribution:

Central Economic Committee	3 sets
HQ ACC/AMG	6 sets
ACC (Region 6)	2 sets
HQ AMG, 15th Army Group	3 sets
CAO	1 set
G-4	2 sets
QM (Coal Section)	2 sets
Pet. Sec. AFHQ	2 sets
AFLRB	2 sets
NAEB	4 sets
MGS	12 sets

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4764

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ALLIED FORCE HEADQUARTERS COPY NO. 8

Military Government Section

6 January 1944.

Conference on Price Policy - Italy

held 5 and 6 January at A.F.H.Q.

General

1. For list of those present see Appendix A.

2. In opening Colonel Maxwell pointed out that it was the purpose of the conference, on the matters under discussion, to arrive at a medium term as distinct from a long term policy, and that there was no suggestion of a change of charter on which ACC was to act. It was stated that so far as the import side was concerned, shipments now appeared to be coming in steadily and would continue to do so, and that schemes were being worked out to deal with transport organization for distribution in Italy.

Colonel Maxwell then referred in general terms to the suggestionsfor price policy which had been circulated by M.G.S. prior to the conference and to the written views of ACC/AMG (copies of which had also been circulated) and in which CEC generally concurred from which it appeared that there was already a very large measure of agreement both as to general policy and as to the way in which the policy involved should be applied. Copies of the M.G.S. policy suggestions and the views of ACC/AMG as shown in the revised form in which copies were distributed at the meeting will be attached to and form part of the master copy of these minutes.

3. Review of domestic price situation in Italy.

(1) On behalf of HQ ACC/AMG, Colonel Bernstein gave a general review of the rise in prices which had been going on and is tending to go on in all regions of Italy and dealt with the price control system adopted to arrest such upward movements, namely the fixing of legal prices for basic goods and the issuance of a general list of price maxima as a guide to local enforcement. The view was expressed that rise in prices was inevitable, but that it should be slowed down, particularly during the next 3 to 6 months. In his view it would continue to be necessary to subsidise CERTAIN basic commodities and to control prices for them, as letting all prices move up to the level of landed cost would only upset the present structure and would lead to further increases in wages.

(II) Representatives of CEC 15 Army Group and of Region 6 generally agreed with the views put forward by ACC/AMG, but it became clear in the course of the discussion that a sharp difference of opinion existed with reference to the application of the policy for petrol oil and lubricants and it was decided:-

views of ACC/AMG (copies of which had also been circulated) and in which the generally concurred from which it appeared that there was already a very large measure of agreement both as to general policy and as to the way in which the policy involved should be applied. Copies of the M.G.S. policy suggestions and the views of ACC/AMG as shown in the revised form in which copies were distributed at the meeting will be attached to and form part of the master copy of these minutes.

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(II) Representatives of CEC 15 Army Group and of Region 6 generally agreed with the views put forward by ACC/AMG, but it became clear in the course of the discussion that a sharp difference of opinion existed with reference to the application of the policy for petrol oil and lubricants and it was decided:-

Decision 1: That a special subcommittee composed of Lt. Colonel Henderson, Lt. Colonel Bernstein, Lt. Colonel Morgan and Colonel Butterworth be constituted to examine the question of price control of petrol oil and lubricants, and that the subcommittee be prepared to place their recommendations before the full conference on 6 January.

(NOTE: Recommendation adopted as a result of the subcommittees report appear under recommendation 8.) 4763

(III) A particular point was then raised with regard to the purchasing by troops of goods and services in Italy. It was pointed out that troops were liable to pay without question extravagant prices for goods and the undesirable effect of this and the possibility of extending control to other than purely commodity goods was discussed. The percentage figure spent by troops in local purchases was given as 14 - 15% of their pay (in the case of Americans) in a normal month with a sharp increase towards the Christmas period. Suggestions were put forward that it might possibly be considered advisable to limit the amount expendable by troops in local purchases or that the same result might possibly be reached by expanding the PX and EFI services so that troops might purchase there, at a reasonable price, locally produced luxury and other goods not normally catered for. The facilities presently available to troops for saving and allotting their pay were also mentioned.

Recommendation 1: It was recommended that the points made above be brought to the attention of G-3, AFHQ.

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(IV) Summary of policy agreed under the heading of Domestic Price Control.

Recom menda tion 2

(a) That price increases in Italy are in general to be resisted in view of the inflationary trend which has already shown itself, and that to this end prices of certain important commodities should for the time being be held at low subsidized levels.

(b) That control and the fixing of controlled prices must of necessity be made in the field, each case being dealt with on its merits within the framework of the general policy.

4. Import Price Policy.

Representatives gave their views on import price policy, and it became clear that there was unanimous agreement that goods imported into Italy should be charged to the Italian Government at landed cost The question of whether the prices to be paid by the consumer should in every case be not less than landed cost and of subsidies in cases where it was decided these would be necessary would, it was felt, have to be worked out in the field in consultation where appropriate with the Italian authorities by those dealing with the current situation. It was accordingly decided to recommend

Recom menda tion 3

All goods imported for civilian or Italian government use should be charged to the Italian Government at a price considered to be equivalent to landed cost. In general, they should be sold on not less that a landed cost basis, but may be sold at a loss if a price based on landed cost is so high as materially to disturb the general price structure. The subsidy on such latter commodities will be for the account of the Italian Government. Even though legal retail prices are not fixed allied authorities will watch and if necessary control the retail price of imported goods consulting with Italian authorities where appropriate.

The question was then raised as to how, and in what currency, the landed cost should be charged up in the accounting books, and after discussion it was agreed to recommend

Recom menda tion 4

That the Italian authorities will be charged for imports on the books as a future rather than an immediate claim, and that the question as to how and in what currency the landed cost of imports should be charged, and any question as to the dealing with intervening currency problems which might arise between the time of first purchase and delivery to Italy be referred to CCS for a directive to be issued on the matter.

Recommendation 3: All goods imported for civilian or Italian government use should be charged to the Italian Government at a price considered to be equivalent to landed cost. In general, they should be sold on not less that a landed cost basis, but may be sold at a loss if a price based on landed cost is so high as materially to disturb the general price structure. The subsidy on such latter commodities will be for the account of the Italian Government. Even though legal retail prices are not fixed allied authorities will watch and if necessary control the retail price of imported goods consulting with Italian authorities where appropriate.

The question was then raised as to how, and in what currency, the landed cost should be charged up in the accounting books, and after discussion it was agreed to recommend

Recommendation 4: That the Italian authorities will be charged for imports on the books as a future rather than an immediate claim, and that the question as to how and in what currency the landed cost of imports should be charged, and any question as to the dealing with intervening currency problems which might arise between the time of first purchase and delivery to Italy be referred to CCS for a directive to be issued on the matter.

5. Sardinian Coal.

(I) General.

The paper presented by Brigadier Norman Smith, circulated with the agenda and the views on Sardinian coal submitted by ACC/AMG were considered in detail and the history of the industry vis a vis the Italian Government was reviewed.

(II) Locally consumed coal.

So far as the use of Sardinian coal within the island was concerned, it appeared that the greater part was used in industries which were complementary to the coal industry itself and the question was discussed as to whether or not the price charged within the island should be raised from its present very heavily subsidised price to one meeting costs of production or comparable to that which had been or would be charged for Sardinian coal in Italy. The possibly inflationary consequences in Sardinia of a considerably increased coal price were considered, as was the fact that it was not yet possible to quote any proper production cost figure for Sardinian coal. It was, therefore, decided to recommend:-

Recommendation 5: That the price charged to consumers in Sardinia for local coal remain at the present low subsidized figure for a period of three months and then be subject to review in the light of the information then available.

(III) Sardinian coal for consumption elsewhere in Italy.

It was pointed out that the price of Sardinian coal which had been imported to the West of Italy had always, from the consumers point of view, been related to that charged for Istrian coal in the east of Italy, and it was urged that this continue. The impossibility of quoting at present a proper production cost for Sardinian coal on which an F.O.B. price could be calculated was again mentioned, and it was felt that in the circumstances it would be necessary, at least for the next three months, to fix an arbitrary consumers price for Sardinian coal in Italy, such price to be common for all districts in which the coal might be used. After discussion it was decided to recommend:-

Recommendation 6

: (a). That discussions take place with the Italian Government with a view to devising arrangements whereby that government will undertake the responsibility for the handling of Sardinian coal for civilian use and that a base price per metric ton with variations for grade or quality be fixed as the price which shall be charged to Italian consumers.

: (b) That negotiations be undertaken by Brigadier Norman Smith with the MERO, with a view to fixing a uniform freight rate to cover freight charges from Sardinian to any Italian port.

: (c) During the next three months the whole question will be studied as to how the prices decided on above work out in practice and that the prices be reconsidered at that time.

6. Imported Coal.

Discussion centered on the circumstances obtaining that the landed cost of British or American coal at Italian ports is between 2500 and 3000 lire per metric ton, whereas the pre-invasion price for imported coal in Italy was 300 - 350 lire. Recognizing that it is, from the point of view of inflation control, impracticable to charge consumers of imported coal the full landed cost, it was recommended:-

Recommendation 7

: That the full landed cost of imported coal be charged to the Italian authorities but that the price to consumers be fixed for the next three months at such price per metric ton as is agreed on in the field as tolerable and that if practicable the Italian organization mentioned in Recommendation 6 above, handle imported coal for civilian use.

6 :
: (c) During the next three months the whole question will be studied
: as to how the prices decided on above work out in practice and that
: the prices be reconsidered at that time.

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Discussion centered on the circumstances obtaining that the landed cost of British or American coal at Italian ports is between 2500 and 3000 lire per metric ton, whereas the pre-invasion price for imported coal in Italy was 300 - 350 lire. Recognizing that it is, from the point of view of inflation control, impracticable to charge consumers of imported coal the full landed cost, it was recommended:-

Recom- : That the full landed cost of imported coal be charged to the Italian
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tion : three months at such price per metric ton as is agreed on in the
7 : field as tolerable and that if practicable the Italian organization
: mentioned in Recommendation 6 above, handle imported coal for civilian
: use.

(the conference adjourned at this point until January 6th)

4761

7. Petrol, Oil & Lubricants.

The subcommittee appointed under Decision Number 1 of the meeting submitted a verbal report as to the result of their deliberations and on their recommendation and after discussion it is recommended:-

Recommendation 8

: (a) That petrol, oil and lubricants should not form an exception to the general rule of charging the landed cost of imported commodities to the Italian Government.

: (b) That Pet. Sec. AFHQ be the channel for furnishing figures as to the landed cost of petrol, oil and lubricants.

: (c) That consideration be given to the question of whether, and if so in what manner and to what extent petrol should be subsidised by the Italian Government and in the light thereof the price to be paid by the consumer be determined. The Italian Government will be consulted in this matter. Pet. Sec. will not be responsible for making the decision.

Note A paper dated 4 Jan. prepared by Pet. Sec. AFHQ on retail price of petroleum products is attached to the master copy of these minutes.

