

1940.

NEW ZEALAND.

ACTIVITIES OF THE MINISTRY OF SUPPLY IN RELATION TO THE WAR.

STATEMENT BY THE HON. D. G. SULLIVAN, MINISTER OF SUPPLY.

Presented to both Houses of Parliament by Leave.

INTRODUCTION.

FOR many years past the growing importance of supplies in the conduct of war has been gaining increasing recognition. The Supply Organization has come to be acknowledged as the fourth arm of the defence services. Modern war engages the whole nation, and while one part of the nation's resources of plant, machinery, men, and materials is called upon to help directly the operations of the fighting forces, the other part must increase production of requirements to maintain both the civil life of the nation and the export trade, the latter to provide credit for the purchase of essential imports. Hence of recent years a new science has arisen, sometimes termed "industrial mobilization"—that is, planning in peace for the conduct of the life of the nation in war.

So far as New Zealand is concerned, the Supply Organization which has come into being in this war was under consideration by sub-committees of the New Zealand Committee of Imperial Defence as early as 1933. Following upon the establishment of the Organization for National Security, the National Supply Committee was appointed later and various sub-committees were set up to investigate specific problems of supply, in the widest sense of the term, in war. In 1937 it was evident that little further progress could be made until a comprehensive survey was undertaken of industrial requirements, and accordingly a questionnaire was prepared and circulated to all major factories in the Dominion. The replies to the questionnaire were classified and tabulated, and a special staff was employed whose duty it has been to maintain constant contact with industry, encouraging manufacturers to experiment with local substitutes for imported items, and to maintain adequate reserve stocks of essential materials.

Owing to New Zealand's position as a primary-producing country the problems of supply in war differ considerably from those generally accepted overseas. Whereas the first problem in most countries would be the supply of food and the evolution of rationing schemes so as to conserve what stocks were available, we in New Zealand, fortunately, are not faced with this problem, but in its place we have the problem of the expansion of production of essential foodstuffs for Great Britain. This question involves consideration of cool-storage facilities, shipping arrangements, &c., and all these matters until the outbreak of war were the concern of the National Supply Committee.

At the time of the Munich crisis in September, 1938, considerable progress had been made; certain surveys had been conducted and recommendations finalized; research into specific matters had been completed, and in some cases draft regulations had been prepared for the control and rationing of supplies in time of war. From the time of the Munich crisis, however, considerable impetus was given to the Supply Organization. The Department of Industries and Commerce, which had up to that time been represented on all the supply committees of the Organization for National Security, was given the responsibility of organizing and co-ordinating a much wider and more detailed investigation of supply problems than had up to that time been attempted. A much more detailed questionnaire than that used in 1937 was prepared and addressed to specific industries. A very much better response from the commercial community was evident, and this information was duly scheduled and tabulated.

The following list of committees will indicate the scope of the investigations into supply matters which was commenced in September, 1938 :

- Price-control.
- Overseas Trade.
- Standards.
- Secondary Industries—
 - Factory-production.
 - Building-production.
 - Mining-production.
 - Timber-production.
 - Transport Industry.
 - Electrical Power.
- Primary Industries—
 - Dairy Industry.
 - Meat Industry.
 - Fruit Industry.
 - Wool Industry.
 - Refrigeration and Storage.
- Commodities
 - Oil Fuel.
 - Sugar.
 - Wheat and Flour.
 - Foodstuffs.
 - Medical Supplies.

As Chairman of the National Supply Committee since its establishment, I, as Minister of Industries and Commerce, have been in close touch with the action taken to investigate and study the Dominion's problem of supply in war and desire to express my appreciation of the application and industry of the many persons who comprised the various sub-committees of the Supply Organization not only during the time of the Munich crisis, but in the months which ensued before war broke out. The regulations which were gazetted immediately on the outbreak of war, and the very prompt action taken in connection with certain supply matters, have undoubtedly been of the greatest value to our country.

From the foregoing it can now be appreciated that many months of careful planning had been involved, and ample consideration and reconsideration had been given to the legislation which was introduced immediately on the outbreak of war. The scheme for supply control had in fact been completed in readiness for action a year before war broke out, but during that twelve months every effort was made to perfect and revise all proposed action, to complete the surveys of national requirements of essential commodities, and to arrange for the purchase and storage of emergency reserves.

PACIFIC DEFENCE CONFERENCE.

Representatives of the Supply Organization in New Zealand were present at the Pacific Defence Conference, and, with the Supply representatives of Britain and Australia, formed a Supply Committee under my chairmanship as Minister of Industries and Commerce. Opportunity was taken for a full discussion of supply problems of the Empire, and the report of the Committee contained recommendations for further action with supply problems and for the closest liaison with supply authorities overseas. In the few months which elapsed between the Defence Conference and the outbreak of war definite steps were taken to implement the recommendations of the Pacific Defence Conference.

RESERVE STOCKS OF ESSENTIAL COMMODITIES.

Immediately following the Pacific Defence Conference arrangements were made to establish reserve stocks of essential commodities. The majority of these stocks were carried by manufacturers at their own expense, but in some cases financial assistance was made available by the Government, and in some instances the reserves were purchased and stored by Government Departments. Through the representations of the National Supply Committee's officers, who for many months had been in close contact with manufacturers, many manufacturers established their own reserve stocks of those small or inexpensive but yet essential items required in production. It was stressed that each manufacturer was responsible for the maintenance of adequate reserves of these key materials, and consequently the reserve stocks created with the assistance of the Government comprised in the main bulk raw materials. These included, amongst others, asbestos, rubber, tin, lead, tinsplate, galvanized iron, gypsum, jute goods, phosphate, sulphur, nitrate of soda, and various other chemicals which are consumed in bulk by our manufacturing industries. To protect the food situation reserve stocks of wheat and sugar were also arranged.

It should be made clear that although the majority of the reserves were required by our primary and secondary industries it was not only the manufacturers who assisted in carrying these stocks; the fullest co-operation of importers and merchants and others was secured and, particularly in the case of bags, sacks, woolpacks, and jute goods, it was the whole-hearted co-operation of importers and merchants that enabled a very satisfactory position to be reached and adequate reserves established. Some of these reserves are still in existence, and so long as normal supplies continue to be available the policy is to purchase our requirements and use our reserve stocks in rotation as further supplies are received. In this way the reserves are maintained in volume and are kept in good condition. These reserves are being used as "buffer" stocks, and several temporary shortages have been bridged by issues "on loan subject to replacement."

MINISTRY OF SUPPLY.

On the outbreak of war the Minister of Agriculture assumed the responsibility for the production and supply problems connected with our primary industries. The fullest possible co-operation, however, is maintained between the Primary Industries Controller and other Supply Controllers with the object of ensuring that adequate supplies are made available to the primary industries and that the best use is made of such materials as are available. Although the Ministry of Supply was relieved of considerable responsibilities, by the division of work with the Minister and Department of Agriculture, there remained under my control, as Chairman of the National Supply Committee, a very wide field of responsibility, requiring a considerable range of technical information and practical experience, and necessitating, above all, the closest possible co-ordination and control.

This position had been clearly envisaged by the Organization for National Security, and proposals had been submitted for the establishment of a Ministry of Supply on the outbreak of war. Discussions had previously taken place as to the practicability of one Minister of the Crown directing and controlling a Ministry composed of Government officers in several different Departments of State.

There is no doubt now that this proposal for the Ministerial direction of the widespread ramifications of the control of materials in war has been justified by events, and it is worthy of note that the establishment of the Ministry of Supply in New Zealand has not necessitated the establishment of a new Department of State. The new Ministry is a skeleton organization within the framework of which many avenues of technical information held by Government Departments have been utilized for the effective administration of supply-control during the war period.

Notwithstanding the spreading of responsibilities outlined above, a very large share of the control of supply in war naturally fell upon the Department of Industries and Commerce, and to meet the situation Controllers were appointed to operate under the Ministry of Supply as follows:—

- Sugar Controller.
- Factory Controller.
- Oil-fuel Controller.
- Wheat and Flour Controller.
- Timber Controller.
- Building Controller.
- Electricity Controller.
- Food Controller.
- Medical Supplies Controller.
- Mining Controller.

On the creation of a Ministry of Supply I was appointed Minister of Supply. The Secretary for Industries and Commerce, Mr. L. J. Schmitt, who had been Deputy Chairman of the National Supply Committee, was appointed Secretary of Supply. Mr. J. R. Middleton, Senior Investigating Officer of the Department of Industries and Commerce, who for a considerable period prior to the outbreak of war had been acting as Co-Secretary for Supply to the Secretary of the Organization for National Security, was appointed Assistant Secretary of Supply.

The Secretariat of the Ministry of Supply is located in the Department of Industries and Commerce, Government Life Building, Wellington, and is responsible for co-ordinating activities and for control of supplies in certain instances where the commodity concerned affects several Controllers. In this way unification of policy is achieved and due regard is had to the respective requirements of various Controllers. In addition to the specific powers given to the Minister of Supply and the appropriate Controller by the various Supply Emergency Regulations, the Minister of Supply receives his general authority and powers from the Supply Control Emergency Regulations 1939.

At this stage I desire to express my keen appreciation of the complete co-operation extended to me by my ministerial colleagues. Many of the functions of the Ministry of Supply cover activities previously dealt with by other Ministers, and it is largely due to their assistance and co-operation that the supply organization has been able to administer successfully and cope with the new problems that have arisen out of the war.

METAL-SUPPLIES.

Metals comprise the most important group of commodities in war, and accordingly very careful attention is being paid to possible sources of supply, import arrangements, the stock within the Dominion, and the conservation of supplies by restricting consumption to those purposes for which substitutes are not available.

The control of metals is being handled by the Secretariat of the Ministry of Supply in close collaboration with every Controller whose sphere of control is affected by supply of metals.

