

with the formation of the association. The next witness who came along was Mr. Evans, of Timaru, and he admitted that the export trade practically ceased seven years ago. So on that point there was a remarkable difference of opinion, and Evans was right. I want to call your attention to this: I asked Mr. Blake, of Christchurch, this question, "Supposing the Flour-millers' Association were covering all the millers of the colony, as they aim at doing—at the annual dinner of the Millers' Association the president declared that a few months would see all the millers in New Zealand belonging to the association—do you think that would be a good thing?" and his reply was, "I do." Mr. Blake also desired a millers' monopoly, so that the bakers could exercise absolute power to fix prices and stop supplies to cash sellers. It may be argued on behalf of the association that the workmen of this colony arbitrarily fix the price of their pay, that unions are rampant, and that this union is no different to other unions, and is formed for the protection of its own interests. But I would point out that there is this difference—viz., that before a body of workmen can get their pay or labour conditions fixed it has to go before a tribunal properly constituted, and there has to argue and demonstrate the justice of its claim. In this combination there is no such public control, and no opportunity of knowing what its methods are. Many of its methods are secret, and there can be no comparison drawn between the ordinary workmen's combination and a combination which is designed to foster by any methods the interests of those engaged in the flour-milling trade. I believe myself that it would be distinctly a good thing, and would act as a check upon possible extortion either by the Millers' Association or by any other association, to amend the Municipal Corporations Act so as to allow municipalities to start municipal bakeries if they so desire. I regret that I have kept the Committee so long, but I claim that I have made good every charge that I put forward. With regard to the telegram as to the Lyttelton incident, I am not concerned. I hold that it was my duty, as it would be the duty of any member of the House if a deputation came to him and said that they believed the Flour-millers' Association and Bakers' Union had brought about an interference with business, to do what I have done. I admit frankly that my informants were wrong, but I simply asked the Government to inquire into the matter. I hold that I was in no way connected with that matter except that as a representative I brought the question forward in order that there might be an investigation. The Lyttelton episode is immaterial and incidental, although it was fortunately the means of bringing the whole subject before the Committee. Outside that incident I claim that I have made good the charges I brought against the Flour-millers' Association.

Mr. LOUGHNAN attended and addressed the Committee. (No. 20.)

*Mr. Loughnan:* Replying to Mr. Taylor, before I proceed to follow him into the details of his criticism of the evidence and the elaboration of his charges against the association, I propose to read a detailed series of replies to his charges which I have prepared in pursuance of the permission given to me by the Committee some time ago to put in replies in writing.

Charge 1: That the constitution of the association as set forth in the agreement signed by each miller joining the association was designed to restrict the output of the flour-mills of the colony at the public expense.

1. The association was not designed to restrict the output of the flour-mills of the colony. It was designed to raise the milling trade from the deplorable condition into which it had fallen, by stopping many of the evil and ruinous practices that had crept into the industry. The real factor in restricting the output has been the loss of all export trade, brought about chiefly by the high price of wheat in New Zealand and the increase in the duty on flour imposed by the Australian Commonwealth. Millers have at present only the New Zealand market to work upon. The object of the association is emphatically not to restrict the output of the flour-mills of the colony. Its functions and objects are as follows: (1) To regulate the price of flour and offal by the price of wheat in such a manner as to insure to the millers a fair margin of profit; (2) to distribute as much flour as possible within the colony, and to apportion the trade rateably amongst the various millers in accordance with the relative capacities of their mills; (3) to minimise bad debts and abolish forward sales; (4) to effect economy by conducting all sales through one agency; (5) to improve generally the quality of flour; (6) to organize the trade upon sound and legitimate principles of trade-unionism; (7) to prevent, and not to encourage, monopoly.

Dealing with these objects separately and in order:—

First, the association seeks to secure a reasonable profit for its members, but not an undue profit. The best proof of this is supplied by the tables attached hereto, which contained a record of the relative prices of wheat, flour, bran, and pollard during each month from January, 1898, to date. In 1902 the association to a large extent regulated the flour trade in New Zealand outside of Auckland. It will be noticed that the relative prices in this year compare very favourably from the consumers' point of view with those of prior years, and yet it is a fact that millers were enabled in 1902 to make fair profits, whereas in previous years, when the relative prices of wheat, flour, and offal were much the same, they were in many cases losing money. This is accounted for very largely by the absence of bad debts, the abolition of forward selling, and economy in distribution. This is the more significant in view of the fact that the rate of wages and other charges had very materially increased. The tables supplied hereto give the difference each month between the gross return for flour, bran, and pollard, and the price of wheat per ton. The profit can be approximated by deducting from this difference the cost of manufacture (say, 17s. 6d. per ton), commission of 5 per cent. upon the gross returns, shipping charges 3s. 6d. per ton, insurances, rates and taxes, interest on capital invested in plant, buildings, machinery, and stock repairs and depreciations. In fixing the cost of manufacture at 17s. 6d. it must be explained that this charge, which includes the actual cost of labour, firing and sacks, and nothing else, is accepted by the associated millers as the standard cost of production for the purpose of regulating the output under the association's rules (*vide* the schedule to the millers' agreement). It is obvious, of course, that the actual cost of