8. Public Information.

Colonel Maxwell raised the question as to whether, in what manner and to what extent it was desirable to make our price and control policy known. In the discussion it became evident that there were many points of view and many factors to consider. It was finally recommended:-

Recommendation 9

: That the views of INC be obtained in the light of the decisions reached at the conference and that if it then appeared that it might be desirable to make our policies widely known at home and in Italy the matter be raised with CCS at the same time that approval is sought to the general policies hereby recommended.

9. Export Price Policy.

A full discussion which took place showed that there was general acceptance of the proposition that so far as exports were concerned the price paid to Italian producers should be amounts in lire which would be designed to cover actual production costs plus a fair margin of profit except where goods can be obtained at lower prices in the open market. So far as concerns prices at which such exports should be sold abroad there was general agreement that it was reasonable to obtain prices equivalent to those generally obtaining in such markets. In the case of French Africa which may desire firm prices to be quoted for Italian exports prices will be fixed by relating them to F.O.B. prices of comparable articles in world markets benefit thus being given to the French for difference in freight rates and for the roleum products is attached to the master copy of these minutes.

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Recommendation 9 : That the views of INC be obtained in the light of the decisions reached at the conference and that if it then appeared that it might be desirable to make our policies widely known at home and in Italy the matter be raised with CCS at the same time that approval is sought to the general policies hereby recommended.

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In the light of the above discussions it is recommended:-

Recommendation 10 :

(a) That Italian producers be paid in lire for goods for export at such prices as are judged to cover actual production costs plus a fair margin of profit except where goods can be obtained at lower prices in the open market.

(b) That in the case of goods exported to countries other than French Africa the goods be sold in the country of import at prices prevailing in such markets.

4760

(c) That in the case of goods exported to French Africa the prices to be charged to the French, which will be settled by NAEB after consultation with MGS, be arrived at by relating them to F.O.B. prices of comparable articles in world markets, benefit thus being given for difference in freight rates and the French to be permitted if they so desire to carry the insurance risk themselves.

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(d) That the proceeds of sale of Italian goods exported to US, UK and French Africa, less any freight or other charges incurred in non lire currencies, be paid into accounts in each country in the name of the Italian Government and held by or under the control of the US, UK or French Africa respectively.

(e) That in the case of shipments to areas other than French Africa shipments be on consignment and risk of loss be on the Italian Government.

(f) That the question of actual payment by the Italian Government of currency which it is charged for imports and the actual payment of currency credited to the Italian government as proceeds from exports be left to the future for settlement as part of the larger financial arrangements which will have to be worked out between the Allies and Italy but that existing procedures and arrangements be continued whereby the distributors who obtain imported commodities be required to pay to the appropriate ACC/AMG H.Q's cash lire for such commodities and Italian producers be paid by the appropriate ACC/AMG H.Q's lire for exports at prices agreed on. In the ultimate financial settlement with the Italian government lire thus received or paid out will be dealt with in the accounting.

10. Consideration of the setting up of an export-import agency.

The desirability for the setting up of an export-import agency was put forward and the functions which it might carry out were discussed generally. It appeared clear that while there was a general agreement that adequate unified export-import accounts must be kept there was need for clarification of the additional functions of such an agency and where it should be placed in existing organisations.

It was therefore recommended:-

Recommendation 11 : That the question of setting up an export-import agency be deferred and be fully considered at a later date, after submission by MGS to all concerned of a paper on the matter.

Views of ACC/AMG

In the course of the above discussion the views of ACC/AMG as set out in their paper of 2 January 1944 presented to the conference were considered in detail and it is recorded that the conference was in general agreement with the views therein expressed but that the paragraphs 19 and 20 therein were not dealt with as they related to what were considered to be field problems to be handled in conformity with

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4759

APPENDIX "A"

Central Economic Committee	-	Lt. Col. Henderson
A.C.C. A.M.G.	-	Col. Evans
		Lt. Col. Bernstein
		Capt. Eiker-Raczll
A.C.C. (Region 6)	-	Lt. Col. Waters
H.Q., A.M.G., 15 Army Group	-	Lt. Col. Gerry
		Lt. Col. McFadzean
Q.M. (Coal Section)	-	Brigadier Norman Smith
		Capt. Riddell
Pet. Sec. (AFHQ)	-	Mr. Hofland
		Lt. Col. Morgan
N.A.E.B.	-	Mr. Hoffman
		Mr. Gridley
		Mr. Dolphin
		Mr. Lyn-Jones
		Mr. Villard
		Mr. Hayes

H.Q., R.M.G., 15 Army Group

		Lt. Col. McFadzean
Q.M. (Coal Section)	-	Brigadier Norman Smith
		Capt. Riddell
Pet. Sec. (AFHQ)	-	Mr. Hofland
		Lt. Col. Morgan
N.A.E.B.	-	Mr. Hoffman
		Mr. Gridley
		Mr. Dolphin
		Mr. Lyn-Jones
		Mr. Villard
		Mr. Hayes
		Mr. Ballard
M.G.S.	-	Col. Maxwell
		Col. Butterworth
		Lt. Col. Rulf
		Lt. Comdr. Southard
		Major Jackman

4758

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COPY NO. 15

ALLIED FORCE HEADQUARTERS

Military Government Section

TBJ/mit

5 January 1944

Conference on Price Policy - Italy.

Minutes of first day's meeting held

5 January at AFHQ.

General.

1. For list of those present see Appendix A.

2. In opening Colonel Maxwell pointed out that it was the purpose of the conference, on the matters under discussion, to arrive at a medium term as distinct from a long term policy, and that there was no suggestion of a change of charter on which ACC was to act. It was stated that so far as the import side was concerned, shipments now appeared to be coming in steadily and would continue to do so, and that schemes were being worked out to deal with transport organization for distribution in Italy.

Colonel Maxwell then referred in general terms to the suggestions for price policy which had been circulated by M.G.S. prior to the conference and to the written views of the Economic Directorate of ACC/AMG (copies of which had also been circulated) from which it appeared that there was already a very large measure of agreement both as to general policy and as to the way in which the policy involved should be applied. Copies of the M.G.S. policy suggestions and the views of the Economic Directorate ACC/AMG as shown in the revised form in which copies were distributed at the meeting will be attached to and form part of the master copy of these minutes.

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(1) On behalf of HQ ACC/AMG, Colonel Bernstein gave a general review of the rise in prices which had been going on and is tending to go on in all regions of Italy and dealt with the price control system adopted to arrest such upward movements, namely the fixing of legal prices for basic goods and the issuance of a general list of price maxima as a guide to local enforcement. The view was expressed that rise in prices was inevitable, but that it should be slowed down, particularly during the next 3 to 6 months. In his

of charter on which ACC was to act. It was stated that so far as the import side was concerned, shipments now appeared to be coming in steadily and would continue to do so, and that schemes were being worked out to deal with transport organization for distribution in Italy.

Colonel Maxwell then referred in general terms to the suggestions for price policy which had been circulated by M.G.S. prior to the conference and to the written views of the Economic Directorate of ACC/AMG (copies of which had also been circulated) from which it appeared that there was already a very large measure of agreement both as to general policy and as to the way in which the policy involved should be applied. Copies of the M.G.S. policy suggestions and the views of the Economic Directorate ACC/AMG as shown in the revised form in which copies were distributed at the meeting will be attached to and form part of the master copy of these minutes.

3. Review of domestic price situation in Italy.

(1) On behalf of HQ ACC/AMG, Colonel Bernstein gave a general review of the rise in prices which had been going on and is tending to go on in all regions of Italy and dealt with the price control system adopted to arrest such upward movements, namely the fixing of legal prices for basic goods and the issuance of a general list of price maxima as a guide to local enforcement. The view was expressed that rise in prices was inevitable, but that it should be slowed down, particularly during the next 3 to 6 months. In his view it would continue to be necessary to subsidise basic commodities and to control prices for them, as letting all prices move up to the level of landed cost would only upset the present structure and would lead to further increases in wages.

(II) Representatives of 15 Army Group and of Sardinia generally agreed with the views put forward by ACC/AMG, but it became clear in the course of the discussion that a sharp difference of opinion existed with reference to the application of the policy for petrol oil and lubricants and it was decided:-

Decision 1. That a special subcommittee composed of Colonel Henderson, Lt. Colonel Bernstein, Lt. Colonel Morgan and Lt. Col. Rulf be constituted to examine the question of price control of petrol, oil and lubricants, and that the subcommittee be prepared to place their recommendations before the full conference at 1000 hrs, 6 January.

(III) A particular point was then raised with regard to the purchasing by troops of commodity and luxury articles in Italy. It was pointed out that troops were liable to pay without question extravagant prices for goods and the undesirable effect of this and the possibility of extending control to other than purely commodity goods was discussed. The percentage figure spent by troops in local purchases was given as 14 - 15% of their pay (in the case of Americans) in a normal month with a sharp increase towards the

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Christmas period. Suggestions were put forward that it might possibly be considered advisable to limit the amount expendable by troops in local purchases or that the same result might possibly be reached by expanding the PX and EFI services so that troops might purchase there, at a reasonable price, locally produced luxury and other goods not normally catered for. The facilities presently available to troops for saving and allotting their pay were also mentioned.

Decision 2. It was decided that the matter of troops purchases was one which should be considered by the Army authorities in the light of the suggestions made above and that ACC/AMG should do all possible to control prices of the commodities in question.

(IV) Summary of policy agreed under the heading of Domestic Price Control.

Decision 3. (a) That price increases in Italy are in general to be resisted in view of the inflationary trend which has already shown itself, and that to this end prices of certain important commodities should for the time being be held at low subsidized levels.

(b) That control and the fixing of controlled prices must of necessity be made in the field by the organizations concerned, each case being dealt with on its merits within the framework of the general policy.

4. Import Price Policy.

Representatives gave their views on import price policy, and it became clear that there was unanimous agreement that goods imported into Italy should be charged to the appropriate Italian ministry or other state agency at landed cost. The question of whether the prices to be paid by the consumer should in every case be not less than landed cost and of subsidies in cases where it was decided these would be necessary would, it was felt, have to be worked out in the field in consultation with the Italian authorities by those dealing with the current situation. It was accordingly decided:-

Decision 4. All goods imported for civilian or Italian government use should be charged to the appropriate Ministry or Agency at a price in lire considered to be equivalent to landed cost. The price at which these goods are subsequently sold will, wherever possible, be a subject for joint consideration by Allied and Italian officials. In general, they should be sold on not less than a landed cost basis, but may be sold at a loss if a price based on landed cost is so high as materially to disturb the general price structure.

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The question was then raised as to how, and in what currency, the landed cost should be charged up in the accounting books, and after discussion it was agreed:

Decision 5. That the Italian authorities will be charged for imports on the books as a future rather than an immediate claim, and that the question as to how and in what currency the landed cost of imports should be charged, and any question as to the dealing with intervening currency problems which might arise between the time of first purchase and delivery to Italy be referred to CCS for a directive to be issued on the matter. 56

5. Sardinian Coal.

(I) General.