The metals most affected by war conditions are the non-ferrous group such as copper, tin, lead, and zinc, and alloys of these. In the first month of the war steps were taken for immediate purchases of stocks as an interim measure, pending the clarification of the situation, and the possible adoption by the Government of a scheme for negotiation with suppliers abroad for period contracts for bulk purchases. In the early stages it was very evident that the Governments of other countries were giving close attention to supplies of essential metals, with a tendency to restrict exports on a rigid quota basis. Therefore considerable difficulty was experienced in concluding satisfactory arrangements for immediate supplies.

Many importers were unable to obtain any supplies at all, but representations by the Ministry of Supply in New Zealand to the appropriate authorities overseas were satisfactory to the extent that certain importations were obtained. It became obvious that the system of individual importers

importing non-ferrous metals did not permit of a quick and accurate stocktaking of the reserves within the country at any moment or of stocks contracted for and shipped. Accordingly, after full consideration, it was decided that the only safe step to ensure continuity of supplies was to implement a scheme which would enable the Ministry of Supply to undertake overseas purchases and importation. By this procedure it is anticipated that it will be much easier to maintain adequate supplies and at the same time take advantage of the full quota allotted for export to the Dominion. After much negotiation contracts have been arranged for these essential metals. The Ministry of Supply will bring these into the Dominion, but distribution to industry will be arranged through normal channels, thus interfering as little as possible with the business of the firms who, in the past, have been responsible for this service.

Arrangements have now been concluded through official approaches to the controlling authorities overseas for supplies of non-ferrous metals in their ingot form. In addition, the Dominion depends entirely upon overseas suppliers for semi-manufactured non-ferrous metals such as bar, tube, and sheet, and the supply of these had also to be considered. Due to the wide diversity of shapes, sections, and alloys within the non-ferrous group, it was not possible to introduce a scheme along the lines outlined for ingot supplies, and therefore importers are continuing to bring these supplies into the Dominion in the normal way. It was not until February of this year that any serious interruptions in supply of these semi-manufactured non-ferrous metals were experienced, but in that month the authorities in the United Kingdom prohibited all exports of these commodities. This necessitated urgent representations to the authorities in the United Kingdom for the largest quota which could be allocated for export to New Zealand in view of the fact that this Dominion has always been very largely dependent on the United Kingdom for these supplies. The Ministry of Supply in the United Kingdom has agreed to facilitate deliveries of certain tonnages, and the system has been evolved whereby an authority to export from the United Kingdom is obtained on the recommendation of the New Zealand Ministry of Supply.

A great deal of work has also been occasioned in arranging supplies of the ferrous group, both in the unmanufactured and manufactured form, such as steel sections of all descriptions, including black steel sheets, galvanized sheet iron, water-piping, wire, tinsplate, &c. The sources of supply for these items are more extensive than the non-ferrous group, and to a large extent the Dominion has been dependent on Australia. Unfortunately, the strike in that country introduced complications, and it was necessary to make arrangements for licenses to be granted to cover Canadian, United Kingdom, and foreign purchases. With the exception of wire and galvanized sheets, the position has been fairly well met, and now that the Australian strike has terminated it is anticipated that deliveries will be re-established from this source.

Consideration is now being given to the steps which must be taken if manufacturers in the Dominion are to live within the various quotas allocated by the United Kingdom authorities, as it is obvious that it would be defeating the purpose of the allotting of a quota by the United Kingdom if we were to adopt the principle of using up that quota and importing our excess requirements from countries outside the sterling group.

CONTROL OF IMPORTS.

The National Supply Committee of the Organization for National Security had this matter under consideration in the very early stages of its preparations for the control of supply in war. It is a fundamental principle that trade in wartime must be expanded or contracted and directed into channels in consideration of the nation's policy of assistance in the war effort.

Import control came into operation in New Zealand prior to the outbreak of war and is now being used as an instrument of control to further our war effort.

All the Dominions of the British Empire are now exercising some degree of control of imports, and most of them are experiencing the unavoidable initial difficulties through which New Zealand has gone since the first introduction of import control. The machinery set up in New Zealand, which has been tested and improved from time to time, is becoming more and more an instrument of war policy for the control and direction of trade and supplies and the conservation of foreign exchanges so that the Empire as a whole can best harvest its resources for the prosecution of the war in which we are all engaged.

In actual practice in New Zealand the import control measures are administered by the Customs Department, but through the Industries Committee the essential requirements, and the policies and proposals of the various Supply Controllers, are given due consideration. In the allocations published for the fourth licensing period due regard has been given to the representations received from the United Kingdom authorities for the conservation of foreign exchange, and the vital question of dollar funds which directly affect the extent of the United Kingdom purchases of essential munitions of war from the United States of America.

The various Supply Controllers are fully informed of the Empire's war policy in these matters, and are giving every consideration to the conservation of materials, and substitution of alternatives, so as to reduce the demand for difficult currencies.

CONTROL OF EXPORTS.

Under the Export Control Emergency Regulations 1939 the Customs Department is charged with the responsibility for the issue of all permits for exports, but, to enable action suitable to the Dominion's economy to be taken, the Ministry of Supply is called upon to make recommendations on all applications received.

The various Controllers, who are in close touch with their industries' requirements, make their recommendations, and these, through the Secretariat of Supply, are made known to the Customs Department.

Since the enforcement of these regulations, and up to the 24th May, 1940, 1,626 applications have been received. Of these, 1,514 have been granted, 84 declined, and 24 were in hand at the date mentioned, while 4 have been withdrawn. It should be noted that these figures relate to those applications referred to the Ministry of Supply and do not include those coming within the province of the Primary Industries Controller.

BUILDING - CONTROL.

Statutory Powers : Building Emergency Regulations 1939.

Building Controller : G. W. Albertson (Director of Housing Construction).

Controller's Office : Care of Department of Housing Construction, Wellington.

For many months before September, 1939, a Committee had been working to ensure that should war be declared provision would be made

- (1) For defence mobilization camps to be constructed.
- (2) For essential buildings for the primary production industries to be completed.
- (3) For essential services to be maintained.
- (4) That normal building activity should be maintained as near as possible to the basis sufficient to absorb the labour which is dependent on the building trade for its livelihood.

With the collaboration of existing Government Departments, surveys were made of construction organizations, the availability of labour, and the availability of materials. These surveys showed that material stocks were low, but it was considered that the country's most essential requirements in the case of emergency could be provided. It was realized, however, that the material requirements of the defence works would deplete existing stocks to such an extent that normal building would be greatly curtailed. War was declared, and the Building Controller was appointed and provided with wide powers. With the assistance and full co-operation of the Minister of Public Works who at once organized his Department to cope with the new task, immediate provision was made for existing construction organization and labour to be transferred from standard building works to defence contracts. Materials were procured from known sources within the country, with the result that there was completed within approximately two months after the declaration of war a mobilization-camp-construction programme which, under normal progress, would have taken four to six months to accomplish. This vigorous programme, combined with the difficulties experienced overseas in obtaining extra supplies, had, as it was anticipated, a very serious effect on the availability of materials for normal requirements. Stocks of building materials were practically depleted, but the labour which had been diverted from standard building works to defence works and which was now returning to those standard works had to be kept in employment. Materials had to be found. Fortunately, provision had been made to import reserve stocks of certain key materials from Australia and the United Kingdom. Immediately war appeared to be unavoidable an experienced officer was instructed to proceed to Australia to purchase supplies for use, first, on mobilization-camp-construction work and, secondly, to reimburse the stocks which had been taken for emergency work. Australian manufacturers, however, were flooded with orders from their local merchants in anticipation of the Australian defence requirements, but the advantages of personal contact and the realization by the Australian authorities, manufacturers, and merchants of New Zealand's war efforts resulted in supplies being made available.

In the meantime, by the careful use and rationing of available supplies, activity in New Zealand was maintained. It was necessary, however, to gazette regulations covering the use of steel sheets and galvanized tubes, and many substitute materials were incorporated in building specifications. Merchants and manufacturers on their own initiative instituted rationing schemes, and builders and contractors practised the utmost economy in the use of materials.

Industry is dependent upon continuity of supplies of materials. A shortage of one of many of the essential or key materials would be sufficient to cause a stoppage in the whole industry. Included in these key building materials are such items as tin, lead, steel wire, copper, and steel sheets and the various non-ferrous metals, all of which, however, are also key materials in the armament industry. Empire steel mills had for months been flooded with orders for the requirements of the armament industries, and by November, 1939, the building industry in New Zealand was faced, in particular, with an acute shortage of nail wire. The Building Controller, in collaboration with the Secretary of Supply and the Factory Controller, had inquiries made in the United States, Canada, and India, and was successful finally in obtaining supplies of nail wire from Belgium.

Similar difficulties have been experienced from time to time since the outbreak of war with many commodities, but it is pleasing to note that at the present time—some nine months after the declaration of war—the building industry is maintaining an activity that is at least sufficient to absorb the labour which is dependent on the industry for its livelihood. Many difficulties will yet have to be overcome. The uncertainty of supply may have the effect of reducing the desire to build, but it is hoped that, provided all interests collaborate, the industry will not suffer a depression similar to those which have been experienced under similar circumstances in the past, as any recession in building activity must have a very widespread effect on secondary industry in general and, in particular, on a large number of factories whose output is absorbed by the building trades.

ELECTRICITY-CONTROL.

Statutory Powers : Electricity Emergency Regulations 1939.

Electricity Controller : F. T. M. Kissel (Chief Electrical Engineer, Public Works Department).

Controller's Office : Care of Public Works Department, Wellington.

