

1916.
NEW ZEALAND.

BOARD OF TRADE

(REPORT OF THE) REGARDING COAL-PRICES AT AUCKLAND.

Laid on the Table of the House of Representatives by Leave.

Auckland, 7th June, 1916.

To the Right Hon. William Ferguson Massey, P.C., M.P., President of the Board of Trade.

SIR,—

Following your telegram of the 26th ultimo to make inquiries into the recent increase in the price of coal in Auckland, and to report as early as possible, we have the honour to report as follows:—

1. The Board of Trade instituted an inquiry into the increase in the price of coal on the 29th ultimo, and examined on oath Messrs. E. W. Alison (chairman of directors of Taupiri Coal-mines (Limited)), Joseph Catchpole, and C. M. Rich-White (chairman of directors and secretary of the Pukemiro Collieries (Limited)), J. M. Carpenter, E. A. Craig, George Winstone, jun. (coal-dealers), and George Roberts (engineer).

2. Information was also sought in such other directions as we deemed necessary or expedient during the course of our investigation.

3. As a basis from which to work and make comparisons we took the wholesale prices of the various classes of coal obtaining on the 1st August, 1914, and compared them with the prices for the same grade after the rise which took place on the 22nd May, 1916. The former prices, we assumed, were reasonable.

The following table shows the comparison, the grades being bought in sufficient quantities to entitle the purchaser to receive the maximum discounts:—

	1st August, 1914.		22nd May, 1916.		Increase.	
	s.	d.	s.	d.	s.	d.
In trucks, Huntly—						
House coal	14	10½	17	1¼	2	3
Steam coal	10	9½	12	7	1	10½
Kitchen coal	(Not on market)		12	7	...	
In trucks, Pukemiro—	1915.					
House coal	15	3	17	7	2	4
Steam coal	11	1	12	11½	1	10½
Kitchen coal	(Not on market)		12	11½	...	

In order that the increased price should not bear too heavily on the poorer class of consumer the companies put on to the market a new grade of coal—kitchen coal—which is sold at 12s. 7d. Huntly and 12s. 11½d. Pukemiro wholesale if bought at best advantage, and which we are informed is practically taking the place of the higher-priced house coal, and is quite good enough for ordinary purposes. As can be seen from the above table, the wholesale price is actually lower by 2s. 3½d. than the price of house coal in 1914.

4. The Taupiri Coal-mines (Limited), which does between 60 and 70 per cent. of the trade in this district, publicly stated that the increases shown above were due to (a) increased cost of production, (b) enhanced prices of materials and supplies, (c) increased railway freights on materials and supplies, (d) increased taxation, and (e) a serious diminution of output due to shortage of miners.

5. The enhanced prices do not affect the contracts for the supply of coal entered into by the company prior to the 22nd May, 1916, the largest being the contract with the Railway Department, which, for the year ending 31st March, 1917, is securing its supplies at a cheaper rate than last year—a result due to competition.

6. From the evidence before us we are of opinion that the increase in the wholesale prices of coal as set out above are fully warranted, and are not more than sufficient to enable the company to produce without loss. On the outbreak of war in August, 1914, the company, as a member of the Coal-mine Owners' Association, became a party to the following resolution: "That, the individual mine-owners having reported to the association that they do not intend to increase the price of coal during the present crisis unless the mine cost is increased, the association heartily endorses this action."

The policy adopted in that resolution was maintained up to the 22nd May of this year. For the year ending 31st March, 1915, covering the first nine months under war conditions, the company, after providing for depreciation, made a profit of only £1,080, and was not in a position to declare a dividend. During the year—namely, on the 12th September, 1914—one of the greatest disasters in the history of New Zealand mining occurred in one of the company's

mines, but the legal claims and expenses in connection with the accident do not figure in that year's balance-sheet. The direct monetary loss to the company amounted to £24,875 13s. 3d. This sum was met the following year as under:—

Accident Insurance Fund transferred	...	...	...	£	s.	d.
Reserve Fund transferred	...	...	...	4,811	17	5
Profit and Loss Account	...	...	...	12,500	0	0
				7,563	15	10
				<hr/>		
				£24,875	13	3

For the year ending 31st March, 1916, the company's operations resulted in a loss of £6,763 1s. 4d. There were accumulated profits brought forward from the previous year of £3,499 16s. 10d. The company consequently commenced the current year with a debit balance of £3,263 4s. 6d.