The paper presented by Brigadier Norman Smith, circulated with the agenda and the views on Sardinian coal submitted by ACC/AMG were considered in detail and the history of the industry vis a vis the Italian Government was reviewed.

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(II) Locally consumed coal.

So far as the use of Sardinian coal within the island was concerned, it appeared that the greater part was used in industries which were complementary to the coal industry itself and the question was discussed as to whether or not the price charged within the island should be raised from its present very heavily subsidised price to one meeting costs of production or comparable to that which had been or would be charged for Sardinian coal in Italy. The possibly inflationary consequences in Sardinia of a considerably increased coal price were considered, as was the fact that it was not yet possible to quote any proper production figure for Sardinian coal. It was, therefore, decided:

Decision 6. That the price charged to consumers in Sardinia for local coal remain at the present low subsidized figure for a period of three months and then be subject to review in the light of the information then available.

(III) Sardinian coal for consumption elsewhere in Italy.

It was pointed out that the price of Sardinian coal which had been imported to the West of Italy had always, from the consumers point of view, been related to that charged for Istrian coal in the east of Italy, and it was urged that this continue. The impossibility of quoting at present a proper production cost for Sardinian coal on which an F.O.B. price could be calculated was again mentioned, and it was felt that in the circumstances it would be necessary, at least for the next three months, to fix an arbitrary consumers price for Sardinian coal in Italy, such price to be common for all districts in which the coal might be used. After discussion it was decided:

Decision 7. (a) That a base price of 550 lire per metric ton with variations for grade or quality be fixed as the price which during the next three months shall be charged to Italian consumers for Sardinian coal.

(b) That negotiations be undertaken by Brigadier Norman Smith with the War Transport Board, with a view to fixing a uniform freight rate to cover freight charges from Sardinian to any Italian port.

(c) ACC/AMG will during the next three months examine the whole question as to how the prices decided on above work out in practice and will submit a report and recommendation thereon for future guidance.

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(c) ACC/AMG will during the next three months examine the whole question as to how the prices decided on above work out in practice and will submit a report and recommendation thereon for future guidance.

6. Imported Coal.

Discussion centered on the circumstances obtaining that the landed cost of British or American coal at Italian ports is between 2500 and 3000 lire per metric ton, whereas the pre-invasion price for imported coal in Italy was 300 - 350 lire. Recognizing that it is, from the point of view of inflation control, impracticable to charge consumers of imported coal the full landed cost, it was decided:

4755

Decision 8. That the full landed cost of imported coal be charged to the Italian authorities but that the price to consumers be fixed for the next three months at 1200 lire per metric ton, this being a figure agreed on in the field as tolerable.

Minutes prepared by

T. B. JACKMAN
Major

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SECRET

HEADQUARTERS
ALLIED MILITARY GOVERNMENT

ECONOMIC DIRECTORATE

2 January 1944

MEMORANDUM: Views of ACC/AMG on Price Policies in Italy

1. It is the unanimous policy of AMG/ACC to retard the upward movement of prices affecting the cost of living in Italy by every means available to both the Allied and Italian Governments. It is recognized that a general increase in Italian prices cannot be prevented. Two decades of Fascism and an undisciplined population that has not complied with price controls long before our arrival, the unsuccessful prosecution of the costly war, ~~and~~ the destruction of industrial plant and equipment, and the increased expenditures resulting from the presence of the armed forces combine to produce inflationary pressures which cannot be kept entirely in check. But efforts can and should be made to retard them. Main attention must be given to the major commodities entering into the cost of living such as wheat and flour for bread and pasta.

2. All goods imported for Italian civilian consumption should be charged to the account of the Italian Government at a landed cost price in Dollars, Sterling or North African Francs, depending upon whether the goods come from U.S., U.K. or North Africa. For this purpose, it will be necessary for C.C.S. and A.F.H.Q. to furnish current information on landed costs for imported commodities.

3. To keep governmental subsidies as low as practicable, the imported commodities should be sold in Italy, on behalf of the Italian Government, at not less than the landed cost basis except where, as in the case of wheat or coal, such action would result in such a price rise over the existing legal price for that commodity as to threaten to disturb the general price structure. An examination of the 1 November 1943 schedule of landed costs for imported commodities indicates that in the case of many commodities, this policy can be pursued without damage to inflation control.

4. In the case of imported wheat and flour - food stuffs essential to subsistence - the governing consideration in determining the price for resale on behalf of the Italian Government is keeping down the cost of living. It has been and will continue to be necessary to sell these items below landed costs. Imported wheat and flour should be sold through the normal distribution channels at the legal prices for Italian produced wheat and for flour processed therefrom, even though such prices are substantially lower than the landed cost of imported wheat and flour.

5. It is intended that as long as wheat and flour are to be imported, the legal price for bread throughout areas under our control will for the time being be 3.60 lire a kilo. To enable this to be done, imported flour should be sold to the baker

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5. It is intended that as long as wheat and flour are to be imported, the legal price for bread throughout areas under our control will for the time being be 3.60 lire a kilo. To enable this to be done, imported flour should be sold to the baker at 3.10 lire a kilo and imported wheat should be sold to the miller at a price to enable him to produce flour to sell at 3.10 lire a kilo. Accordingly, imported wheat and flour should be sold to the Consorzi and the Alimentazione at a price to enable them to sell the imported wheat and flour to the miller and baker at prices to accomplish the foregoing. In any locality where production and transportation costs make it impossible for a baker to sell bread profitably at 3.60 lire if he pays 3.10 lire for flour, appropriate financial assistance will be given by the local government authority.

4754

6. In the case of food stuffs other than wheat or flour it will generally be possible to charge landed costs. Milk for small children and expectant or nursing mothers, requires special consideration. Landed cost figures as of 1 November 1943 indicate that milk can be charged at landed cost. However, if the landed cost is revised upward and requires charging consumers prices appreciably in excess of 9 lire for a 12 oz. can or 11 lire for a 14 oz. can of evaporated milk, the question should be reconsidered.

7. Medical and other supplies and equipment, and industrial and agricultural equipment and supplies should be resold in Italy on behalf of the Italian Government at a price equivalent to landed cost. Fertilizers and insecticides are essential to maximise Italian agricultural production. These commodities, and imports entering into their manufacture should be resold at this time at prices which will not increase 1942/43 legal prices by more than 60% or 70% the price paid by agricultural producers for fertilizers and insecticides.

8. Landed cost figures as on 1 November 1943 indicate that ~~laundry soaps~~ and toilet soaps can be charged at landed costs; however, if 1 November 1943 landed cost price is revised upward and requires consumers' prices appreciably in excess of 25 lire per kilo for laundry soap and 36 lire per kilo for toilet soap, the question should be reconsidered. It is noted that if, in lieu of soap, Italy were supplied with caustic soda - the ingredient required for domestic soap production - valuable shipping space could be saved, and local materials and labour could be employed. This matter should be brought strongly to the attention of C.C.S., since soap is being shipped and caustic soda refused us.

9. Imported coal should be sold on behalf of the Italian Government for 1200 lire per metric ton CIF Italian ports, compared with the landed cost of between 2500 and 3000 lire per metric ton. In the case of Sardinian coal, a price of 400 lire per metric ton in Sardinia is recommended for fine coal (less than 20 m.m. in size) and 500 lire per metric ton for coarse coal (20 m.m. or more in size). These prices, it is estimated, will cover cost of production. The price for the two grades of Sardinian coal elsewhere in Italy should be 550 lire and 650 lire per metric ton CIF Italian ports (except Sardinia) to cover cost of production and shipping. Differential prices for various types of users of coal are not considered desirable at this time.

10. The information we have available from Regions I and II indicates that petroleum products are an important factor in transportation costs and transportation is an important factor in the cost of food. Therefore, unless these statements of fact are invalidated, a maximum price of 11 lire per litre of gasoline and corresponding prices for other petroleum products are recommended. It is suggested that out of these 11 lire, there be paid in order of priority:-

(a) Distribution costs and dealers' margins (an effort being made to keep these as low as possible).

(b) Italian import duties and excises.

(c) Balance being credited to the account of landed cost. The deficit in landed cost not covered by the 11 lire price, would be charged as a subsidy.

11. The difference between landed cost charged to the Italian Government and the internal sale price charged on behalf of the Italian Government for all imported commodities would be treated as a subsidy by the Italian Government. These procedures would in no way alter the existing arrangements whereby the public and private organizations or individuals to whom the imported commodities are turned over for distribution are required to pay cash lire for such commodities at prices fixed by the Allied authorities, if possible after agreement with the Italian Government.

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12. Even though legal retail prices are not fixed, we desire that imported goods should not be sold to consumers at a price too high in view of what is charged to the distributor. Accordingly, Allied authorities will watch and if necessary control the retail price of imported goods. The Allied authorities will also, in appropriate circumstances, jointly consider with the Italian Government the retail prices to be charged for imported goods.

4753

13. Exportable surpluses should be purchased from Italian producers at prices in lire sufficient to cover actual costs at times of production plus a fair profit. This, however, would not affect the position where goods can be obtained in the open market at lower prices.

14. Exports from Italy should be sold abroad as far as practicable at prices equivalent to prices prevailing in foreign markets concerned, whether such prices are in excess of or less than prices paid to the Italian producers. In the case of exports to the U.S., U.K. and French North Africa, payment will be respectively in Dollars, Sterling or Francs, credited to an Italian Government account; in the case of exports to neutral countries, further consideration should be given to whether the payment should be in the currency of that country or in Dollars or Sterling credited to the Italian Government's accounts held by or under the control of the British and American Governments. The Dollar, Sterling or Franc accounts of the Italian Government would not be credited for exports if such exports did not arrive at their destination. This would place the risk for loss of exports on the Italian Government, just as the risk for the loss of shipments to Italy is borne by the Allies.

15. The question of actual payment over by the Italian Government of Dollars, Sterling or Francs with which it is charged for imports and the actual payment over of Dollars, Sterling or Francs credited to the Italian Government for exports can be left to the future for settlement as part of the larger financial relations which will have to be worked out between the Allies and Italy. However, existing procedures and arrangements will be continued whereby the distributors who obtain imported commodities are required to pay to AMG cash lire for such commodities, and Italian producers are paid by AMG cash lire for exports, at prices agreed upon. In the ultimate financial settlement with the Italian Government, lire thus received or paid out will be dealt with in the accounting.

16. Under the foregoing proposals normal Italian taxes and imposts could, at least in the future, be applied, except possibly in the case of goods given as relief and in the case of some of the few imported commodities that will be sold below landed costs. Even where goods are sold below landed costs, we should have no objection to the imposition of normal Italian taxes and imposts if we are credited with full landed costs in Dollars, Sterling or Francs and the Italian Government is charged with the subsidy.

17. The foregoing price proposals, so far as affects the relations between the Allies and the Italian Government, should be applied to imports and exports since the beginning of the occupation of Sicily and the Italian mainland. It would be quite desirable, although not absolutely essential, to obtain the agreement of the Italian Government to such of the foregoing proposals as are agreed to by the various interested Allied Headquarters before action is taken to implement such proposals.