As soon as the Electricity Emergency Regulations 1939 were issued immediate steps were taken to ascertain from every electrical supply authority and the principal electrical trading firms the available stocks of electric-line materials such as poles, transformers, transformer-oil, overhead conductors, underground cables, insulators, &c., as well as the quantities of these materials which were then on order from overseas. Monthly returns have since been collected from these electric supply authorities and firms showing the quantities on hand and on order, and these statistics are being constantly scheduled and graphed with a view to keeping a close check on the conservation of all these materials. The policy which has been followed in the issue of permits for the use of these materials in the construction of new electric lines allots priority to defence requirements, followed then by other essential works or industries of national importance. Next in order of importance come new buildings which have been equipped for "all-electric" supply and, lastly, those premises requesting electricity but which are already equipped with some other means of obtaining lighting, heating, and power. In giving consideration to applications coming within the last class it has been necessary to defer approval in some cases, but in so doing it is felt that no undue hardship is being caused, as other methods of obtaining light, heat, and power are already in use, and electricity would be used merely as a more agreeable substitute for same.

Out of 814 applications dealt with up to 17th May, 1940, only 118, or 14 per cent., have been deferred for future reconsideration depending on circumstances then existing.

Other important activities have been enacted in connection with the protection of vital points, such as generating stations and substations, the collection of lists of the personnel of each electric supply authority showing qualifications, classifications, and ages of all man-power employed by the respective authorities. The matter of "reserved occupations" as affecting key men in the electric-power-supply industry has been carefully considered, and a schedule for same prepared in conjunction with the Man-power Committee. No obstacles have been placed in the way of men in the electrical-supply industry offering themselves for overseas service if they can be spared and substitutes obtained from among those who are over military age.

District Electrical Advisory Committees have been constituted in Auckland, Palmerston North, Christchurch, Greymouth, Dunedin, and Invercargill to assist the Electricity Controller by making recommendations to him based on knowledge of local conditions pertaining to their respective areas. With one exception (Auckland) these Committees consist of three members (two of whom are co-opted from the Electrical Supply Authorities' Association) under the chairmanship of a Public Works Department District Electrical Engineer. The Auckland Committee consists of five members, representing North Auckland, Auckland, and Waikato areas.

Appreciation of the smoothness of the transition from local to centralized control under the Electricity Emergency Regulations 1939 has been expressed by the principal electric supply authorities throughout the Dominion, and it is gratifying to know that very few of the wide powers vested in the Electricity Controller have been implemented nor has the necessity to do so yet arisen, due mainly to the full co-operation accorded him by the electric supply authorities in general.

The principal items to which the closest attention has been given are poles, transformers, and copper conductors. In the case of poles, we have still approximately nine months' supply on hand, and in the case of copper conductors there is approximately ten months' requirements available. The stocks of transformers show that on 1st April last we were in a slightly better position than at the outbreak of war.

Since its inception the centralized control of electric supply authorities' stocks of line materials has on occasions enabled wanted materials in short supply in one area to be rapidly located in other areas and despatch of same arranged for, particularly in the case of aerodromes and military camps. Information has also been tendered to the Naval authorities in connection with materials urgently required.

Close co-operation has been maintained with the Secretary of Supply in the examination of applications for licenses to import transformers, transformer spares, cables, poles, insulators, instruments, meters, street-lighting equipment, &c., ordered on behalf of electric supply authorities.

As occasion has demanded, there has been full co-operation with the Public Works Department, Mining Controller, Oil-fuel Controller, Building Controller, Price Investigation Tribunal, Air, Naval, and Military authorities.

CONTROL OF FACTORY PRODUCTION.

Statutory Powers: Factory Emergency Regulations 1939.

Factory Controller: G. A. Pascoe (Iron and Steel Commissioner).

Controller's Office: Department of Industries and Commerce, Wellington.

Prior to the war the organization for national security, working through the Industries and Commerce Department, made a survey of industries, from which was published a Manufacturer's Directory. At the same time information was gathered as to the requirements of secondary industry and also production-capacity. Regulations were prepared providing for the appointment of a Factory Controller to regulate production in the national interest.

The Factory Controller has been provided in the Factory Emergency Regulations with very wide powers over factories, factory materials, and factory capacity with the object of maintaining production levels at as near normal as possible, and of marshalling the output and capacity of our secondary industries to meet special national needs.

It is satisfactory to say that the powers provided by the regulations have had to be invoked on only a few occasions, and it is not to be assumed that in every instance the person or firm involved was not voluntarily meeting the Controller's requirements.

To assist the Factory Controller with advice on matters of principle, Cabinet appointed a Committee representing finance, manufacturers, and workers.

The individual members and the Committee as a body have provided valuable assistance.

Where the requirements of the armed services cannot be obtained by the usual tender system because of conditions as to date of delivery, magnitude of order, or for other reasons, the requisition is handed to the Factory Controller for action, and it is around military contracts that a great deal of his activities have centred in allocating work over the various units in an industry, arranging supplies of materials, ensuring prompt deliveries, maintaining an inspection of the work in progress, and of checking of qualities and standards.

Certain military contracts had been placed with the woollen-mills prior to the outbreak of war, but in September it was necessary to speed up deliveries and prepare a schedule of production up to the end of 1940 so that the mills could plan ahead, arrange for supplies of imported materials, and organize their labour force.

So far the demands upon the woollen-mills have been steadily increasing, but with the combined efforts of all concerned deliveries have been satisfactory.

The following figures of military deliveries since the war commenced are indicative of the productive effort that is being made:—

Cloth and flannel materials	712,000 yards.
Blankets	44,000 pairs.
Socks	261,500 pairs.
Vests and shorts	89,300 sets.
Jerseys	35,000

Continuous contact is maintained with the Army, Air Force, and Navy, with the object of reviewing their requirements with the changing conditions.

To meet the heavy military contracts and at the same time to cope with as great a proportion of the civil demands as possible, the mills have adopted a definite policy of expansion by plant-extension and shift-working. In certain instances men have been taken off Scheme 13 work and trained in the mills until they could undertake a night shift.

The speeding-up of deliveries from the mills enabled the making-up of uniforms to be organized on a wider basis. A great number of clothing-manufacturers throughout the Dominion are at present engaged very actively in making uniforms for the Army, Air Force, and Navy.

One of the most important items of clothing has been the new battle-dress, which, owing to its intricacy and the scale of production required, has had to be restricted to the larger concerns only. In spite of the difficulties, within a very short period the number produced will exceed 20,000. The clothing range covers the battle-dress, service uniform, drill uniform, greatcoats, hats and caps, underwear, and socks.

Approximately a quarter of a million military boots are required this year, and to ensure deliveries the services of practically every unit in the industry capable of making this class of footwear is producing its quota.

All of the tanneries are working to capacity to meet the increased demand for leather. Owing to the weight and quality required for military boots it was necessary to make special arrangements to enable the tanners to obtain sufficient quantities of the correct grade of hides. To meet these demands, and before the introduction of the Hides Emergency Regulations 1940, it was necessary for the Factory Controller on some occasions to exercise his powers of commandeer.

A considerable amount of organization was necessary to ensure adequate supplies of imported raw materials essential to the manufacture of cloth, uniforms, leather, boots, &c., and the services of the High Commissioner and the New Zealand importing agents were utilized to the full. There are still many problems to be surmounted in ensuring continuity of supplies owing to the extension of the war area, but valuable assistance is readily forthcoming from those persons who have expert knowledge of world markets.

The Factory Controller has been charged with the responsibility of ensuring the maintenance of the best quality in all the manufactures for military purposes. To this end the services of the Footwear Inspectors of the Labour Department have been made available, and facilities offered by the equipment and technical officers of the Post and Telegraph Department have been used. At the same time Clothing Inspectors have been appointed to keep in constant contact with clothing-factories during the making-up of uniforms and other garments. It is satisfactory to record that the quality of work that has been turned out is excellent, and it is felt that the clothing of our troops overseas will not be excelled.

Prior to the First Echelon proceeding to Waiouru for field training an urgent requisition for a considerable number of motor-trucks was made by the Army.

To meet this it was necessary to requisition the services of the leading motor-assembly plants and motor-body builders throughout New Zealand. By a concentrated effort on the part of the industries and officers of the Post and Telegraph Department, which Department supplied the inspection staff, what must be a record in rapid production was achieved.

Due to war conditions, factories encountered the same difficulties in obtaining imported raw materials as were met with in organizing the production of military needs, and assistance has been given in many directions by means of which a stoppage in production has been avoided.

Several industrial groups have co-operated in conserving supplies of valuable imported materials by confining production to a narrower range and curtailing the extravagant use of commodities formerly used largely for sales-promotion purposes.

Liaison with the Man-power Committee has been maintained with a view to ensuring the non-interruption of essential production by the retention for the time being of key workers.

CONTROL OF FOODSTUFFS.

Statutory Powers : Foodstuffs Emergency Regulations 1939.

Foodstuffs Controller : F. R. Picot (Director of Internal Marketing).

Controller's Office : Care of Internal Marketing Department, Wellington.

Since the outbreak of war the work of food-control has necessitated continuous attention, and everything possible has been done to maintain sufficient supplies of essential foodstuffs as well as a suitable variety. This function was entrusted to the Director of Internal Marketing, who was appointed as Food Controller under the Emergency Regulations, thus enabling the facilities of the Internal Marketing Division to be employed to the fullest extent in the administration of food-control.

During the first week of September last a complete survey of the stocks of the more important foodstuffs held in wholesale merchants' stores was effected by the Division. This was followed by the inauguration of a system of weekly returns of stocks for twenty-seven commodities. Merchants willingly responded to the request for information and were quick to appreciate the advantages of this innovation as it meant that, so far as imported foodstuffs were concerned, a central authority was appraised of the full facts regarding stocks and prospective supplies, which in turn enabled the merchants, through the Food Controller acting in co-operation with the Customs Department, to arrange importations with greater flexibility.