The marketable output last year amounted to 201,820 tons, comprising—Household coal, 60,466 tons; steam and kitchen coal, 78,444 tons; slack, 61,981 tons; fireclay, 929 tons. Assuming the output for the current year to be as good as last year, the company on the increased prices will get an additional revenue of 2s. 6d. on 60,466 tons and 2s. on 78,444 tons, less discounts allowed—say, 10 per cent. = £13,863. The recent rise in wages, amounting to 10 per cent., will absorb £7,262 of this amount, and after allowing for the debit balance brought forward there will remain £3,338 to meet the enhanced prices of materials and supplies, increased railway freights on those supplies, and extra taxation. Unfortunately, owing to the serious shortage of labour directly attributable to the demands made on the manhood of the country to maintain the reinforcements at their full strength, the company cannot hope to reach last year's output, and it will only be by careful management that they will avoid further loss.

7. We have dealt with the position of the Taupiri Coal-mines (Limited) because this company commands from 60 to 70 per cent. of the trade, and because the Pukemiro Collieries (Limited) has not been producing coal for a complete year, and in consequence the figures supplied us by the latter company are merely estimates. As far as can be ascertained from this company's books, it is evident that had the price of coal not been advanced the company would not be in a position to declare a dividend at the end of its first year of actual coal-production. It has been in existence six years, and has spent £50,000 during that period in developing its property, and the shareholders naturally expect some return on their investment after this lapse of time.

8. Before passing to a consideration of retail prices we wish to draw attention to the fact that the Taupiri Coal-mines (Limited) are prepared to supply coal to any member of the public in truck lots at the same rates as it supplies truck lots to any coal dealer or merchant.

9. *Prices to Dealers.*—The following show the net prices charged by the merchants to coal-dealers, both before and after the rise:—

	1st August, 1914.	22nd May, 1916.	Increase.
	s. d.	s. d.	s. d.
House coal	27 6	30 9	3 3
Steam coal	24 0	26 9	2 9

10. *Retail Prices.*—The retail coal trade in Auckland is in the hands of the Coal-dealers' Association, which comprises approximately 170 dealers. Any *bona fide* seller of coal may become a member of the association on the payment of 5s. per annum, even although coal-selling is not his exclusive business. Before prices are increased the association meets and fixes the price at which dealers shall sell to the public, and, although no tangible compulsion is applied to force members to sell at the price so fixed, they are "in honour bound," as one witness expressed it, "to sell at the arranged price"; but any consumer (or combination of consumers) who has storage capacity sufficient to hold a truck of coal—viz., 7 tons, approximately—can buy in truck lots from the Taupiri Coal-mines (Limited) on the same terms as the coal-dealers.

11. The following table shows the cash retail prices (delivered) of the grades dealt with before and after the rise:—

	1st August, 1914.	22nd May, 1916.	Increase.
	Per Ton.	Per Ton.	Per Ton.
	s. d.	s. d.	s. d.
House coal—			
Ton lots	33 6	37 6	4 0
Half-ton lots	17 3 34 6	19 3 38 6	4 0
Quarter-ton lots	9 0 36 0	10 0 40 0	4 0
Sack lots	3 4 40 0	3 9 45 0	5 0
Steam coal—			
Ton lots	30 6	34 0	3 6
Half-ton lots	15 9 31 6	17 6 35 0	3 6
Quarter-ton lots	8 6 34 0	9 6 38 0	4 0
Sack lots	3 0 36 0	3 6 42 0	6 0
Kitchen coal—	August, 1914.	26th May, 1916.	
Ton lots	(Not on market)	34 0	...
Half-ton lots	..	17 6 35 0	...
Quarter-ton lots	..	9 6 38 0	...
Sack lots	..	3 6 42 0	...

12. The coal-merchants sell to the coal-dealers at 30s. 9d. per ton, and both merchants and dealers sell to the public for cash at the prices stated above.