18. To provide an instrumentality for the accounting of imports and exports, and for handling other operational matters relating to imports and exports, an import-export agency should be created under arrangements to be worked out between ACC/AMG and 15 Army Group. This agency might be given status within the Industry and Commerce Sub-Commission similar to the status of AMFA within the Finance Sub-Commission. It would be authorized to deal directly with all AMG Regions and Italian areas in which the Allied authorities are functioning.

19. With regard to domestic prices of Italian produced commodities and services.

(a) The proposed 100% increase in passenger railway rates at this time should be disapproved. A doubling of rates for a service provided by the Italian Government would set a precedent for corresponding increases in other prices, without discouraging the actual amount of traffic carried by the railroads, and without improving noticeably the financial position of the railroads. Increases in freight rates should also be resisted at this time because they affect the cost of living.

(b) Italian public utility service rates have been kept to artificially low levels. In some cases these rates can be raised sufficiently

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(b) Italian public utility service rates have been kept to artificially low levels. In some cases these rates can be raised sufficiently to eliminate the need for government subsidy without affecting appreciably the cost of living. With this in view, the Public Works Sub-Commission has been authorised to examine the rate structures of those public utility institutions seeking rate increases with a view to recommending such increases as are consistent with our overall efforts to retard inflationary price rises.

4752

20. The desirability of continuing to keep in effect the detailed legal domestic price lists was considered but no conclusions were reached. In Region I, AMG legal prices are now prescribed for only bread, pasta, olive oil, sugar, milk, coal, petroleum products and soap. The communes are authorised to fix prices on the other commodities. In Region II, the original detailed AMG legal price list, modified in a few instances, remains in effect.

R.A. HAMLYN,
Brigadier,
Acting Economic Director.

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MINUTES OF MEETING HELD AT MGS 3 JANUARY TO DISCUSS POLICIES TO BE ADOPTED WITH THE FRENCH AUTHORITIES IN RELATION TO SUPPLIES TO AND FROM NORTH AFRICA IN WHICH MGS ARE INTERESTED.

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GENERAL

1. For list of those present see Appendix "A".

2. Colonel Maxwell outlined the factors which made it most desirable for policies to be adopted with the French authorities in relation to supplies to and from North Africa in which MGS are interested, and in the general discussion which took place it was pointed out that from the French point of view it was necessary to arrive at a basis on which, during the present interim period, the cost to the French of imports from Italy, Sardinia and Sicily could be calculated.

It was emphasised from the MGS side that on the question of supplies from North Africa which were required for Italy, Sicily or Sardinia these, by direction of the Combined Chiefs of Staff, had to be obtained through service channels, that the question as to whether or not they were actually paid for in cash by the Buying Agency or formed part of reciprocal aid was one in which the section was not concerned, but that it must be made clear that there could be no question of general bartering of supplies from North Africa for exports from Italy.

The factors which make it impossible for MGS to quote, in this interim period, a proper F.O.B. price for exports were emphasized and as a result of a full discussion of cogent factors it was decided:

Decision 1

a. That so far as regards exports from Italy, Sicily and Sardinia to the French in North Africa are concerned NAEB will act as agents for MGS and will, subject to ~~general~~ approval by MGS in each case, settle the price to be paid by the French authorities for such exports.

b. The prices to be paid will, until such time as true F.O.B. prices can be quoted by MGS, be arrived at by relating the prices to those of comparable articles in world markets, benefit being given for differences in freight costs. The French authorities will be required to pay such freight costs as are in fact incurred, and will in addition pay insurance charges if these are incurred. The price to be quoted to the French will be C.I.F., worked out after taking all the above factors into account, and that which will be debited to MGS will be an F.O.B. price arrived at by deducting from the C.I.F. price referred to charges incurred in freight and insurance.

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Decision 2

3. A suggestion was put forward that it would facilitate matters if a working committee was formed of members of NAEB AND MGS ~~and the French authorities~~ who could meet as required to work out details and exchange information, and the suggestion was approved in principle. 4751

Minutes prepared by Major T. B. Jackman.

APPENDIX "A"

NAEB	MGS
Mr. Ballard	Col Maxwell
Mr Gridley	Col Butterworth
Mr Dolphin	Lt Comd Southard
Mr Hoffman	Major Rulf
	Major Jackman

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ALLIED FORCE HEADQUARTERS

Military Government Section /jm

7 December 1943

SUBJECT: Price Policy to be Followed by AMG/ACC in Italy---
Recommendations as to.

TO : Chief, Military Government Section

1. The following memorandum presents recommendations as to price policy to be followed in Italy for consideration by you and by the appropriate Sub-Commissions of the Allied Control Commission in order that a final draft price policy may be agreed and transmitted to the Combined Chiefs of Staff for approval.

2. <u>The price policy herein elaborated may be summarized as follows</u>:

(a) Price increases in Italy are in general to be resisted in view of the inflationary trend already underway.

(b) Considering (a), subsidies to domestic producers may be preferable to price increases as a means of encouraging production.

(c) All goods imported for civilian or Italian government use should be charged to the appropriate Ministry or Agency at a price in lire considered to be equivalent to landed-cost. The price at which these goods are subsequently sold will, wherever possible, be a subject for joint consideration by Allied and Italian officials. In general, they should be sold on not less than a landed cost basis, but may be sold at a loss if a price based on landed cost is so high as materially to disturb the general price structure.

(d) Exportable surpluses should be purchased from Italian producers at prices designed to cover costs plus a fair profit. As to the prices at which these surpluses should be sold abroad, while there is much to commend the quoting of landed-cost prices, the balance of the argument is in favor of a policy of charging prices reasonable in the light of those prevailing in the foreign market concerned, even though above landed cost. The question of disposing of the resulting surplus of foreign exchange would be left to the future.

(e) Consideration should be given to setting up an Agency under the appropriate Sub-Commission to handle exports and imports.

The detailed application of this price policy to domestic, import and export prices is discussed below.

4750

3. As to pricing of Italian-produced articles for domestic consumption:

(a) The settled policy of AMG and ACC to retard the upward movement of prices should be continued by every practicable means, with the concurrence and cooperation of the Italian Government.

(b) Main attention must be given to major commodities, such as wheat, flour, pasta, olive oil, cheese, charcoal, and coal. In some instances, where the cost-prices essential to maintain supply would be undesirably high (from an inflation-control viewpoint) subsidies are being and will continue to be resorted to. This is the case notably with wheat. It is desirable to have the agreement of the Italian Government as to the need for such subsidies, and to arrange so far as possible that the payments proceed from or are for the account of the Italian Government or its agencies. All subsidy programs should be subject to frequent examination in order to determine whether a small price increase would achieve the same purpose without subjecting the national budget to the additional burden which a subsidy involves.

(c) The pricing of Sardinian coal requires immediate decision.

(i) The present situation is approximately as follows: prices in Sardinia range generally from 140 to 160 lire and elsewhere in Italy from 300 to 320 lire per metric ton. Costs probably vary around 300 lire at the mines, depending on output. At the same time prior to invasion imported coal was sold around 300 lire generally throughout all Italy.

(ii) Inasmuch as the general price structure in Sardinia has become adjusted to a coal price of 140-150 lire, it is probably justifiable to continue that price for the time being. Normally, however, it would not be considered equitable to oblige consumers distant from the point of production to subsidize those nearby. Consequently any differential coal price in favor of users in Sardinia should be reviewed from time to time.

(iii) Prices for Sardinian coal elsewhere in Italy should be set sufficiently above c.i.f. Italian ports to cover as much as possible the loss on coal sold at lower prices in Sardinia. It has been suggested that these prices should range somewhere between 380 and 500 lire, but a decision can best be made by our fuel experts in touch with the situation. Whether a schedule of differential prices for various types of users can be set up will depend on the availability of technical staff.

(iv) As to the determination of the price of imported coal, see below, paragraph 4(C).

4. As to pricing of imports, the policy should be to charge all such goods to the appropriate Ministry or Agency of the Italian Government at a 4749

price in lire considered to be equivalent to landed-cost(i.e. c.i.f. Italian ports). The prices at which these goods are subsequently sold will be determined by the Italian Government in consultation with the Allied Control Commission in all areas under Commission control, and by the appropriate local governmental agency in accordance with AMG directive in all other areas. This procedure will be more readily understood by the British and American public than one which involves actual sale by Allied officials of imported goods at a loss. For the purpose of reducing Governmental expenditures, imported goods should normally be resold at price which will avoid losses to the Governmental agency charged with them. However, the policy of maintaining the prevailing price-cost structure in Italy so far as possible, will make it desirable in some instances to sell imported goods at prices which will be below landed cost. In the following paragraphs the problem of pricing various types of imports is examined from this viewpoint.

(a) Foodstuffs. In general, the prevailing official prices of major foods (especially flour) in Italy are lower than the lire equivalent of the landed cost of the corresponding imported items. In the interest of retarding the rise in the cost of living, it has been and will continue to be necessary to sell most imported foods at less than cost. However, in the determination of domestic prices(see paragraph 3) account should be taken of the cost of imports, of the proportion of total consumption which is supplied by imports, and how long this degree of dependence on imports is likely to continue. If the proportion is large and likely to continue large, and the spread between landed cost and prevailing domestic price is also large, consideration should be given to raising the domestic price. Even inflation control may not justify costly subsidies, the burden of which will have to be borne by an already over-loaded Italian Government budget.

(b) Medical and other supplies and equipment for the use of the Government, armed forces and public institutions of Italy. There is no inflation-control argument to support a policy of supplying such imports below cost. The Ministry or Governmental agency to which they have initially been billed at cost, may and generally should transfer the full cost of the goods onto the budgets of the institutions, Departments, or other Governmental units subsequently acquiring the goods for use. It is of course true that the net cost to the Government is the same, but from a budgetary point of view it is more satisfactory to charge the cost of imported articles to the branch or unit responsible. Of course, if the article in question is one of common consumption and has a prevailing price below landed cost which it is desired to maintain, the Italian Government may prefer to charge imported goods to the consuming unit, institution, or agency at the prevailing price, carrying the loss on the National budget.

(c) Industrial and agricultural equipment and supplies, including fertilizers. In accordance with the general policy laid down in paragraph 4 above, all such imports, as soon as arrangements can be made in both ACC and AMG territory, will be charged to 4748 appropriate Italian Governmental Ministeries or agencies at landed cost. Normally, it should be possible for the Government to resell such goods at approximately the same price. In some instances, however, such resale prices would be so much above the prevailing price for local products or, where there is no prevailing price (demand being entirely dependent on imports), so much above previous prices to which consumers have adjusted their own operations, as to make it impossible for them to sell their output at the official price. In such instances it will be appropriate for the Italian Government officials and AMG or ACC officials concerned jointly to consider which is preferable: to supply the imported articles at less-than-cost prices, the Government's budget bearing the loss; or to allow the users of the imported articles to raise the prices of their products or services so as to cover the increased cost of imported equipment or raw materials.

