

1922.
NEW ZEALAND.

DEPARTMENT OF INDUSTRIES AND COMMERCE
(BOARD OF TRADE)
(FIFTH ANNUAL REPORT OF THE).

Presented to both Houses of the General Assembly by Command of His Excellency.

THE subjoined report deals with the operations of the Department of Industries and Commerce since the last report was placed before Parliament, and covers a period of a little over one year—viz., 1st July, 1921, to 31st July, 1922.

The period under review has been a particularly busy one, and the work of the Department, owing to retrenchment of staff, has been carried out under difficulties. Some of the functions have had to be curtailed or set aside because of the inability of the reduced staff to cope with the work. Compared with last year, a reduction of over 50 per cent. has been made in the personnel.

Mr. George Wilson, a member of the Board of Trade, voluntarily retired at the 31st December last, and Mr. P. Hally, another member of the Board, has recently been transferred to the position of Conciliation Commissioner at Auckland.

BOARD OF TRADE ACT, 1919.

The Cost of Living Act, 1915, which was essentially a temporary and repressive measure, was designed chiefly with the object of providing means of price-control arising out of war conditions. The provisions of this Act were modified and extended by a permanent measure, the Board of Trade Act, passed in 1919. The publicity given to the various profiteering cases instituted under section 32 created a widespread but erroneous impression that the Board of Trade Act was itself only a post-war measure designed for the suppression of profiteering. The Act, however, provides for a permanent and constructive policy, the effective pursuance of which necessitates continuity in the matter of investigation and research. The main functions of the Board and the Department are summarized in section 12, which provides that investigations and inquiries shall be made relative to the industries of the Dominion, that the results of such investigations may be published for general information, and that regulations may be made for the maintenance, control, or development of local industries. It is generally understood that industry relates to production and commerce to distribution, but it is difficult to draw a distinct line of demarcation as to where distribution begins and production ends. The Department has given section 12 a wide interpretation, and, while making every endeavour to safeguard the interests of consumers, has sought to foster production and distribution along efficient lines, and to do all possible to assist the manufacturing and trading sections of the community.

The Act imposes upon the Department the duty of publishing, so far as may be deemed expedient in the public interest, information with respect to industries subjected to investigation. This function is more fully explained in section 24 of the Act, under the provisions of which publication of reports of investigations is made. This power of publication provides the means by which unfair business practices may be restricted by the force of an enlightened public opinion. On the other hand, publicity for constructive purposes in the development of industry and trade constitutes one of the most important functions of the Department.

INDUSTRIAL DEVELOPMENT OF NEW ZEALAND.

As has already been indicated, one of the main functions of the Department is to foster and assist the secondary industries of the Dominion, particular attention being given to those most nearly related to primary production and to those industries utilizing the raw materials available in New Zealand. Since its establishment the Department has co-operated with the industrial associations of the Dominion, and has assisted them in solving many problems presenting economic difficulties. The industrialists of the Dominion have displayed a commendable spirit of self-help in this connection, and, realizing that the staff of the Department has necessarily had to suffer by retrenchment, have been most reasonable in their requests for departmental assistance. The associations have realized that if they are to obtain the good will and support of the public it is necessary for them to educate the public as to exactly what is being made in New Zealand, and to ensure that the quality of the goods manufactured and the prices charged are such as to warrant this support.

With this end in view a policy of wide propaganda is being adopted, which will undoubtedly have an important influence on the buying public. Reference is made in another section of this report to the activity of the associations in respect of exhibitions of New-Zealand-made goods, and to the fact that in November next an exhibition on a large scale is to be opened in Christchurch, at which the goods to be displayed will be entirely New-Zealand-made.

The industrial progress made during recent years is shown by the following figures :—

DOMINION OF NEW ZEALAND.—MANUFACTURE AND WORKS, 1895-96 TO 1920-21.

—	1895-96.	1900-1.	1905-6.	1910-11.	1915-16.	1918-19.	1919-20.	1920-21.
Number of establishments	2,459	3,680	4,186	4,402	4,670	4,254	4,357	4,804
Number of employees ...	27,389	46,847	56,359	56,234	57,823	57,788	64,951	70,255
Amount paid in wages ...	1,907,592	3,302,647	4,457,619	5,572,270	6,654,504	8,042,707	11,629,406	14,645,601
Cost of materials used or operated upon	3,204,619	6,997,480	13,163,692	20,810,211	31,317,969	40,429,784	47,037,931	55,511,163
Value of output	7,934,141	12,863,969	23,371,177	31,729,002	45,454,184	58,374,507	69,680,296	82,473,569
Value of land, buildings, machinery, and plant	5,796,017	7,959,631	11,814,013	16,731,359	21,951,576	29,559,817	33,436,120	39,564,837