13. "Are the retail prices reasonable?" A comparison of the above tables shows that, while the company's price increased 2s. 3d. and 1s. 10½d. per ton for house coal and steam coal respectively, the coal merchants and dealers increased the retail prices by 4s. and 3s. 6d. respectively for ton and half-ton lots, and larger increases for quarter-ton and sack lots. The consumer who buys in sack lots—presumably the poorer classes of the community—is hit hardest by the increase, as in the case of house coal he pays at a rate equivalent to an increase of 5s. per ton, and in the case of steam coal at a rate equivalent to an increase of 6s. per ton. It is customary

throughout New Zealand for the consumer in small quantities to pay at a higher rate, but in Auckland the difference is more marked than in Wellington. The State Mines Department charges the consumer of half-ton lots 1s. extra, of quarter-ton lots 2s. extra, and of sack lots 3s. 8d. extra.

14. Turning now to the question as to whether the coal-merchants were justified in increasing their prices 4s. and 3s. 6d. per ton consequent on a rise by the colliery-proprietors of 2s. 3d. and 1s. 10½d. per ton respectively, we find as follows:—

(a.) A rise of at least 8d. per ton would have taken place in any event, being 10 per cent. additional railway freight. This charge was borne by the merchants from October to May pending the decision of the company as to whether the wholesale price was to be increased.

(b.) An all-round increase of wages (and increased cost of sacks) estimated as equivalent to 8d. per ton took place in April of this year.

(c.) An increased shunting-charge equivalent to 2d. per ton was recently imposed.

These charges, amounting to 1s. 6d. per ton, are legitimately passed on to the consumer.

The increase is therefore made up as follows:—

	Household.		Steam.	
	s.	d.	s.	d.
Rise at mines	2	3	1	10½
Additional freight	0	8	0	8
Increase in cost of sacks and wages	0	8	0	8
Increased shunting-charge	0	2	0	2
Unexplained	0	3	0	1½
	4	0	3	6

15. As stated above, the merchants supply the dealers at 30s. 9d. per ton for house coal, and the dealers sell for cash at the rate of 37s. 6d. for ton lots, 38s. 6d. for half-ton lots, 40s. for quarter-ton lots, and 45s. for sack lots. The sack-lot price seems to be proportionately too high.

16. *Kitchen Coal.*—The object of the colliery-proprietors in placing this grade on the market was to ease the burden of the increased price on the poorer consumer. The best wholesale price is 12s. 7d.—2s. 3d. cheaper than the wholesale price of house coal before the rise. The retail price in ton lots is actually 6d. per ton higher than house coal before the rise. This price defeats the object for which the grade was instituted; and after making every allowance for increased freights and wages, cost of sacks, &c., we are of opinion that the retail price should not exceed the following:—

In ton lots	33s. per ton.
Half-ton lots	17s. = 34s. „
Quarter-ton lots	9s. = 36s. „
In sack lots	3s. 2d. = 38s. „

We have not dealt with the Waipa coal prices, as the head office of the company is in Wellington, and the necessary detailed information is not available in Auckland. The retail prices, however, are the same as the retail prices dealt with above. The other coals that compete in this market from the northern mines and from the West Coast mines of the South Island and Newcastle do not seriously enter into competition with the coals specified for household trade.

As showing the evolution in the price of coal after it leaves the colliery we append the following table, based on the purchaser in each instance buying at best rates:—

House coal in trucks at Huntly, 17s. 1½d. per ton.

House coal supplied to dealers, £1 10s. 9d. per ton.

House coal supplied to consumer, from £1 17s. 6d. to £2 5s. per ton according to quantity bought.

The difference between the first two prices is accounted for as follows:—

	s.	d.
Railage	6	6
10 per cent. additional	0	8
Siding charges, including increased shunting-charge	0	6
Yard charges	2	10½
Loss on bags	1	3
Depreciation	0	3
Overhead charges	0	7
Bad debts	0	3
	12	10½
Merchant's profit	0	9
	13	7½

The difference between the second two prices represents the cost of delivery and the dealer's profit. A sane method of distribution would greatly reduce the ultimate cost to the consumer, and it is to improved methods of distribution in Auckland that we must look for relief, as far as coal is concerned, from the burden of rising prices.

We have, &c.,

W. G. McDONALD
P. HALLY.
J. R. HART.

J. W. Collins, Secretary.

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The first part of the report deals with the general situation of the country. It is a very interesting and informative study of the country's development and progress. The author has done a great deal of research and has gathered a wealth of material. The report is well written and is a valuable contribution to the study of the country's development.

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The ninth part of the report deals with the conclusion of the study. It is a very interesting and informative study of the country's development and progress. The author has done a great deal of research and has gathered a wealth of material. The report is well written and is a valuable contribution to the study of the country's development.