A commodity for immediate consideration is imported coal. It is strongly recommended that all imported coal on arrival be billed to the Italian Government at landed cost. But it will then be necessary to determine what policy the Italian Government should follow in selling or charging that coal to State and private users. Imported coal from Germany was selling at about 300 lire per metric ton prior to the invasion. American and British coal has a landed cost somewhere between 2500 and 3000 lire at Italian ports. To what extent so high a price for coal would raise the production costs of public utilities, flour mills, bakeries, machine shops, mines, etc., beyond the point at which they could continue to operate at existing prices for their products, is not known and will have to be ascertained in the case of each major user or industry. Neither is it possible from this distance to determine whether a single price for imported coal to all users (whatever that price may be) is preferable under existing circumstances to a schedule of price differentials for various classes of users. In any event, it will probably be necessary to have a considerably lower price for Sardinian coal than for imported coal in order to induce users to take the former, which is much inferior to the latter. All these matters will have to be the subject of consideration by Italian and ACC-AMG authorities.

(d) The policy laid down in paragraph 4 above, involving the billing of all imports to the Italian Government or its agencies at landed cost, will make it necessary for AMG-ACC to take account of the landed cost of the articles it receives from abroad. This would run counter to accounting procedure now being followed, but was to some extent foreseen in our NAT 73, sent to the CCS on 1 November, which said in part (paraphrased): "In the determination of prices in Italy at which we will sell imports, the landed-values schedules you are preparing will be of some assistance, although local considerations such as prevailing prices are now of predominant importance in this matter." It is also to be noted that in message 86538F1 of 6 November the War Office instructed 4747 the British Army accountants in this Theatre to keep what records they could of the value of supplies made available to the Italians, having in mind the uncertain nature of future negotiations which may have to be carried out with the Italians in reaching a final peace settlement.

5. As to the pricing of exports.

(a) So far as the price paid to the producer in Italy is concerned, it is proposed that it be based on cost(including a reasonable profit) at the point where AMG takes possession. Admittedly, having in view the disturbed conditions as to wages, cost of materials and fuel, etc., which Italian producers face, as well as the damage their plants have in many cases suffered, it will not be easy to arrive at and agree on a fair cost price. But no other policy will be readily defensible.

(b) As to the price to be charged to the buyer in the foreign market, several bases present themselves: (1)Sell at a loss (i.e. at less than landed cost) in order to adjust to prices prevailing in that market(2)Sell at a price designed to cover landed costs. (3) Sell at a price above landed costs by an amount considered reasonable in view of prices prevailing in the market. Each of these possibilities will be considered.

(1) It should not be necessary to sell at a loss, inasmuch as Italian exportable surpluses consist of goods(sulphur, citrus by-products, fruit, nuts, wine) which in view of wartime scarcities can in most cases readily be sold in foreign markets at prices which will avoid a loss.

(2) Selling abroad at prices designed only to cover landed costs would be from some points of view the most defensible policy. It would be readily accepted by Anglo-American opinion as being fairly comparable to the policy herein recommended of charging imports to the Italians at prices covering landed costs. However, there are persuasive arguments in favor of basis no. 3, which are next presented.

(3) In general, it is recommended that exports be priced to foreign buyers at prices above landed costs by an amount considered reasonable in view of prices prevailing in the buyers country. This policy would have several advantages, to offset the disadvantage mentioned in(2) above. (a)It would provide a reserve which, though not accruing to the immediate benefit of the Italian producers, would be available to meet future contingencies. (b)It would be entirely reasonable in the case of exports to neutral countries such as Spain, Turkey, or Argentina to price them at levels prevailing in those countries. (c) Reasonable prices, even though above landed costs, would not be unfair to consumers in Allied markets, and the 4746

resulting extra amounts of foreign exchange(dollars, sterling, francs, etc.)could be held for appropriate disposition in the future--possibly though not necessarily - as a partial reimbursement to Allied Governments for goods supplied to Italy for civilian purposes.

6. Consideration should be given to the instrumentality through which exports and imports will be accounted. While all such transactions could be carried directly into AMFA's balance sheet, it is suggested that it is preferable to open separate accounts for this purpose because (a)AMFA's accounts are not designed to carry inventories and (b)it is not yet clear that AMFA is to carry foreign exchange. It is therefore proposed that an Export and Import Agency (or separate agencies for each)be created as part of the appropriate sub-commission in the same way that AMFA is part of the Finance Sub-Commission and that over its books all accounting of exports to and imports from Italy should pass.

The following hypothetical summarized statement of account is offered as an illustration of the way in which such an agency might function.

Statement(s) of Account as at ? date
(all amounts in lire)

ASSETS		LIABILITIES	
EXPORTS		EXPORTS	
Cash in hand and at bankers	10,000,000	Sundry creditors: Advances obtained from AMFA for purchase goods for export	65,000,000
Cash(in foreign exchange)at bankers abroad, converted at current rate of exchange	50,000,000	Balance on export account	10,000,000
Goods in hand, at cost	15,000,000		
Total	75,000,000	Total	75,000,000
IMPORTS		IMPORTS	
Cash at AMFA or bankers (proceeds sales of imported goods to Italian Government or its agencies	140,000,000	Sundry creditors: Econ. & Indus. Sub-Comm.(value of goods rec'd at landed cost)	140,000,000
Total	140,000,000	Total	140,000,000

An examination of this statement will indicate several points. (1) Imports can be carried into the accounts of the Agency at costs, and then sold or billed to the Italian Government or its agencies at a price in lire designed to cover this 4745 cost. Should any instances occur in which ACC or AMG itself sold at a loss, this would be reflected by a deficit on the asset side. (2) Any surplus of foreign exchange over cost of exports would be carried visibly. If the above accounts were being liquidated in the course of negotiations with the Italian Government, the state of import accounts is clear: i.e., a sum of lire obtained for imports in some instances sold directly to the users but generally billed to the Italian Government at cost. The possibility of converting these lire into the desired foreign currencies will be one of the post war problems. As to the export accounts, and considering the item 10,000,000 lire "Balance on export a/c", this accrues as a result of selling exports above cost and remains after the Italians have been fully satisfied by payment to the producers of goods exported of a price including a fair profit. As stated, it can be set aside as a reserve to adjust prices paid to producers if subsequent analysis shows those originally paid to have been inadequate to keep the producers in business. Failing that, it becomes the property of the Allies. Apart from this, the whole amount shown as an asset at 50,000,000 lire will exist in foreign exchange. The disposition of this foreign exchange will remain for discussion, for example as to whether part or all of it will be made available to the Italians in meeting the Allies' demand for conversion of the lire held in the import accounts.

Supply Division

Finance Division

4744

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ALLIED FORCE HEADQUARTERS
COAL SECTION
APO 512

5 December 1943

ITALY - PRICE OF COAL AND HANDLING OF COAL

1. Enquiries have shown that the price of coal to the consumer in Italy prior to the landing of Allied troops was in the neighborhood of ₤ 300.00 per ton. On a strictly commercial basis the cost to the consumer today of British or American coal would probably be about ₤ 3000.00 per ton. (N.B. The Lira-Sterling rate immediately prior to the outbreak of war between Great Britain and Italy in June 1940 was ₤ 100.00 = ₤ 1 sterling; the Lira-Dollar rate immediately prior to the Pearl Harbor attack in December 1941 was ₤ 19.8 to $1.00).

2. The greater proportion of the coal now being imported into Italy from the U.K. is used for operational purposes but there is still a certain amount of civilian traffic on the railways and coal supplied, say, to gas works, is mainly for the benefit of the civilian population.

3. The question arises as to what price is to be charged for coal supplied to Italy. I feel sure that there would be very strong objections on the part of both the United States and the United Kingdom to supplying coal at less than delivered cost. On the other hand, to increase the price of coal to the consumer tenfold would seem to lay a heavy burden on Italian national economy; it is doubtful even whether Italy could afford to pay this price.

4. It might be argued that coal supplied for military purposes (e.g., to railways) should be regarded in the same way as stores and ammunition for the Allied Forces, and, as such, not charged for. It would probably be difficult, however, to determine the proportions of coal used for purely military, as opposed to civilian, purposes; and it would seem that the better course is to charge the Italian government for all coal supplied, leaving for later decision the question as to whether any payment should be made to the Italian government for services rendered to the Allied Forces by the railways, etc.

5. If the above mentioned course be adopted, the cost of all imported coal, less that supplied to the Allied Forces for heating hospitals, cooking, etc., would be charged to the Italian government, who would pay in Italian currency, dollars or sterling being presumably not available. It would be suggested to the Italian government that, in order not to disturb too greatly the cost of living, the price of coal to the consumer should be maintained at a level approximately equal to that obtaining prior to the landing of Allied forces in Italy. The level should be raised, of course, if in the opinion of the Allied Commission

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6. The handling of coal, e.g., discharging, storage, distribution and collection of the cost from the consumer presents another problem. The system previously in force in Italy was for the government-controlled coal monopoly to purchase all coal required to be imported and then to arrange for its distribution through officially recognized and controlled groups of merchants. Insofar as can be ascertained, there is at present no control of the coal trade in Italy; but, if the government is to assume responsibility for payment for imported coal, 4743 such control is clearly necessary. It is obviously desirable that coal should be handled by people who are familiar with the trade, but at present it is being dealt with by the military authorities themselves. Due to the present condition of the ports, to the destruction of handling appliances, and to the fact that there is a pronounced shortage of transport, it is impossible for the merchants themselves to act independently of the military. If they are to function, they must be given the necessary facilities.

7. I suggest that, as a first step, the assumption of control of the trade should be discussed with the Italian government. This control should not be impossible or even difficult; the merchants in the various ports can be grouped, insofar as they are not so already, and placed under the control of the government. There should be one responsible head of each group who would receive notification from Coal Section (CM) of coal-carrying vessels expected and of the

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consumers to whom the coal should be supplied. The group would arrange for the discharge and distribution of the coal as directed by QM, such assistance as is possible in regard to allocation of discharging berths, provisions of transport, etc., being furnished by Coal Section (QM). On the other hand, the group would be responsible to the Italian government for the collection of such amount as it may be decided to charge the consumer.

8. There remains the question of Sardinian and other locally produced fuel. While retaining the right to determine the level of production and the distribution of such fuel, together with a general oversight over prices, we should leave all financial arrangements to be made and executed over by the Italian government. However, unless Italian shipping under the control of the Italian authorities themselves can be made available for the transport of Sardinian coal, it will be necessary for the Allied authorities to provide the necessary tonnage. In that event, it will be necessary to determine the rate of freight. If that freight were an "economic" freight, the resultant c. f. price of this coal would probably be in excess of that charged by the Monopoly, as Sardinian coal as well as imported coal, was subsidised. As in the case of imported coal, however, the cost of the freight could be charged to the Italian government, leaving the latter to charge whatever delivered price it thought fit to the consumer. The differential between the cost of imported and Sardinian coal to the consumer was formerly very small and it is for consideration whether in future that differential should not be increased, in view of the appreciably better quality of imported coal. A comparatively low price for Sardinian coal would probably stimulate its use.