It was, of course, inevitable that under war conditions some people would endeavour to augment their stocks of imported food lines by purchasing supplies over and above their normal requirements. The impact of this was felt immediately by the retail grocer, who then turned to his wholesaler in the normal way to supplement his stocks. The suddenness of this drain on the merchants' holdings of imported foodstuffs created for a while a rather difficult position for some of the wholesalers who were unable to replenish their stocks quickly enough from overseas. Many resorted to rationing supplies to retailers, thus conserving stocks until fresh shipments arrived. The public soon realized, however, that there was little prospect of a food shortage, eased up on their purchases, and the situation reverted to normal.

Under war conditions it is by no means an easy matter to arrange regular supplies of foodstuffs from abroad. In the first place the United Kingdom, from which, for instance, considerable quantities of cream-of-tartar and corn-flour had been purchased in the past, restricted the export of these and other essential foods. Alternative sources of supply had therefore to be found. In the case of corn-flour, arrangements were made to import a quantity of whole maize to be ground in New Zealand and manufactured into corn-flour to supplement the limited supplies arriving from overseas. As during the Great War, supplies of cream-of-tartar have been difficult to obtain, but as this was anticipated a reserve stock of this commodity was accumulated prior to the outbreak of the present conflict. The quantity thus accumulated has proved most useful at a time when supplies were almost unprocurable. Additional shipments of this product are now arriving from time to time. Every possible effort has been directed where necessary to providing substitutes for lines which were likely to be in short supply, and every encouragement given to popularizing locally-produced foodstuffs as a means of stimulating home-production, not forgetting, of course, the prospective saving in sterling funds.

The Food Controller has also been called upon to deal with representations made by individual bakery firms and associations of bakers regarding bakers' supplies such as currants, raisins, sultanas, corn-flour, and bicarbonate of soda. All these products have received special attention, and by the end of March the situation with stocks and prospective arrivals was greatly improved.

As a means of dealing with important problems in connection with fish, the supply of which was affected by the commandeering of trawlers for war purposes, the Sea-fishing Industry Advisory Committee was set up to confer from time to time with the Food Controller as to the best method of handling the situation. Through this Committee and the Bureau of Industry much preliminary work and investigation has been carried out which will no doubt prove of considerable value in effecting improvements in the marketing and supply of fish.

Towards the end of 1939 attention was focused on the tea position, and blenders and public alike were obviously apprehensive concerning supplies. The position was accentuated by the fact that the British Government had been making huge purchases of tea in Ceylon which it was anticipated would deplete the supplies available for sale to this Dominion. Despite repeated assurances that adequate supplies of tea would be forthcoming and that special measures had been taken to facilitate importation, heavy buying on the part of the public resulted in the visible stocks of tea becoming temporarily low towards December last. Strangely enough, the actual quantities of tea imported during the year were much heavier than usual. Subsequent events have proved that the assurances given were fulfilled. At the end of March the stocks of tea in the Dominion were excellent.

During the first three months of the war the regulation of meat-prices necessitated considerable attention by the Food Controller in conjunction with the Price Tribunal. In this connection difficulties arose in the application of the price-fixing regulations to wholesale meat-prices which are determined mainly under a system of auction selling. At the time the above-mentioned regulations came into force wholesale-meat values were on the rise, as is customary during the months of September and October in each year. Retail prices of meat had already been pegged, and butchers who were forced to pay higher prices at the auction sales were clamouring for an adjustment of retail values in order to meet the position. Accordingly a conference was called of the various interests representing wholesalers, retailers, and producers, following which a very detailed investigation was made into costs by both the Food Controller and the Price Tribunal, and certain alterations to retail prices were finally agreed to. With the advent of summer supplies of mutton and beef, wholesale values started to recede, and the price question was again considered by the Price Tribunal, retail values for meat being brought down to levels commensurate with wholesale-market values. The fixation of

meat-prices both wholesale and retail in the meat trade created considerable concern amongst producers and others, particularly in respect to the fattening of stock for sale in the late winter and spring months. Very careful consideration was given to this problem after consultation with the New Zealand Farmers' Union and the New Zealand Sheepowners' Federation, as well as other interests in the trade. As a result the Minister of Supply announced that the whole situation would be dealt with by the regulation of retail prices without interference with the normal method of selling cattle or sheep at auction or privately. The matter of the additional costs of producing fat stock during the winter months was not overlooked, and the plan enables butchers to pay the higher values during the late winter and spring months, which in turn will give the producer the necessary compensation for the extra labour and feed required in producing such stock. The interests of the consuming public have also been safeguarded under the system of regulated retail prices, and steps will be taken to ensure that adequate supplies of beef and mutton are available at all times of the year.

Probably one of the most important functions of the Food Controller has been that associated with the provisioning of military camps, naval and air force units. In the early stages of the war the Purchasing Section of the Refreshment Branch of the Railways Department, which had previously been responsible for purchasing all foodstuffs for Government Departments and Institutions, was transferred to the Internal Marketing Division, and thus brought under the jurisdiction of the Food Controller.

This section had to be rapidly enlarged and adapted to the growing needs of the military authorities as one by one the camps throughout the Dominion were established.

The marshalling of foodstuffs for such institutions necessitated careful planning and selection of the points of supply, as well as of the quality and suitability of the lines required. When it is remembered that overnight anything up to two thousand men entered some of these camps the magnitude of the task will be readily appreciated. The smoothness with which the organization of this work proceeded is noteworthy. In addition to the supplies required for feeding the men in such camps, facilities, as well as foodstuffs, for the cafeterias attached to the canteens in the various camps had to be provided.

With the despatch of troops overseas another problem presented itself—that of providing requirements for transports as well as convoys which accompanied such vessels on the outward journey from the Dominion. In many cases only very short notice could be given as to the needs of these units, and speedy action was required to ensure that the needs of the various ships were completely fulfilled. In some cases the stocks of foodstuffs held at the ports of arrival were insufficient and supplies had to be drawn from widely scattered points; but it is pleasing to report that at no stage was there a hitch in the arrangements, and the Food Controller and his staff are to be commended for the expeditious manner in which they handled the work.

It will therefore be realized from the foregoing that no effort is being spared to ensure that supplies of the essential foods are available to the armed Forces and to the public of the Dominion, and it is assuring to be able to record that the position of imported foodstuffs is satisfactory from a stock point of view, and, in fact, there has been a marked tendency towards improvement during the past two months or so.

CONTROL OF MEDICAL SUPPLIES.

Statutory Powers: Medical Supplies Emergency Regulations 1939.

Medical Supplies Controller: Dr. M. H. Watt (Director-General of Health).

Controller's Office: Care of Department of Health, Wellington.

For many months prior to the outbreak of war the Medical Supplies Sub-Committee of the National Supply Committee had been functioning with a view to examining the position in which the Dominion would be placed in regard to stocks of essential medical and surgical supplies and chemicals. These investigations necessitated very careful estimations not only of civilian requirements, but of the requirements of the armed Forces, which would undoubtedly be expanded very quickly in such an emergency. Pre-war action had been taken to facilitate the importation and storage of stocks of these essential supplies with the object of establishing reserves sufficient to meet the estimated requirements for six months. On the outbreak of war the Medical Supplies Emergency Regulations, which had been drafted, were implemented, and control under the Ministry of Supply became effective on the 4th September, 1939. Contact was made immediately with representatives of the principal distributing wholesalers and a scheme of control was evolved which would avoid any serious dislocation of the normal channels of trade and yet have the effect of conserving stocks as far as possible. The scheme included the rationing of available stocks by the wholesalers themselves, the routine inspection of orders received by local officers of the Health Department, and the restriction of any non-essential deliveries so as to conserve the stocks in the hands of wholesalers and avoid dissipation of those central stocks amongst innumerable retailers. Since the outbreak of war a monthly return has been received of the stocks of all essential medical supplies held by wholesalers throughout the Dominion. The attitude and assistance of the wholesalers to the arrangements made have been satisfactory and effective. The policy has been directed towards the establishment and maintenance of stocks in the Dominion sufficient to meet requirements, and in co-operation with appropriate Government Departments arrangements for import licenses and sterling funds have been made in an endeavour to attain this end, and while the full accumulation of stock has not yet been reached the position is, however, satisfactory and supplies are coming to hand steadily. To facilitate the building up of reserves some degree of standardization was necessary, both from the aspect of the availability of stocks from

overseas sources and from the point of view of deciding just what items constituted essential medical supplies. Great assistance in this direction has been received from the Pharmacological Committee of the Medical School at Dunedin, with the result that from a range of 2,000 items normally stocked in the Dominion a basic schedule of 600 items has been decided upon as the standard list of essential requirements of the civilian population and the armed Forces.

MINING-CONTROL.

Statutory Powers: Mining Emergency Regulations 1939.

Mining Controller: C. H. Benney (Under-Secretary for Mines).

Controller's Office: Care of Mines Department, Wellington.

The functions of this control as set out in the Mining Emergency Regulations 1939 are chiefly to promote the maintenance of employment and production in mines, to ensure an adequate supply of materials necessary for continuity of production, and to organize the distribution of the products in the best interests of efficiency according to the needs of the Dominion.

The Mines Department, of which the Mining Controller is head, is well equipped to deal with the problems which confront the mining and coal-gas industries in times of emergency. On its inspection staff are men who have a thorough training in the industry, and as the result of the successful administration of the State coal-mines for many years an organization exists which is thoroughly familiar with the marketing side of the coal business.

Employment in coal-mines has been maintained, notwithstanding that about 180 miners have enlisted for service in the military forces. The number of men employed in coal-mines during 1939 was 199 more than the previous year. The Mining Controller has reviewed the position in this respect each week, and action has been taken in any cases where key men in the industry were concerned or where replacements were not possible.

The maintenance of supplies, especially of imported equipment which is vital to production, has involved a tremendous amount of work. By working in close contact with the industry the Mining Controller has been able to expedite decisions on import licenses, and so far production has not been impeded for want of necessary equipment. Long before the outbreak of the war the State coal-mines wisely laid in large stocks of equipment, and from this valuable reservoir a number of smaller mines have been fed and enabled to keep up output.