There is undoubted evidence that few countries in the world offer better opportunities for the establishment of certain industries than does New Zealand. The latent productivity of its soil, the wealth and diversity of its mineral resources, and the potentialities of the undeveloped hydro-electric power of the Dominion make possible an industrial development of a high degree. Information relative to the establishment of new industries is constantly being received by the Department, and every possible assistance is afforded to the promoters by the provision of information with regard to the availability, cost, and quality of raw materials, rates of wages and hours of work, tariff protection, markets, plant that can be manufactured locally, shipping and railway facilities, and on any point upon which specific information is sought. Amongst the industries recently established may be mentioned that of glass-manufacture. A factory has been erected at Penrose, near Auckland, upon which a sum of over £30,000 has already been invested. This industry will afford employment for a large number of men, and will use for its raw materials large quantities of coal and sand which the Dominion itself can readily supply. Most of the labour to be employed will be engaged in New Zealand, a few experts only being required from abroad at the commencement of operations. Another comparatively new industry which promises to be progressive and useful has been established at Auckland, for the expression of oil from linseed grown in New Zealand. Cattle-cake is a by-product for which there appears to be a growing market in the Dominion itself. Very great interest has also been taken in the Department's investigations regarding the manufacture of meat-flour in the Dominion. Many inquiries have been received from abroad for the report, and it is pleasing to say that offers have been received by the promoters for the rights to manufacture in the United States and in Great Britain. A new mill for the manufacture of wool and carpet rugs is being erected at Auckland. English experts will operate the factory, and the unskilled labour will be recruited locally. While the manufacture of textiles in New Zealand appears to have wide possibilities of a development, there is at present a lack of skilled workers, and an endeavour is being made to remedy this by co-operation between the employers, the Department of Immigration, and this Department. Considerable enterprise has been shown during the year in the manufacture of paints and varnishes. Many local firms have extended their operations, and one large Australian firm is building a factory near Wellington for the purpose of making varnishes, enamels, and household decorating specialties. Still another new industry is that now firmly established at Temuka for the manufacture of roofing-tiles and insulators. This success was attained only after a vast amount of research work had been done; various grades of clay had to be tested, testing-kilns erected, and experiments made with different classes of coal and glazing-materials. Drying-systems had also to be tried out, and the influence of the climate on the manufactured articles had to be considered. After close study of the position, and with the expenditure of many thousands of pounds, the initial difficulties were overcome, and the value of the output is now increasing rapidly. The insulators manufactured by the firm have been tested by Government experts, who are quite satisfied with their quality, and have placed a large order, with an indication that further Government orders will be given provided the quality is maintained and the prices continue to be favourable.

Owing to the rapid development of the growing of cotton in Queensland, attention is being given in the Dominion to the possibility of establishing mills for the manufacture of cotton piece-goods. Experts consider that the climates of Southland and the West Coast afford ideal conditions for the manufacture of cotton. As New Zealand has a suitable climate, and is so much nearer to Queensland than any of the Old World mills, the possibilities of establishing this important industry in the Dominion should be fully examined. In this connection it should be pointed out that Queensland's raw cotton crop amounted in 1920 to 50,000 lb.; in June of last year the crop was estimated at 4,500,000 lb.; and reports now to hand show that 10,000,000 acres of land in Queensland are suitable for the cultivation of cotton, and that its growing is being encouraged by State subsidy. The manufacturers of Great Britain are alive to the fact that unless they establish mills nearer their markets, foreigners may take advantage of the position in order to compete with importations of British cotton goods into this and other countries of the Eastern Hemisphere. Stress of competition is therefore likely to assist New Zealand in securing British capital and skill for the purpose of handling the ever-increasing raw material available from the Commonwealth.

The severe financial and industrial depression through which New Zealand is passing has caused a great deal of unemployment, and for this and other reasons the Department has paid particular attention during the past year to ensuring that every possible step would be taken to prevent the sending abroad of orders which could be filled in New Zealand itself. A study of the imports into New Zealand shows that millions of pounds' worth of machinery and plant are being purchased from