9. To summarize:

a. All imported coal supplied to Italy should be charged to the Italian government at "economic" prices. The Italian government would pay in lira if dollars or sterling were not available.

b. The prices to be charged to the consumer will be decided in consultation with the Italian government.

c. Financial arrangements in connection with the purchase and sale of Sardinian and other locally produced fuel should be left to the Italian authorities. When Allied controlled shipping is employed in the transport of such coal, the "economic" freight should be charged to the Italian government and the cost paid in lire.

d. Discussions to be initiated with the Italian government with a view to instituting control of the handling and distribution of coal by groups of merchants and the collection by the latter of the prices agreed to be charged to the

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Brigadier Norman-Smith

MGS(AFHQ)

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HEADQUARTERS
REGION [illegible], ALLIED MILITARY GOVERNMENT
APO [illegible], U.S. Army

[illegible] 1944

SUBJECT: Prices of Petroleum Products.

TO : See Distribution.

1. The following retail prices have been decided upon by the Central Economic Committee for sales in Region III:

Gasoline	L.16.= per Liter
Kerosene	" [illegible].= " "
Gas Oil	" 14.= " "
Automotive Lubricant	" 50.= " "

2. The above prices are effective from 15 January 1944.

For the Commanding Officer:

Harold E. Pomeroy
HAROLD E. POMEROY,
Captain, AUS,
Acting Adjutant General

DISTRIBUTION:
"A"

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HEADQUARTERS
REGION 3, ALLIED MILITARY GOVERNMENT
APO 394, U.S. Army

W

29 January 1944

SUBJECT: Price of Acetylene.

TO : Base Purchasing Agent, PBS.

1. The engineer Service of P.B.S., through your office, has requested that the price of L.23.- per cubic meter on acetylene, agreed to with the SON plant, the Apice plant and the Bagnoli plant, Naples be approved. The prices were concurred in by D.D.W. of British AFHQ.

2. The recommended price has the approval of this office.

3. However, for your information, we have made an analysis of the cost of acetylene per cubic meter, and find that the price should be slightly higher. This is merely for your information.

4. This price furnished subject to revision by Hq AMG, ACMF.

For the Commanding Officer:

Harold E. Pomeroy
HAROLD E. POMEROY,
Captain, AUS,
Acting Adjutant General

DISTRIBUTION:
2 All SCAO's
3 A.C.C.
1 Hq AMG ACMF
4 Hq AMG
2 AMG 5 Army
1 Gen Econ Com ADV ECH AFHQ
2 Base Purchasing Agent, PBS.
1 Hq 57 Base Area
1 D.D.W. British of AFHQ
3 AFHQ - ADV ADM ECH
10 N.O.I.C. - Royal Navy
3 12th Air Force Service Com
4 The Prefect , Naples
2 ADV Hq 214 Group - RAF
1 Adjutant General
2 Econ & Supply
1 Labor Sec
1 Public Relations
1 Public Safety
1 Legal Sec
1 Snr Leg Officer, Naples Prov
1 TCU
5 Spare

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HEADQUARTERS
REGION 3, ALLIED MILITARY GOVERNMENT
APO 394, U.S. Army

28 January 1944.

SUBJECT: Prices of baths, manicures, etc.

TO : Alberghi Diurni Cobianchi, Piazza Trieste e Trento, Naples
Bathing Establishments, Via Bellini 45.

1. The following for baths, etc., are approved, effective 1 February 1944:

Hot bath	L. 25.00
Hot shower	" 20.00
Shoe-shine	" 6.00
Manicure	" 15.00
Pedicure	" 15.00
Toilet	" 5.00
Watercloset	" 2.00

2. These prices furnished subject to revision by 15 Army Group.

For the Commanding Officer:

Harold E. Pomeroy
HAROLD E. POMEROY
Captain, A.U.S.,
Actg Adjutant General

DISTRIBUTION:
2 All SCAO's
3 A.C.C.
1 Hq AMG 15 Army Group
4 Hq AMG
2 AMG 5th Army
1 Gen. Econ. Comm. ADV. ECH. AFHQ
2 Base Purchasing Agent, PBS
2 Hq Base Area
1 D.D.W. British of AFHQ
3 AFHQ - ADV. ADM. ECH.
10 N.O.I.C. Royal Navy
2 ADV. Hq 214 Group - RAF
3 Hq 12 Air Force Service Com.

1 Adjutant General
2 Economics & Supply
1 Labor Section
1 Public Relations
1 Public Safety
1 Legal Division
1 Snr. Legal Officer Naples Prov.
4 The Prefect Naples
1 Public Health & Welfare
5 Spares

37.2

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HEADQUARTERS
REGION 3, ALLIED MILITARY GOVERNMENT
APO 394, U.S. Army

28 January 1944.

SUBJECT: Price of Bran

TO : Division of Agriculture
Region III, AMG.

1. The price of bran is established as follows:

a. Price to be charged by miller (F.O.B. Mill) L. 99 p.Q:le

b. Price to be charged to Consumer " 123 " "

2. These prices will be effective immediately.

3. These prices furnished subject to revision by 15 Army Group.

By order of the Commanding Officer:

Harold E. Pomeroy
HAROLD E. POMEROY
Captain, A.U.S.,
Actg Adjutant General

DISTRIBUTION:
2 All SCAO's
3 A.C.C.
1 Hq AMG 15 Army Group
4 Hq AMG
2 AMG 5th Army
1 Cen. Econ. Comm. ADV. ECH. AFHQ
2 Base Purchasing Agent, PBS
1 Hq 57 Base Area
1 D.D.W. British of AFHQ
3 AFHQ - ADV. ADM. ECH.
5 N.O.I.C. - Royal Navy
2 ADV. HQ 214 Group - RAF
3 Hq 12 Air Force Service Comm.

1 Adjutant General
2 Economics & Supply
1 Labor Section
1 Public Safety
1 Legal Division
1 Senr Legal Officer, Naples Prov.
1 Agriculture
1 Transportation Comm. & Util.
4 The Prefect, Naples Prov
1 SEPRAL
10 Spare

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File 14

HEADQUARTERS
REGION 3, ALLIED MILITARY GOVERNMENT
APO 394, U.S. Army

27 January 1944.

SUBJECT: Nose Bags.

TO : Lt. Mortimer Specter, QM.
Office of QM Procurment Div. PBS.

1. You have requested the recommendation of this office as to the price which should be paid for Nose Bags (for feeding horses) made out of hemp, sizes 41 cms. deep by 38½ cms wide, weight approximately 235 grs. per bag.

2. Signor Luigi Salerno, Via Argini ai Granili 27, had submitted a bill for 3000 Nose Bags at a price of L.120.= each.

3. It is the recommendation of this office that the price should be L.60.= each, which is reasonable.

4. This price is subject to revision by Hq AMG, ACMF.

For the Commanding Officer:

Harold E. Pomeroy
HAROLD E. POMEROY
Captain, A.U.S.,
Acting Adjutant General

DISTRIBUTION
2 - All SCAO'S
3 - A.C.C.
4 Hq AMG
2 AMG - 5th Army
1 Gen. Econ. Comm. ADV. ECH. AFHQ
2 Base Purchasing Agent, PBS
2 Hq 57 Base Area
1 D.D.W. British of AFHQ
3 AFHQ - ADV. ADM. ECH.✓
10 N.O.I.C. Royal Navy
3 Hq 12 Air Force Service Com.
2 ADV. HQ. 214 Group - RAF
1 Adjutant General
2 Economics & Supply
1 Labor Section
1 Public Relations
1 Public Safety
1 Legal Div
1 Snr. Legal Officer, Naples Prov.
1 Agriculture
1 Transportation Comm. & Util.
4 The Prefect, Naples Prov.
10 Spares

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HEADQUARTERS
REGION 3, ALLIED MILITARY GOVERNMENT
APO 394, U.S. Army

SUBJECT: STEEL PRICES. 27 January 1944

TO : Base Purchasing Agent, PBS.

1. On 11 January 1944, this office, in fixing the price to be paid for steel requisitioned by the army, stated that the vendors claims for additional paymentsshould be filed with the Allied Claims Commission.

2. We have been advised that the Allied Claims Commission at present in Naples does not handle claims of this character, but that an Allied Claims Commission will be formed in the future to deal with these matters.

For the Commanding Officer:

Harold E. Pomeroy
HAROLD E. POMEROY
Capt., AUS,
Acting Adjutant General

DISTRIBUTION

2 A.C.C.
I HQ. AMG. I5 Army Group
2 AMG. HQ.
2 Base Purchasing Agent, PBS
I HQ. 57 Base Area
I D/D/W/ British of AFHQ
3 AFHQ - ADV.ADM.ECH.
IO N.O.I.C. - Royal Navy
I Gen.Econ.Com.,ADV.ECH.AFHQ
I AMG. 5th Army
I Adjutant General
I Economics & Supply
I Labor Division
I Public Relations
I Public Safety
I Legal Division
I Allied Claims Comm.
2 Transportation Com. & Util.
I The Prefect, Naples
I Consiglio Prov. d'Economia

37.2

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220838A N-3290 RAD

Signal Corps, United States Army

Telegram PRIORITY

Received at SECRET 19

PENINSULAR BASE SECTION
SIGNAL MESSAGE CENTER

~~22 JANUARY 1944~~ Fil

•SECRET

•PRIORITY

TO (ACTION) : CG PBS FOR GRADY RPTD FREEDOM FOR MGS AND FILPOT FOR AMG

(INFORMATION) : NONE

FROM : FATIMA SIGNED MACFARLANE

DATE TIME SIGNED: 211825A

DATE TIME REC'D : 220838A

REFERENCE NR. : 2021

CITE : NONE

REFERENCE HENDERSON QUERY INCREASE IN SALT PRICES EFFECTIVE 15 JANUARY WAS ADOPTED AS A REVENUE MEASURE BY ITALIAN GOVERNMENT 3 JANUARY PRIOR TO HENDERSON'S CABLE OF 8 JANUARY. AM SENDING COPIES OF PROPOSED DECREES INCREASING POSTAL RATES, TELEGRAPH RATES AND MAXIMUM RENTS. PLEASE PASS TO HENDERSON UNLESS YOU HAVE ESTABLISHED A DIFFERENT PROCEDURE.

Info - mgs adv
Aug 49

TO (ACTION) : CG PBS FOR GRADY RPTD FREEDOM FOR MGS AND FILPOT FOR AMG

(INFORMATION) : NONE

FROM : FATIMA SIGNED MACFARLANE

DATE TIME SIGNED: 211825A

DATE TIME REC'D : 22Ø838A

REFERENCE NR. : 2Ø21

CITE : NONE

REFERENCE HENDERSON QUERY INCREASE IN SALT PRICES EFFECTIVE 15 JANUARY WAS ADOPTED AS A REVENUE MEASURE BY ITALIAN GOVERNMENT 3 JANUARY PRIOR TO HENDERSON'S CABLE OF 8 JANUARY. AM SENDING COPIES OF PROPOSED DECREES INCREASING POSTAL RATES, TELEGRAPH RATES AND MAXIMUM RENTS. PLEASE PASS TO HENDERSON UNLESS YOU HAVE ESTABLISHED A DIFFERENT PROCEDURE.