For the first few months of the war there was not any great difficulty in maintaining supplies of essential materials, but supplies are now coming to hand more slowly. The technical officers of the Mines Department and of the Dominion Laboratory have therefore been giving a great deal of attention to ascertain the extent to which imported materials can be replaced by New Zealand substitutes. One of the materials most essential to the maintenance of coal-production is brattice cloth, a product of the jute industry, imported from Great Britain, and the Mining Controller is now in receipt of advice from the Dominion Laboratory that there should be little technical difficulty in the substitution of a cloth woven from New Zealand flax by the woolpack-factory at Foxton. The annual consumption of brattice cloth in this country is 1,500 bales, and further investigation is proceeding to ascertain the possibility of our requirements being made in this country.

The war and industrial expansion have resulted in increased railway haulage and consumption of electricity with a consequent heavier demand for coal for locomotives, subsidiary steam-plants for generating electricity, and in our factories. In 1939 coal-production amounted to 2,312,639 tons, an increase of 120,551 tons over the previous year and the highest output produced since the peak years of 1927, 1928, 1929, and 1930. For the first three months of the present year production of coal was 35,624 tons lower than for the same period in 1939. This diminution in output was mainly due to the regrettable disaster which occurred at the Glen Affon Colliery and to slips and flooding in the North Island and on the west coast of the South Island, which delayed shipping and immobilized a number of railway wagons. However, the production for April of this year showed an increase of 60,000 tons over April, 1939, so that the leeway this year has already been more than made up.

To illustrate the extent to which the Mines Department is assisting towards the maintenance and increasing of the production of coal it may be stated that the Government is giving technical advice and very substantial financial assistance to three privately-owned collieries producing a semi-bituminous coal. In addition, the Mines Department has acquired two North Island mines—namely, Egmont in the Taranaki district and Mangapehi in the King-country—both of which were abandoned by their former owners and which will now be operated as State coal-mines. One of the mines is already producing coal and the other will start producing within a few weeks. Output from these collieries will steadily increase and give much needed stability to the production in the North Island.

During 1939 gold-production amounted to 178,955 oz., an increase of 26,905 oz. over the previous year. Fortunately, the position in regard to supplies of essential materials for gold-mines is not so serious as that in respect of coal-mines, but it is nevertheless being closely watched by the Mining Controller and his technical officers.

By way of liberal subsidies, loans, and grants, the Government is encouraging increased production from existing mines and at the same time assisting the prospecting and development of new areas.

An industry which is of great importance in wartime is the production of scheelite, from which tungstic oxide is obtained. This oxide is used for the hardening of steel used for the manufacture of armaments. In conjunction with the Marketing Department, the Mining Controller has taken control of the marketing of the New Zealand production of scheelite and has completed arrangements with the Ministry of Supply of the Imperial Government for the purchase of the entire production at a

price satisfactory to producers—namely, 62s. 2d. per unit f.o.b. Under the arrangement, over 30 tons of this very essential war commodity have already been exported to the United Kingdom, and, in addition, about 6 tons have been released for export to France. Investigations are being made into the position of the Glenorchy scheelite industry with a view to obtaining a maximum production as soon after the winter as possible. In addition, scheelite deposits in the Marlborough district are being prospected, and results so far obtained in this locality are very promising.

OIL-FUEL CONTROL.

Statutory Powers : Oil Fuel Emergency Regulations 1939.

Oil-fuel Controller : G. L. Laursen (Commissioner of Transport).

Controller's Office : Care of Department of Industries and Commerce, Wellington.

Petrol is a commodity vital to national production, to defence, and to the economic and social life of the community. New Zealand has practically no internal petrol resources, and all supplies have to be brought considerable distances, principally from the United States and the Dutch East Indies. For some years a committee, associated with the Department of Industries and Commerce under the Organization for National Security, has been engaged in drawing up machinery and plans relating to the petrol problem. On 7th August, 1939, regulations which had been drafted for some considerable time were reviewed, and instructions were issued to all Chief Postmasters to enable the scheme finally decided upon to be put into immediate operation should the emergency arise.

Owing to the general uncertainty in the international outlook, when war was declared it was decided to ration petrol forthwith in order to ensure that the reserve stocks were adequate to meet every possible eventuality. On 4th September, 1939, the Oil Fuel Emergency Regulations were gazetted which provided machinery for a rationing system. As a first step sales of petrol were authorized for all productive and business purposes and for public transport services.

It was realized that many thousands depended on the private-car traffic for their livelihood, and as soon as it became clear that the international situation would not directly affect the Dominion's supplies a limited ration by way of coupon was made available to private cars.

As a result of the restrictions, adequate reserves were accumulated by the end of November, and by *Gazette* of 30th November, 1939, the restrictions were lifted.

During December representations were made by the British Government that petrol rationing be reimposed to free tankers for war purposes and to conserve dollar funds. As considerable numbers of people were travelling, it was considered undesirable to reimpose the restrictions during January, but on 1st February, 1940, by *Gazette* notice the restrictions were reimposed.

As a result of the experience gained during the previous period of rationing it was possible to arrive at certain conclusions regarding the petrol requirements of different classes of users. Standards were laid down, but in order that hardship should not be caused special Advisory Committees were set up throughout the country to handle appeals for amounts in excess of those standards. These Committees consist of representatives of primary producers, licensed transport operators, private motorists, local bodies, the Railways Department, and the Transport Department.

Every endeavour has been made to bring into effect voluntary zoning schemes for the distribution of essential commodities, the purpose of these schemes being to conserve petrol. A special case is the distribution of milk in the Christchurch Metropolitan Area. A careful investigation revealed the necessity for setting up some authority to co-ordinate the delivery of milk in Christchurch and to avoid wasteful overlapping. On 1st May, 1940, regulations were gazetted setting up a Milk Board with powers to zone milk deliveries with the object of saving petrol. The Board was established for the duration of the war and twelve months afterwards.

The general policy of the Government has aimed at securing a reduction in the use of petrol, while at the same time not impeding the acceleration of national production. Serious dislocation of industry and employment has had to be avoided as much as possible.

The present rationing system is based on the following principles :

- (1) For public vehicles, supplies are allocated that are adequate to maintain services, while at the same time duplication and overlapping is eliminated.
- (2) For business vehicles, sufficient petrol is allowed to enable the business to be carried on efficiently.
- (3) For private and domestic purposes, adequate petrol is permitted to allow approximately 220 miles running per month.

A technical committee has been set up under the Oil-fuel Controller to investigate the use of alternative fuels. The encouragement of the use of coal-gas in large quantities has not been considered advisable because of the cost of installation, the necessity for carrying a large gas envelope or bag, and the small mileage that can be covered before the bag needs refilling.

The most promising alternative to petrol is the producer-gas plant. Unfortunately, the plants in use overseas are not wholly suitable for the New Zealand fuels available in adequate supply. The Committee has carried out extensive investigations into locally-made gas-producers and into the development of a plant that will be simple of construction, easy of operation, and at the same time suitable for New Zealand fuels. A comprehensive report with plans and recommendations has recently been completed.

In view of the present international situation, it is possible to lay down only the general principles of future policy. These are as follows :—

Firstly, the maintenance of the maximum possible reserves in case of interruption of supply. Secondly, to make available adequate supplies of petrol for defence purposes and sufficient to enable essential transport services, primary production, and industry to be carried on efficiently and without interruption or hindrance.

Thirdly, to allow petrol for private and domestic purposes so long as this does not prejudice reserves, and subject to the conservation of dollar funds and the freeing of tankers for war purposes.

Fourthly, to encourage and promote the conservation of petrol by every means possible.

SUGAR-CONTROL.

Statutory Powers: Sugar Emergency Regulations 1939.

Sugar Controller: B. L. Dallard (Under-Secretary of Justice).

Controller's Office: Care of Department of Industries and Commerce, Wellington.

In setting up the organization for the control of food-supplies, on account of the special problems associated with the purchase of raw sugar and the distribution of the refined products, it was decided to appoint a special Controller of Sugar whose function it would be to arrange for the purchase of raw sugar from abroad and to supervise distribution in the Dominion.

New-Zealanders are partial to the use of much sugar, the annual consumption of sugar *per capita* being no less than 112 lb. A fact which complicates distribution is that, apart from use for ordinary domestic requirements, sugar plays an important part in many industries—for example, the fruitgrowers and the honey-producers are vitally interested in sugar. Other industries concerned are manufacturers of confectionery, biscuits, condensed milk, and cordials, while breweries, tanneries, and bacon-curers are also considerable users of sugar. The annual requirements of the Dominion are approximately 80,000 tons.

Prior to the outbreak of war the bulk of this was imported from Java.

For several months before the declaration of war plans were being made by the Industries and Commerce Department, in conjunction with the Colonial Sugar-refining Co., to establish reserve stocks in New Zealand to meet any contingency which might arise. A stock of nearly six months' supply was thus accumulated at Chelsea, and this avoided the necessity of introducing any rigid rationing scheme after war was declared. It was decided that in the circumstances it would be sufficient, subject to a close oversight by the Controller, to allow "the trade" to condition distribution, and this, thanks to the full co-operation of merchants and retailers, has proved effective. For a short time a panic demand caused some inconvenience through the depletion of merchants' stocks, but this was overcome and normal conditions restored.

The Government is indebted to the Colonial Sugar-refining Co. for the part that it has played in these arrangements. Not only did the company finance the erection of enlarged storage accommodation suggested by the Government to house reserve supplies of raw sugar, but it provided the very substantial funds necessary for the purchase of the extra quantity of sugar.