Info - Mgs Adv
Amg Hq
G-4
CS
Secy

4736

FORM #18-A SECRET CRYPTO J. Kleckel

37.2 10516 022

Wt. 9583/60587. 10m.(Pds. of 100). 4/43. A.P.L. 845 Gp. 745/8.

ARMY FORM C 2136 (Large)

MESSAGE FORM

Register No.

Call	Srl. No.	Priority	Transmission Instructions

ABOVE THIS LINE FOR SIGNALS USE ONLY.

Office Date Stamp

FROM Originator.
(A) FROM FLAMBO FROM C E C

Date-Time of Origin.
16 JAN 0930 A

For Action.

TO FREEDOM FOR M G S IMMEDIATE

TO

(W) For Information (INFO)

Message Instructions. GR

98 = =

Originator's No.

C E C [illegible] X SECRET Hamilton Smith of
Allied Publications Board advises that you instructed him to submit
requisitions through Central Economic Committee X Parsn For Freedom for
M G S for Butterworth signed Henderson Parsn X Please confirm X ~~When~~
~~[illegible]~~ X Assume that newsprint
is to be treated ~~like~~ like other imported articles and charged to Italian
Government at landed cost X What is landed cost X Please advise soonest
as Publication Board has requested that C E C establish uniform retail
price at meeting on 20 January X

requisitions through Central Economic Committee X Paren for [illegible]

N G S for Butterworth signed Henderson Paren X Please confirm X ~~[illegible]~~

~~[illegible]~~ X Assume that newsprint

is to be treated ~~[illegible]~~ like other imported articles and charged to Italian

Government at landed cost X What is landed cost X Please advise soonest

as Publication Board has requested that C E C establish uniform retail

price at meeting on 20 January X

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This message may be sent AS WRITTEN by any means except .... WIRELESS.	If liable to be intercepted or to fall into enemy hands this message must be sent IN CIPHER.	Originator's Instructions. Degree of Priority.	Time	System	Op
		IMMEDIATE	THI or TOR		
			Time Cleared		
Signed.	Signed. A.I.HENDERSON, LT.COL.				

ALLIED FORCE CENTRAL ECONOMIC COMMITTEE

APO 400

14 January 1944

SUBJECT: Establishment of Olive Oil Prices.

TO : Deputy President, ACC
DCCAO, AMG
DCCAO, AMG 15th Army Group

1. Minute # 5 of the minutes of the Central Economic Committee held 12 January 1944 reads in part as follows:

"b. It was agreed:

1. The maximum price for olive oil shall be 2200 Lire per quintal throughout the mainland. The Italian government is to be directed to reduce its maximum price from 2500 to 2200 Lire per quintal for the first category (acidity up to 0.8 per quintal) and other prices are to be reduced proportionately.
2. Maximum prices for the various categories in use in Apulia are appended in Appendix A. Maximum prices for the various categories in use in Regions II, III, and IV are appended in appendix B."

2. The Allied Control Commission is requested to direct the Italian Government to amend Ordinance No. 17 dated 28 December 1943 in accordance with the above minute and the prices set forth in the attached appendix A. effective 14 January 1944.

3. DCCAO, AMG as to Region II and DCCAO, AMG 15th Army Group as to Regions III and IV are requested to issue the necessary orders implementing the prices set forth in the attached Appendix B effective 14 January 1944.

4. It is requested that a copy of the revised Ordinance No. 17 as relates to Apulia and of the orders issuedwith regard to Regions II, III, and IV be suppliedto the Committee for its information.

For the Committee:

A. I. HENDERSON
Lt. Col., A.U.S.,
Chief Executive,
Central Economic Committee

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~~ALLIED FORCE~~

CENTRAL ECONOMIC COMMITTEE

APO 400

14 January 1944

SUBJECT: Establishment of Coal Prices.

TO : Deputy President, ACC
DCCAO, AMG
DCCAO, AMG 15th Army Group.

1. Minute # 10 of the minutes of the Central Economic Committee meeting held 12 January 1944 reads in part as follows:

"10, b. It was agreed:

1. Imported coal not including Sardinian coal shall be charged to the Italian Government at landed cost.
2. Such coal shall be sold to essential civilian users at a price of 1200 Lire per metric ton CIF Ita[illegible]n ports.
3. Newly imported Sardinian coal shall [illegible]old to essential civilian users at a base price of 5[illegible]0 L[illegible] per metric ton CIF Italian ports."
(Price differenials for various grades of Sardinian coal are being prepared by Brigadier Norman Smith, AFHQ).
"c. **************
d. It was agreed: (with reference to private stockpiles)
1. German coal in private stockpiles be allocated for sale at a price of 1,200 Lire per metric ton at stockpile.
2. Sardinian coal in private stockpiles be alloc[illegible]ted for sale at a base price of 550 Lire at stockpile."

2. The Allied Control Commission is requested to direct the Italian Government to issue the necessary ordinance to carry the foregoing prices into effect as of 1 December 1943.

3. DCCAO, AMG as to Region II and DCAO, AMG 15th Army Group as to Regions III and IV are requested to issue the necessary orders to carry the foregoing prices into effect as of 1 December 1943.

4. It is requested that [illegible] copy of these orders be supplied to the Committee for its information.

For th[illegible] Committee:

A. I. HENDERSON,
Lt. Col., A.U.S.,
Chief Executive,
Central Economic Committee

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ALLIED FORCE
CENTRAL ECONOMIC COMMITTEE

APO 400

14 January 1944

SUBJECT: Establishment of Olive Oil Prices.

TO : Deputy President, ACC
DCCAO, AMG
DCCAO, AMG 15th Army Group

1. Minute # 5 of the minutes of the Central Economic Committee held 12 January 1944 reads in part as follows:

"b. It was agreed:

1. The maximum price for olive oil shall be 2200 Lire per quintal throughout the mainland. The Italian government is to be directed to reduce its maximum price from 2500 to 2200 Lire per quintal for the first category (acidity up to 0.8 per quintal) and other prices are to be reduced proportionately.
2. Maximum prices for the various categories in use in Apulia are appended in Appendix A. Maximum prices for the various categories in use in Regions II, III, and IV are appended in appendix B."

2. The Allied Control Commission is requested to direct the Italian Government to amend Ordinance No. 17 dated 28 December 1943 in accordance with the above minute and the prices set forth in the attached appendix A. effective 14 January 1944.

3. DCCAO, AMG as to Region II and DCCAO, AMG 15th Army Group as to Regions III and IV are requested to issue the necessary orders implementing the prices set forth in the attached Appendix B effective 14 January 1944.

4. It is requested that a copy of the revised Ordinance No. 17 as relates to Apulia and of the orders issuedwith regard to Regions II, III, and IV be suppliedto the Committee for its information.

For the Committee:

A. I. HENDERSON
Lt. Col., A.U.S.,
Chief Executive,
Central Economic Committee

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See 29F

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1076

Declassified E.O. 12356 Section 3.3/NND No. 785016

ALLIED FORCE
CENTRAL ECONOMIC COMMITTEE
APO 400

14 January 1944

SUBJECT: Establishment of Wheat Prices.

TO : Deputy President, ACC
DCCAO, AMG
DCCAO, AMG 15th Army Group.

1. Minute # 8 of the minutes of the Central Economic Committee meeting held 12 January 1944 reads in part as follows:

"b. It was agreed:
****
2. Deliveries made on or before 31 December 1943 are entitled to a bonus of 150 Lire per quintal in Regions III and IV, making an aggregate price of 450 Lire.
3. Deliveries completed from 1 January 1944 through 10 January 1944 in Regions II, III and IV are entitled to a bonus of 115 Lire per quintal making an aggregate price of 415 Lire.
4. Deliveries completed from 11 January 1944 through 20 January in Regions II, III and IV are entitled to a bonus of 100 Lire per quintal making an aggregate price of 400 Lire.
5. Deliveries completed from 21 January 1944 through 31 January 1944 is Regions II, III, and IV are entitled to a bonus of 75 Lire per quintal making an aggregate price of 375 Lire.
6. Ordnance # 16 issued by the Italian Government on 28 December 1944 is approved. Changes in bread prices are not authorized."

2. Deliveries above referred to embrace only those made to the ammassi.

3. DCCAO, AMG as to Region II only and DCCAO, AMG 15th Army Group as to Regions III and IV are requested to issue the necessary orders implementing the above prices effective 14 January 1944.

4. It is requested that a copy of these orders be supplied to the Committee for its information.

For the Committee:

A. I. HENDERSON,
Lt. Col., A.U.S.,
Chief Executive,
Central Economic Committee

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ALLIED FORCE
CENTRAL ECONOMIC COMMITTEE
APO 400

14 January 1944

SUBJECT: Establishment of Hemp Prices.

TO : DCCAO, AMG
DCCAO, AMG 15th Army Group
Deputy President, ACC

1. Minute # 7 of the minutes of the Central Economic Committee meeting held 12 January 1944 reads in part as follows:

> "7, b, 2. Ammasso prices for balance of the 1942 and 1943 hemp crops are established at the prices shown on the list submitted to the meeting and included in appendix C."

2. List of the established prices is appended to this letter.

3. DCCAO, AMG as to Region II and DCCAO, AMG 15th Army Group as as to Regions III and IV are requested to issue the necessary orders implementing these prices effective as of 14 January 1944.

4. It is requested that a copy of these orders be supplied to the Committee for its information.

For the Committee:

A. I. HENDERSON,
Lt. Col., A.U.S.,
Chief Executive,
Central Economic Committee.

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ALLIED FORCE
CENTRAL ECONOMIC COMMITTEE
APO 400

Appendix C - Minutes
" " - Hemp Ltr.

AMMASSO PROVINCIALE CANAPA

NAPOLI

Prezzi lordi da corrispondersi

Spago Superiore Paesano	3340
" Chiaro Paesano	3275
Exstrissimo " "	3150
Exsta " "	2905
Spago mezzo col. paesano	3110
Exstrissimo " " "	2885
Exstra " " "	2655
Spago scolorato	2655
Exstrissimo scol. paesano	2515
Exstra " "	2365
Spago chiaro forestiero	3195
Exstrissimo" "	3010
Exstra " "	2765
Spago mezzo col. forestiero	2930
Exstrissimo " "	2765
Exàra " "	2530
Spago scolorato forestiero	2575
Exstrissimo " "	2435
Exstra " "	2285
Scarti Chiari	2080
" scolorati	1895
Canapone 1	2245
" 2	2120
" 3	1940
Scarti canapone	1690
Cimaglie canapa	1690
" Canapone	1360
Stoppa 1 chiara	1165
" " scolorata	1030
" 2 chiara	1055
" " scolorata	950
" 3 chiara	1000
" " scolorata	875
Feina Chiara	785
" scolorata	685

4729

ALLIED FORCE
CENTRAL ECONOMIC COMMITTEE
APO 400

14 January 1944

SUBJECT: Establishment of Petroleum Prices.

TO : Deputy President, ACC
DCCAO, AMG
DCCAO, AMG 15th Army Group.