In order to ensure continuity of supply, arrangements were made shortly after the outbreak of war by the Government through the Colonial Sugar-refining Co. to purchase 40,000 tons of Australian sugar. The Sugar Company agreed to average the cost of this sugar (£14 9s. 1d. per ton) with the sugar in stock that it had bought more cheaply before the outbreak of war, and this arrangement enabled the Government, by slightly shading down the margin of profit to retailers, to avoid any immediate increase in the retail price to the public who benefited very considerably by this arrangement. Thanks are due to both wholesalers and retailers for their co-operation in these arrangements.

Recently the Government concluded an arrangement with the United Kingdom Ministry of Food for the allocation of New Zealand's sugar requirements from Empire sources, the whole of these sugars having been commandeered. Under this arrangement the Dominion's future supplies will be assured and at a price equivalent to that paid by the United Kingdom Government.

TIMBER-CONTROL.

Statutory Powers: Timber Emergency Regulations 1939.

Timber Controller: A. R. Entrican (Director of Forestry).

Controller's Office: Care of State Forest Service.

In view of the important position which timber occupies in the economic life of all countries and of the knowledge based on experience in past wars concerning the extent to which the timber industry is affected by war conditions, it was necessary for the Government to ensure that it had wide powers to deal with the problems which might be expected to arise during the present emergency. The Timber Emergency Regulations 1939, which were introduced to deal with the matter, accordingly made provision for—

- (a) The appointment of a Timber Controller to administer the regulations.
- (b) The control of the sale and cutting of standing timber.
- (c) The control of the production, distribution, and use of timber and timber products.

So far it has not been found necessary to regulate in any way the sale or cutting of standing timber, although to ensure due conservation of petrol and a sufficient supply of suitable logs for key box-factories, control will be essential to a limited extent in the immediate future.

In respect of the control, distribution, and use of timber, however, it has been found necessary to use the powers conferred by the regulations for the following purposes.

The necessity for the urgent delivery of large quantities of timber for defence camps, aerodromes, &c., necessitated determination of the species and grades of timber which should be used, and the distribution of orders for their cutting. To keep dislocation of normal business to a minimum, the opportunity was taken of using whatever suitable stocks were already in existence, particularly those which were considered suitable for the purpose in view, but which were finding a slow sale for other purposes. It is estimated that in this way at least 8,000,000 board feet of slow-moving stocks and valued at over £80,000 were utilized in the construction of defence buildings, whose construction is estimated to have required 15,000,000 board feet of timber. Timber was also substituted as far as possible for products manufactured wholly or partly from imported materials—*e.g.*, wallboards containing imported pulp, &c. For such timber as could not be obtained from stocks it was necessary in some cases to require sawmillers to give priority of cutting, but all such arrangements were met by mere requests, not one single instance occurring where it was necessary to resort to formal notice under the regulations. The co-operation given by the industry could not have been bettered, and extended to the granting of special discounts for timber used for defence and other emergency works.

Soon after the outbreak of war it became apparent that Australia would be unable to secure its softwood requirements from North America, with the result that the New Zealand industry has been inundated with inquiries for all classes of softwoods or suitable substitutes therefor. With Australia's requirements exceeding the Dominion's total production of all timbers, it is not surprising that orders have been considerably in excess of this country's ability to supply. Whereas, however, the West Coast mills had a marked excess of orders, many units in Southland were operating at a low percentage of their capacity. To utilize the country's potential timber-production to the utmost, the powers of the Timber Emergency Regulations were invoked, West Coast sawmillers being required to cease supplying Dunedin and adjacent territories which could be conveniently supplied from Southland. This has materially improved the operating ratio in the Southland sawmilling industry and has allowed the West Coast sawmills to export the timber previously marketed in Dunedin, &c., to Australia. In order to preserve as far as was possible the *status quo* of timber-merchants affected by the zoning arrangements, sawmillers were directed that supplies forwarded by them to non-timber merchant customers could not in 1940 exceed the quantity of timber sent by them to such purchasers in 1939. From the commencement of war till 30th April the export of rimu has totalled 7,472,000 board feet, valued at £68,950, compared with 3,641,000 board feet, valued at £36,540, exported during the same months of the previous period. A ready sale has also been found in Australia for such quantities of sap matai as were not absorbed for defence works. In this species exports to 30th April, 1940, have amounted to 477,000 board feet, valued at £5,290, compared with 363,000 ft., valued at £3,530, for the corresponding period of the season before.

Since the outbreak of war the demand for wooden containers has increased considerably, contributing factors being—

- (1) Restriction on availability of imported motor-car cases which are recut into general packing-boxes.
- (2) Necessity of supplying certain industries which prior to the war imported cases for their requirements *e.g.*, some exporters of tinned meat having to import cases on account of special requirements.
- (3) In both primary and secondary industries, increased production has been secured. Butter and cheese in particular have required considerably more cases than during the previous season.
- (4) A shortage of imported container board has developed since war commenced, and users of the fibre containers have often been compelled to purchase wooden cases.

As supply of and demand for cases were in equilibrium prior to the war, the increased demand has thrown a heavy burden on boxmakers. Unfortunately, a number of operators contracted to supply orders far in excess of their capacity, leading to an acute shortage in some instances. The fruit and dairying industries were most affected, the former being threatened with an acute shortage in February. To ensure an adequate supply of fruit-cases, it was necessary to use the powers of control given by the regulations, some boxmakers being required to employ their plant for two months on fruit-case manufacture exclusively. This necessarily caused some embarrassment to purchasers of other boxes, but the perishable nature of fruit made priority of delivery unavoidable. In regard to cheese crates it was necessary to require one unit to cease production for two months as its stock of timber were not sufficiently dry for safe manufacture. Appropriate steps to prevent a repetition of these troubles are now being taken.

To conserve exchange funds by a reduction in the future quantities of such timbers imported, a notice was gazetted under the regulations restricting the sale of redwood and oregon, the use of which is now permitted only when a satisfactory local substitute cannot be obtained. Likewise, to utilize the production of local timbers to the best advantage, notices have been issued from time to time directing what species and grades of timbers shall be used for specific purposes. In respect of such timbers as kauri, which are in extremely short supply, it has also been necessary to direct the precedence of supply in order that industries absolutely dependent thereon shall be assured of adequate supplies.

The export of timber has been controlled jointly with the Customs Department, and only supplies surplus to domestic requirements have been released for shipment. As mentioned previously, the war has led to a much increased Australian demand for New Zealand softwoods, and an ever-increasing number and range of inquiries are being received from India and South Africa. Rimu and matai are being exported to Australia to the maximum extent possible after provision has been made for the needs of local industries. Unfortunately, due to the increased local demand for boxes, it has been necessary to limit strictly the export of *Insignis* pine. Every possible endeavour is being made to build up an export trade in this species, but local requirements are not likely to be adequately covered by increased stocks and production until later this year.

The general aim throughout has been to administer the regulations with as little interference with trade as possible and to reach the desired objective by negotiation and voluntary agreement rather than by the exercise of the authority conferred. Only when unavoidable has formal control been resorted to.

WHEAT AND FLOUR CONTROL.

Statutory Powers: Wheat and Flour Emergency Regulations 1939.

Wheat and Flour Controller: R. McPherson (General Manager, Wheat Committee).

Controller's Office: Care of Wheat Committee, Christchurch.

Prior to the outbreak of war emergency precautions were taken to ensure the bread-supply of the Dominion.

Stocks of wheat were built up in all flour-mills sufficient to carry the country to the middle of April, 1940, without touching the 1940 crop. In addition, provision was made for fowl-wheat supplies, and emergency storage arrangements in the North Island enabled 8,000 tons of wheat for feed purposes to be stored there, ensuring supplies until the new South Island crop would be available.

Steps were also taken to ensure that flour-millers had full supplies of essential materials to maintain their mills in good running order for a lengthy period.

Large stocks of calico for flour-bags were also provided.

Arrangements were made with merchants to bring down as many cornsacks as possible from Calcutta in the July/August, 1939, steamer instead of waiting for the November/December loading as was usual. The Wheat Committee also imported and stored for emergency a large quantity of new cornsacks. These are still held in reserve, and further purchases for the same purpose have been made.

Early supplies of cornsacks have again been arranged for next harvest.

Cornsack prices in Calcutta rose very sharply after the outbreak of war, but the internal price in New Zealand was stabilized on an average cost and prices fixed by the Price Tribunal. These fixed prices extended to once-used grain-sacks and flour-sacks and were designed to enable the due share of the increased cost to be borne by each user of the sack and at the same time to ensure that bakers were able to recover the full measure of increase in the value of the flour-sack.

Upon the outbreak of war an appeal by me was made to wheatgrowers to increase their areas. The time was late for planting wheat, but, although the growers knew this and knew they were running a great risk, they responded splendidly by increasing the area very considerably. Unfortunately, a dry season ruined many of these late-sown crops, and the country did not reap the full benefit of the wheatgrowers' patriotic action.

The area sown to wheat for harvest in 1941 is expected to be greater than that harvested this year, but, as in all agricultural operations, results depend upon the weather, both for the area sown and the resultant yield of the crop.

Experiments are now being undertaken to find and record for reference certain formulae for making bread from an admixture of other grains and substances in the event of a shortage of wheat at a time when supplies could not be imported. This information may never be required, but will be on record if wanted.

Wheat stocks in New Zealand flour-mills are at present much greater than normal for this time of the year, but importations to the North Island are still being made.

All points where emergency measures might have to be taken in the wheat, flour, and bread industries are being carefully watched, and action will be taken wherever necessary. Wheatgrowers, flour-millers, grain-brokers, and bakers have set up special committees to advise and assist the Wheat and Flour Controller in an emergency.

Under this control wheat, flour, and bread prices have been stabilized and there have not been any increases.

DEPARTMENT OF INDUSTRIES AND COMMERCE.

Apart from the special war measures, all phases of the work of the Department of Industries and Commerce have been adapted to the efforts of the Dominion in bringing the war to a successful conclusion.