1. Minute # 9 of the minutes of the Central Economic Committee meeting held 12 January 1944 reads in part as follows:

> "9, b. It was agreed that the retail prices on petroleum products on the mainland be established as follows:
>
> 1. Gasoline (petrol)----------------------16 lire per litre.
> 2. Kerosene---------------------------------14 lire per litre.
> 3. Gas oil------------------------------------14 lire per litre.
> 4. Automotive Lubriant oil----------------50 lire per litre.
> 5. The usual differenitals for agricultural and fishing purposes due to lower taxes and imposts will prevail."

2. The Allied Control Commission is requested to direct the Italian Government to issue the necessary ordnance to carry the foregoing schedule into effect as of 15 January 1944.

3. DCCAO, AMG as to Region II and DCCAO, AMG 15th Army Group as to the foregoing prices into effect as of 15 January 1944.

4. It is requested that a copy of these orders be supplied to the Committee for its information.

For the Committee:

A. I. HENDERSON,
Lt. Col., A.U.S.,
Chief Executive,
Central Economic Committee.

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ALLIED FORCE
CENTRAL ECONOMIC COMMITTEE
APO 400

14 January 1944

SUBJECT: Establishment of Hemp Prices.

TO : DCCAO, AMG
DCCAO, AMG 15th Army Group
Deputy President, ACC

1. Minute # 7 of the minutes of the Central Economic Committee meeting held 12 January 1944 reads in part as follows:

> "7. b. 2. Ammasso prices for balance of the 1942 and 1943 hemp crops are established at the prices shown on the list submitted to the meeting and included in appendix C."

2. List of the established prices is appended to this letter.

3. DCCAO, AMG as to Region II and DCCAO, AMG 15th Army Group as as to Regions III and IV are requested to issue the necessary orders implementing these prices effective as of 14 January 1944.

4. It is requested that a copy of these orders be supplied to the Committee for its information.

For the Committee:

A. I. HENDERSON,
Lt. Col., A.U.S.,
Chief Executive,
Central Economic Committee.

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ALLIED FORCE
CENTRAL ECONOMIC COMMITTEE
APO 400

Appendix C - Minutes
" " - Hemp Ltr.

AMMASSO PROVINCIALE CANAPA

N A P O L I

Prezzi lordi da corrispondersi

Spago Superiore Paesano	3340
" Chiaro Paesano	3275
Exstrissimo " "	3150
Exsta " "	2905
Spago mezzo col. paesano	3110
Exstrissimo " " "	2885
Exstra " " "	2655
Spago scolorato	2655
Exstrissimo scol. paesano	2515
Exstra " "	2365
Spago chiaro forestiero	3195
Exstrissimo" "	3010
Exstra " "	2765
Spago mezzo col. forestiero	2930
Exstrissimo " "	2765
Exsra " "	2530
Spago scolorato forestiero	2575
Exstrissimo " "	2435
Exstra " "	2285
Scarti Chiari	2080
" scolorati	1895
Canapone 1	2245
" 2	2120
" 3	1940
Scarti canapone	1690
Cimaglie canapa	1690
" Canapone	1360
Stoppa 1 chiara	1165
" " scolorata	1030
" 2 chiara	1055
" " scolorata	950
" 3 chiara	1000
" " scolorata	875
Feina Chiara	785
" scolorata	685

4726

CONFIDENTIAL. IMPORTANT. FOLIO NO: [illegible]
TELEPRINTER MESSAGE 14 JAN 44
IN

FROM: [illegible] [illegible] HENDERSON TOO 1800A.14
TO: [illegible] BRINDISI TOR 2009A.14
INFO: [illegible] FOR AMG
ORIG.NO: [illegible]

REPORTED HERE THAT ITALIAN GOVERNMENT HAS OR IS ABOUT TO REVISE SALT PRICES. IN THIS CONNECTION ATTENTION IS INVITED TO YOUR 1888 DATED 8 JANUARY.

AMG 1 ACTION [illegible] 2244A.15
[illegible] 2350 A.14 [illegible]

37.2 [illegible]

CEC Naples 4725

SECRET

HEADQUARTERS PENINSULAR BASE SECTION

12 JANUARY 1944

SECRET

PRIORITY

TO (ACTION)	:	CG PBS FOR AMG/ACC FOR HAMLEN
(INFORMATION)	:	NONE
FROM	:	FATIMA FROM FOLEY SIGNED JOYCE
DATE TIME SIGNED	:	121401A
DATE TIME REC'D	:	121812A
REF. NR.	:	1940
CITE	:	NONE

Col Legg has

REFERENCE OUR 1887 OF 8 JANUARY. UP TO PRESENT TIME WE HAVE BEEN SELLING IMPORTED FLOUR AT PREVAILING ITALIAN PRICES, 210 LIRE PER QUINTAL. INASMUCH AS ITALIAN GOVERNMENT HAS INDICATED ITS INTENTION TO INCREASE FLOUR PRICE, PLEASE ADVISE WHETHER IMPORTED FLOUR PRICES SHOULD BE INCREASED, AND IF SO, TO WHAT FIGURE. IN MEANTIME FLOUR PRESENTLY BEING OFF-LOADED WILL CONTINUE TO BE SOLD AT PRICE INDICATED ABOVE.

ACTION: AMG HQ.

INFO. : MGS ADV.
C.G.
SECY

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SECRET 4724

4-13

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HEADQUARTERS
REGION 3
ALLIED MILITARY GOVERNMENT
APO 464, U.S. ARMY

11 January 1944.

SUBJECT: STEEL PRICES.

TO: Base Purchasing Agent, PBS.

1. On 14 December 43, you transmitted a proposal for new steel prices prepared by Dr. Scotti of the Economic Provincial Council of Naples and approved by the Engineer Officer and by D.D.W. British of AFHQ. It was stated that the proposed prices represented an increase of 70% over the previous legal prices.

2. Numerous conferences have been held with the E.P.C. and with representatives of the steel companies, and we have also discussed the matter with Col. Streck and Major Mc Donald of the Engineer Service. The conclusion has been reached that the proposed prices are unsound.

3. The prices recommended by the E.P.C. provide for increases substantially in excess of the 70%. They added to the previous legal prices three items:

a) An increase of 100% on the previous legal prices in lieu of subsidy from the Italian Government which it was alleged had not been paid to any extent on the stocks in question.

b) A charge of L.55.= per quintal equivalent to the "rough benefit" formerly paid to wholesaler, which benefit the manufacturers now wish to receive on the theory that they are taking the place of the wholesaler.

c) A charge of L.30.= per quintal for removal of the steel from demolished warehouses etc., which charge would be eliminated if the army removed the steel.

4. It is our conclusion that the previous legal prices should be paid at this time, and that the steel companies should file claims with the Allied Claims Commission for the subsidy, and any other aspects of the charge to which they believe they are entitled. 4723

5. The representatives of the steel companies and the Economic Provincial Council of Naples have been advised of this decision. These prices are subject to revision by HQ. 15 Army Group.

37.2

6. The Economic Council is being requested to supply you with a list of legal prices.

GUY I. WARREN
Lt.Col., Director
Economics & Supply
Region 3

DISTRIBUTION:

2 A.C.C.
1 HQ. AMG. 15 Army Group
2 AMG. HQ.
2 Base Purchasing Agent, FBS
1 HQ. 57 Base Area
1 D.D.W. British of AFHQ
3 AFHQ - ADV.ADM.ECH.
10 F.O.I.C. Royal Navy
1 Central Economic Committee, ADV.ECH.AFHQ.
1 AMG. 5th Army
1 Adjutant General
1 Economics & Supply
1 Labor
1 Public Relations
1 Public Safety
1 Legal
1 Allied Claims Commission (with enclos)
2 Transportation Com. & Util.
1 The Prefect, Naples
1 Consiglio Provinciale d'Economia

4723

Item III

IMMEDIATE CIPHER MESSAGE IN CONFIDENTIAL. SIGS NO 6159

TO :- FLAMBO FOR HAMBLEN RPTO FREEDOM FOR MGS AND FILPOT FOR AMG

FROM FATIMA SIGNED JOYCE 18888 08 Jan

REF CEC 7527. WE HAVE ADVISED ITALIAN GOVERMENT AS REQUESTED AND THEY HAVE GIVEN US ASSURANCES THAT IN FUTURE WAGE AND PRICE ORDERS WILL BE SUBMITTED TO ACC BEFORE ISSUANCE. IN TURN WE WILL INFORM CENTRAL ECONOMIC COMMETTEE. WITH RESPECT TO WHEAT AND OLIVEOIL PRICE INCREASES ORDERS HAD ALREADY BEEN POSTED AND COULD NOT BE WITHDRAWN WITHOUT CAUSIN GOVERNMENT CONSIDERABLE EMBARRASSMENT. UNDER CIRCUMSTANCES WE CONSIDER IT INADVISABLE TO ASK FOR REVOCATION.

SMC DISTRIBUTION ACTION :- G4.
INFO :- CENTRAL
ECONOMIC COMMITTEE.

SMC TOR 090945A/FM

B.T.

Colt Sloan

To be reported at CEC meeting. What was price before? What is price elsewhere?

1720

8th Army = 2050
IV — 1960 1900
III — 1900
II — 1850

4721

17/9

1443

HEADQUARTERS
ALLIED MILITARY GOVERNMENT
ECONOMIC DIRECTORATE
APO 512

ED/JHT/wni

6 January 1944

SUBJECT: Ordnances, Italian.

TO : Lt. Col. Henderson Chief Executive, Central Economic Committee.

1. Please find attached translated copies of Ordnances No. 16 and 17 of the General Food Commission. The originals have already been published and posted, and cannot therefore be withdrawn.

2. Maj. Gen. Joyce has taken steps to prevent the recurrence of such a step without notice to and consent of those concerned.

Ordinances in file of Second CEC meeting x

D. S. ADAMS
Colonel, C. E.
Chief Staff Officer

Copy to:

HQ AMG Region II
" " " III
Agriculture Sub-Commission
Finance Sub-Commission
Industry & Commerce Sub-Commission
Labor Sub-Commission

37.2

4720

CEC
rec. 11 Jan
reg No 90

Declassified E.O. 12356 Section 3.3/NND No. 785016

CENTRAL ECONOMIC COMMITTEE
APO 400

1 January 1944

SUBJECT: Establishment of Uniform or Standard Prices.

TO: Acting Deputy President, Allied Control Commission.
Chief, AMG 15th Army Group.
Chief, Headquarters AMG.

1. Paragraph 3, e of AFHQ Administrative Memorandum No. 92, dated 19 December 1943, directs the Central Economic Committee to establish the prices at which supplies imported for the civilian population will be sold, and to establish uniform or standard prices for such other essential commodities or services as may be considered necessary.

2. It is requested, therefore, that all proposals designed to establish uniform or standard prices for essential commodities or services be referred to the Committee for approval prior to their issuance.

For the Committee:

A. I. HENDERSON,
Lt. Col., A. U. S.,
Chief Executive,
Central Economic Committee

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