STANDARDS.

Towards the latter part of the war of 1914-18 the importance of standards was recognized, and here in New Zealand industry is being assisted to obtain maximum results, to eliminate waste, by the activities of the Standards Section in promulgating codes for simplification of production in industry. The total number of standards in operation in the Dominion is 280, and these cover civil engineering, mechanical engineering, electrical engineering, chemical engineering, the paints industry, the building industry, and sections of the dairy industry.

The Standards Section is a unit of the Empire Standardizing Bodies, and thus in the exchange of services and ideas can and does materially expand its usefulness.

BUREAU OF INDUSTRY.

The Industrial Efficiency Act, 1936, provides for the rationalization of industry, and the fact that in recent months some fifteen industries have been licensed, including such important ones as footwear, soap, radio, and rope and twine, gives some indication of the usefulness of such an enactment in time of war. Wasteful competition in manufacture can be overcome, and so a not inconsiderable saving in man power effected.

Future developments can be planned with some degree of certainty by manufacturers, and the protection of the interests of consumers is assured.

IMPORT CONTROL.

On the 5th December, 1938, measures were taken by the Government to control imports, and it became impossible for importers to obtain any supplies of goods or materials from overseas without permission. On the outbreak of war the fact that practically twelve months' experience had been obtained in the administration of this control of imports was invaluable. It was possible to adapt this system immediately to the war needs, and as time has gone on the control has been exercised more and more towards the necessary saving of foreign exchange, so essential in the purchase by the Allies of munitions and equipment, for the service of the armed forces.

Another factor has been the encouragement given to manufacturers to expand their local plants, and in many cases to set up new units for the manufacture of articles previously imported, many of them from foreign sources.

EXPANSION OF LOCAL INDUSTRY.

That this expansion is of moment may be gauged from the fact that no less than 120 new lines are being produced in the Dominion, and these cover such items as rubber shoes, storage batteries, electrical appliances and transformers, waxed-paper containers, cosmetics, carpets and body carpet, roofing-tiles, plastics, motor-vehicles silencers, enamel and lacquers, toys, gas and electric ranges, and many others.

Not only have these new industries been set up, but existing units have been encouraged to expand their plant and production to an extent not previously envisaged.

Remunerative employment has been made available to some thousands of additional operatives, and, provided these industries are maintained, public morale is increased.

The Department of Industries and Commerce, through its close association and contact with industry, has been enabled through the Industries Committee to ensure to manufacturers a steady stream of raw materials for industry. Admittedly there have been some delays occasioned in the main through causes over which the Dominion has no control—lack of shipping space and difficulty in obtaining deliveries of the raw materials required from overseas manufacturers.

While the Customs Department is charged with the administration of the regulations, the Department of Industries and Commerce exercises an advisory function in making recommendations covering the requirements of industry, and it is in this field that the Department has been enabled to assist manufacturers in obtaining their necessary supplies.

EXPORT TRADE.

The Department, again with its overseas officers, has endeavoured to expand the markets for our exportable surplus of products. With the taking over by the British Government of our total wool clip, and with the desire of the Government to be in a position to meet any calls which the British Government might make for supplies of dairy-produce, meat, hides, and skins, there has not been the possibility of expanding this trade to the maximum extent, but every endeavour is being made to meet inquiries and demands made by other Empire sources and foreign markets. In particular, attention is being given to the possibility of making available to the armed Forces in India and Burma certain of our products desired by the respective Governments of India and Burma.

In all it may be said that the fullest use is being made of the Department in carrying out its duties in such a manner as can best serve New Zealand and the Empire in bringing the war to a successful issue.

TRADING WITH THE ENEMY.

Prior to the crisis of 1938 a special Committee representative of the Departments of Industries and Commerce, Customs, Justice, Navy, Marine, Treasury, and Public Trust, with an officer of the Organization for National Security as Secretary, was set up to frame regulations providing for control of trading with the enemy and custody of enemy property should war break out.

This Committee framed suitable regulations which on the outbreak of war with Germany in September last were put into immediate effect and became law on the 4th September, 1939.

The Enemy Trading Emergency Regulations 1939 are administered by the Minister of Industries and Commerce, and prohibit trading with the enemy in any shape or form, except by special permission of the Minister. In addition, the regulations provide for the declaration of any person, firm, or company as an enemy trader, and upon such declaration it becomes unlawful for any one to carry on business transactions with such declared person, firm, or company.

Wide powers of investigation into the affairs of any person suspected of having enemy associations, or being under the control of enemies, are given to the Minister, who may delegate his authority to an officer of the Department of Industries and Commerce. Restriction of business may be enforced by the Minister where it is shown to his satisfaction that such business is being carried on wholly or partially by, or on behalf of, or under the control or management of, an enemy trader or an alien enemy.

Provision is also made for the prohibition of exports where the Minister of Customs has reason to suspect that the consignee of any goods shipped or about to be shipped is an enemy trader or a person engaged in any business undertaking or communication injurious to His Majesty.

Under these regulations investigations into the affairs of a number of companies have been carried out, but to date it has been found necessary to gazette only one concern operating in New Zealand as an enemy trader. Returns of foreign correspondents have been sought from a large number of commercial houses, while the closest contact has been maintained with the United Kingdom authorities (the Ministry of Economic Warfare), and lists of enemy traders or, as termed by the United Kingdom, "specified persons," have been published in the *Gazette* for general information. These lists give the names of those persons, firms, or companies in neutral countries with whom dealings are unlawful. Other activities of the Department in its administration of these regulations have included efforts to obtain delivery of goods laden on board enemy ships refuging in neutral ports and destined for New Zealand. The actual negotiations in this regard have now been undertaken by the Associated Chambers of Commerce of New Zealand, which body, in the persons of their president and secretary, has been authorized by the Minister to deal with and make payments to the German ship-owners. These dealings and payments would, but for the authorization mentioned above, be in contravention to the regulations. The closest contact is maintained with the Associated Chamber and with the London Chamber of Commerce, which has been entrusted with the work involved in obtaining the release.

Numerous applications for the import of goods of German origin from various sources, which except under license are prohibited, have been dealt with. The closest contact is maintained with other State Departments, and all information which might prove of value to the Ministry of Economic Warfare is forwarded to London.

The Enemy Property Emergency Regulations 1939, as amended by the Enemy Property Emergency Regulations 1939, Amendment No. 1, provide that the Public Trustee shall be the custodian of enemy property and shall be the person to whom all moneys payable to the enemy shall be paid. Notification of all enemy property held is to be made to the Public Trustee, and the Minister of Industries and Commerce may by warrant appoint the Public Trustee as the controller of the business of any enemy trader.

With the military occupation of territory other than the German Reich, both the Enemy Trading Emergency Regulations and the Enemy Property Emergency Regulations become applicable, as the definition "enemy country" means the territories of Germany and include also any territory for the time being in the occupation of the military forces of Germany.

PRICE-CONTROL.

Early in May, 1939, the Government established the Price Investigation Tribunal, consisting of the Hon. Mr. Justice Hunter, a Judge of the Court of Arbitration, and Mr. H. L. Wise, Advisory Officer of the Department of Industries and Commerce, whose function it would be to exercise continuous supervision over prices, to examine price increases, to arrange for investigations and inquiries, and to make recommendations to the Government. On the 2nd June, 1939,¹ the Government made the Board of Trade (Price Investigation) Regulations, under which persons or firms making increases in the price of specified goods after the 2nd June, 1939, had to notify the Tribunal and give the reasons for such increases. These regulations applied to a wide range of commodities, and also to the performance of prescribed services, other than a contract of services between master and servant.

Within the Department of Industries and Commerce the Tribunal had become established with a staff for investigating prices efficiently when war broke out. On the 1st September, 1939, two days before war broke out, the Government issued the Price Stabilization Emergency Regulations 1939, under the powers contained in the Public Safety Conservation Act, 1932, and charged the Tribunal with their administration. It was fortunate that the Tribunal was already established, as the volume of investigational and judicial work involved immediately became very considerable. The regulations made it an offence, for which heavy penalties are provided, for the prices or charges for any goods or services to be raised above the lowest levels ruling on the 1st September, 1939, without prior consent. The regulations provide that such consent to raise prices may be given by the Hon. the Minister of Industries and Commerce, and shortly after the regulations had been in operation these powers of consent were delegated to the Tribunal. The regulations also contained provisions to prevent hoarding, which were very necessary in the early days of the war when rumours of shortages and memories of shortages in the last war prompted some people to attempt to lay in excessive stocks of essential commodities.

The purpose of the regulations was to hold all prices at existing levels during the first days of war, when the first shock might tempt some traders to attempt to exploit the position or to anticipate increases in prices, or for buyers, by buying, or attempting to buy in larger quantities of goods than formerly, to out-bid each other for stocks. That such conditions might have developed had there been no control is quite probable, as the Tribunal was immediately in receipt of large numbers of personal, telephonic, and written representations, all designed to impress the necessity for considerable increases in selling-prices. It became apparent that prices could not be held at pre-war levels indefinitely, and especially was this so in the case of imported commodities. A number of factors, singly and in combination, had the effect of raising the costs of landing goods in New Zealand from overseas. First, there was the immediate charge for war risk insurance. Secondly, there were steep increases in freight charges. Thirdly, there were increases in the prices charged by overseas manufacturers or traders. Fourthly, supplies from certain sources were cut off and goods obtained from other sources cost more. Fifthly, the value of sterling in terms of the dollar and certain other currencies fell, and this had the effect of raising the costs of all goods imported from the United States of America, Canada, and certain European countries. A sixth cause of higher costs consisted of changes in the methods of packing, &c. When it is realized that for many commodities all these increases in cost operated not only in combination, but also cumulatively, it will be appreciated that the added cost to New Zealand of such goods increased very considerably. Consequently it became necessary to approve increases in selling-prices above 1st September levels, but in approving such increases two radical departures from orthodox business practice were made. Firstly, traders normally adjust their prices on the basis of replacement cost—that is to say, if the cost of replacing a particular commodity rises they immediately raise the prices of all such goods as they have in stock by an equivalent percentage. Thus, if the replacement cost doubled, their selling-prices of stocks in hand would be doubled, too. The second orthodox business practice was to arrive at the selling-price by adding a percentage to prime cost to cover overhead expenses and profit. The application of these two principles may be illustrated by an example. A trader lands goods into his warehouse for, say, £100 and adds 50 per cent. to cover his overhead and selling expenses and profit, making the selling-price of the goods £150. Supposing the replacement cost of the goods doubled so that the next shipment of goods cost him £200, adding his 50 per cent. gross profit would make the price £300. Normally, the trader would sell not only the newly arrived goods for £300, but he would also mark up the goods he had in stock to £300. Thus, for two lots of goods he would have asked £600.

The effect of the application of this procedure on net profits may be summarized thus: The landed cost of the goods was £100, overhead expenses £40, net profit £10, making a selling-price of £150. The new landed cost was £200, overhead expenses are presumed to remain at £40, and the difference between this sum of £240 and the selling-price is net profit. If the trader added 50 per cent. to his landed cost to arrive at a selling-price of £300 it is obvious his net profit would be £60,

as against the previous net profit of £10. Further, if he marked up the price of the goods he had in stock according to their replacement cost he would sell them for £300. His landed cost was £100, overhead £40, and his net profit would amount to £160, as against the £10 he would have obtained had not landed costs risen. Thus on the two parcels of goods his net profit would have been £220. The policy adopted by the Government was that such an increase in net profit from £20 to £220 was unwarranted. The arguments put forward by business men to show that they would not in fact derive this very considerable extra profit were that turnovers would not be maintained and overhead expenses would not remain unchanged. The Government agreed that there might be some validity in these arguments, but maintained that the onus of providing the facts to prove any changes in overhead or turnover rested on those who sought a margin of profit on extra costs, and that in the absence of such factual evidence no profit on extra costs was justified.

While in normal times competition exerts a powerful check on the tendency of prices to rise unduly, in times such as the present, when many goods are in relatively short supply owing to difficulties of obtaining supplies from countries in the war zone, the demand for such goods as were available might well have made possible the gaining of the excessive net profit visualized above. Accordingly, the Government directed the Tribunal to approve increases in selling-prices in accordance with the following principles:—

- (1) Increases could be approved to the extent of actual additional costs.
- (2) Such increases could be applied only to those goods which had incurred extra costs.
- (3) Where the margin of gross profit formerly obtained on similar goods appeared to be excessively high some or all of the extra costs should be absorbed by the vendors.

The application of these principles to the example quoted above is as follows: The goods in stock which had not incurred additional costs must be sold at the pre-war price—namely, £150. The price of the newly arrived goods can be increased by the amount of the additional costs—*i.e.*, £100—thus making the new price £250. Thus the whole of the goods, new and old, would be sold for £400, and not £600 as would have been the case under normal conditions. The sum of £400 is a maximum price, since the Tribunal might have considered the original mark-up of 50 per cent. was excessive, in which case it would have approved only such an increase in price as it thought would give no more than a reasonable return, and the vendor might have been compelled to absorb some or all of the extra costs himself.

At a later date the Government agreed that the strict application of the above principles might inflict undue hardship on particular traders, and gave the Tribunal power to approve the addition of a margin of profit on the extra costs in special cases where it was evident that such a margin was necessary as a matter of justice.

The administration of price-control during the first few months of the war revealed the necessity for giving the Tribunal wider and more specific powers, and in order to meet the position the Government made the Control of Prices Emergency Regulations 1939 in December last, under which the Tribunal was specifically constituted. Its functions are to investigate complaints as to prices, to issue price orders, to exercise the powers and functions conferred on me by clause 11 of the Price Stabilization Emergency Regulations to hold judicial inquiries, in private or in public, hear evidence on oath, summon witnesses, demand the production of books and documents, and generally maintain a survey of all prices, institute proceedings for offences in relation to prices, and to take such other steps as in its opinion may be necessary to prevent profiteering or the exploitation of the public.

An important new provision was the power given to the Tribunal to make price-orders with my authority. Such price-orders may fix actual, minimum, maximum, wholesale, or retail prices, margins within which goods may be bought or sold, or by reference to amounts or percentages by which selling-prices may exceed specified prices or in any other manner to meet particular circumstances.

This wider and more rigid control of prices increased immensely the work and responsibility of the Tribunal, and it was found necessary to strengthen the staff by the addition of men who had been trained and were skilled in various branches of commercial activity. In addition, the Tribunal found it necessary to work in close collaboration with trade associations, and with a number of such associations schemes are in operation which considerably reduce the volume of individual applications to increase prices without any lessening of the control itself. Negotiations are also proceeding with other associations in an endeavour to establish similar schemes. The Tribunal has developed a system whereby all applications to increase prices are thoroughly investigated with the minimum of delay and decisions communicated to applicants as speedily as possible. Traders now realize the extent to which they may be permitted to raise their prices and supply with their applications comprehensive and adequate documentary evidence to support their claims so that such applications can be dealt with expeditiously by the Tribunal within the policy laid down, and always with the aim of keeping prices down to the lowest reasonable levels.

The success of price-control in New Zealand is recognized and is borne out by the evidence of the relatively small rise in prices despite abnormal war conditions, as shown by the Government Statistician's index numbers, and by a comparison with the rises which have taken place in other countries. Between July and December, 1939, wholesale prices in New Zealand rose by 4·7 per cent., whereas in the United Kingdom the rise in such prices over the same period was 23·3 per cent., and up to February, 1940, 31 per cent. Other increases in wholesale prices in that period were: Belgium, 33·5 per cent.; the Netherlands, 20·8 per cent.; Switzerland, 15 per cent.; Denmark, 24·3 per cent. In the first month of the war wholesale prices in the United States rose by 5·5 per cent., whereas in New Zealand there was a fall of 0·6 per cent., and even up to December the New Zealand index had risen by 4·7 per cent. only. The rise in wholesale prices in Australia from September, 1939, to February, 1940, was 4·6 per cent.

The index for retail prices in New Zealand has risen since the outbreak of war by 1·8 per cent. In other countries the rise in the cost of living has been much higher—for example, in Great Britain it was 14·8 per cent. up to March, 1940, in Denmark up to January it was 10·9 per cent., in Éire up to February it was 13·9 per cent., in the Netherlands up to December it was 7·4 per cent., in Norway up to January it was 5·8 per cent., in Sweden up to January it was 5·3 per cent., in Switzerland up to February it was 5·0 per cent., in Canada up to February it was 3·8 per cent., in Egypt up to December it was 7 per cent. The increase in Australia for the quarter ended March, 1940, over the figure for the quarter ended September, 1939, was 1·5 per cent.

The comparison between the increase in the cost of living in New Zealand and Australia is slightly to the advantage of Australia, due very largely to the fact that the latter country imports a proportionately smaller quantity of goods than does New Zealand. It will be recognized that there is no control over the increases in the price of goods imported from overseas.

It can be said that price-control has been more exacting in New Zealand than in other parts of the British Empire, and the necessity for such control may be gauged by the rapid and large increases which took place in countries where the control was less rigid. While it has not been possible to fix prices at pre-war levels, profit margins per unit have been fixed at those levels, and it is felt that such fixing has been of considerable benefit to all consumers.

The actual policing of the regulations is carried out by the staff of the Tribunal in Wellington and the District Officers of the Department of Industries and Commerce at Auckland, Christchurch, and Dunedin. In addition, Inspectors of Factories in other towns make periodical checks to ensure that the prices being charged are those approved by the Tribunal. In addition, the Tribunal receives from time to time inquiries from members of the public as to whether the prices being charged for particular goods are approved or are reasonable, and the Tribunal makes a full investigation in all such cases, and takes appropriate action.

Members of the staff of the Tribunal are at present engaged in collecting evidence in regard to cases where it appears that various traders have put up their prices without first obtaining the requisite authority, and the first of such cases will be coming before the Courts in the very near future. The Tribunal works in close co-operation with Government Departments which have had wide experience in various phases of commercial and industrial activities. In particular the Internal Marketing Division renders invaluable assistance on questions of marketing, the Agriculture Department helps considerably as regards commodities used by the farming community, the Bureau of Industry assists on questions relating to factories, and other Departments also make their knowledge and experience available to the Tribunal.

An indication of the substantial savings effected may be quoted, but it will be realized that savings in other industries have also been of considerable magnitude.

The price of tea has been advanced with the approval of the Tribunal by reason of increased costs of new supplies, the increase that has taken place has been only to the extent of actual increased costs, and has only been incurred in respect of new stocks which have actually borne the increased costs. Had the Tribunal not been in existence, then old stocks would have been advanced in price, and an additional amount of profit would have been obtained both on old stocks and new stocks. Over a few weeks it is estimated that the savings to the consumers in this connection were no less than £25,000, and the total saving over the whole period of control has, of course, been considerably greater than this amount.

In connection with tea-prices it will be of interest to note that reductions from the levels of the first few months following upon the outbreak of war have since been made. The Tribunal is in continuous touch with the position in overseas markets, and wherever downward movements occur the Tribunal makes every effort to ensure that commensurate reductions are sooner or later effected in the prices of the products in New Zealand. This checking of overseas market prices applies to many other products than tea.

In conclusion, it may be said that the control over prices in New Zealand has been effective and has not caused to the business community the inconvenience which was predicted in the first days of war. The Tribunal's investigations and inquiries are being made smoothly and decisions forwarded quickly. It is certain that the control exercised has resulted in very substantial savings to the public, and such savings have fully justified the institution of the control over prices.