overseas. Much of this could be manufactured in New Zealand at competitive prices, to the marked benefit of all concerned. A strong protest was made by the Dunedin Ironmasters' Association regarding tenders proposed to be accepted by the Dunedin City Council for the Waipori pipe-line. It was intended to accept the tender of a Glasgow firm for the whole of this work, but representations from local manufacturers served to show that the pipes could be manufactured in Dunedin itself, with delivery guaranteed within the required period and at an actual saving in cost. As a result of this protest a large part of the order, amounting to £9,310, was placed locally, thus helping to relieve a good deal of unemployment in the industry. The Department instituted inquiries into the whole position, and ascertained from prominent manufacturers that they were having an uphill fight to get their manufactures recognized by the engineers and inspectors employed by local bodies in New Zealand. This is attributed to the fact that many of these experts are trained overseas, and have little knowledge of the extraordinary development that has taken place in New Zealand's secondary industries during recent years, and therefore purchase the products of Home manufacturers. It often happens that the specifications drawn up for supplies practically exclude the local manufacturer from competing. As an instance, considerable variation exists throughout New Zealand in regard to the type of common household tap, and, although Dominion firms have demonstrated over and over again their ability to compete in quality and in price with the imported article, some municipal officers still refuse to accept the local article. It is in work of this kind that the Department intends to co-operate with the manufacturers in securing proper recognition and justice. All local bodies have been written to and have been urged to support local industries, all things being equal, and have been asked to furnish a statement showing to what extent ironwork supplies were purchased through local manufacturers and from outside the Dominion. A large number of replies has been received, which tend to show that wherever possible local bodies have placed orders for local manufactures. It has been made clear that, although local bodies have been desirous of supporting local industries, they are largely in the hands of importers and merchants, who in the majority of cases supply British, or American, or other foreign goods. Reference is made in another part of this report to the proposed issue of a manufacturers' directory. It is considered that the publication of this work will do much to educate the public as to exactly what classes of goods are manufactured in New Zealand. Over three thousand classifications will be shown, together with the names of the principal persons, firms, or companies who are engaged in the production of the respective classes of goods.

OVERSEAS MARKETS.

Considerable interest has been taken by the Chambers of Commerce and the industrial associations of the Dominion in the development of New Zealand's trade overseas, and the Department has obtained a good deal of information regarding these prospective markets, which has been submitted to and discussed by the interests concerned.

The visit made to New Zealand by the Hon. J. Sibinga Mulder, Minister of Agriculture, Industry, and Commerce, Java, followed later by a visit from Mr. P. E. Teppema, Consul-General for the Netherlands for Australia and New Zealand, has resulted in adding greatly to the Dominion's knowledge of the valuable market which the Dutch East Indies offers for New Zealand goods. At present this market is practically neglected by New Zealand traders, but the Commonwealth of Australia has built up a valuable export trade with Java, amounting in value to approximately £3,500,000 per annum; while the import trade from the Dutch East Indies into Australia has reached a total of £8,300,000. The exports from Australia are comprised largely of lines similar to those produced or manufactured in New Zealand. Mr. Teppema stated at Auckland recently that he was confident that the Dominion has a very profitable prospective market in the Dutch East Indies—a market which is almost at our doors; that it was a country ready to open up trade with New Zealand, and that the Dominion was at no disadvantage as compared with Australia in the distance to be covered by sea. It is fully expected that something tangible will be done before long to exploit, to the advantage of this country, the markets in the East which are now available to us. As a preliminary to trade being established, it would appear to be advisable for this Dominion to take advantage of the invitation to make an exhibit at the annual fair held at Buitenzorg, Java, in September of each year. The New Zealand Industrial Corporation is interesting itself in the matter of making such an exhibit, and it is probable that New Zealand will participate in the fair to be held in 1923. New Zealand must sooner or later have direct shipment to a market possessing such possibilities, and it would seem to be a necessary preliminary to opening up trade and shipping negotiations that traders here should adopt the methods taken by Mr. Teppema in New Zealand, and bring their produce and manufactures directly under the notice of merchants and traders in Java. Once our products become known a big trade can reasonably be expected. In Java there is a market for dairy-produce, meat, cattle, honey, flour, marble, coal, and for manufactures such as soap, canned foods, leather, footwear, confectionery, and cement.

The subject of trade with the Pacific islands—Samoa, Fiji, Cook Islands, Tahiti, and Hawaii—has been under consideration during the past year, particular attention being given to the causes that have led to the falling-off of trade between New Zealand and Samoa and Fiji, and to the steps that should be taken to counteract the effects of the direct steamer service recently established between Australia, the islands, and the United Kingdom, which naturally meant a diversion of trade from this Dominion. The Department realized that little could be accomplished in respect to trade without proper shipping facilities. Fast steamers are necessary for the carriage at reasonable freight rates of citrus fruits and bananas from the islands. During the war New Zealand neglected the island markets, because of the demand in New Zealand itself for locally manufactured goods and the high prices and big demand for our food products in the United Kingdom. Now that world prices generally have fallen, steps are being taken to secure again the markets that we lost; and, although the Pacific islands can never offer a large opening either for our food products or for our manufactured goods, the proximity of the islands and the trade to be done certainly warrant New Zealand cultivating and maintaining this trade connection. Good business can be done in canned

goods, kegged meats, dairy-produce, soap, sugar, and general products. Auckland formerly did a lucrative trade in the handling of copra, but the provision of direct shipping from Australia to the United Kingdom via the islands has diverted this trade, and the only way to make permanent this trade with the Dominion is to establish works in New Zealand to deal with the copra itself.

Too much stress cannot be laid on the fact that New Zealand merchants and manufacturers cannot compete successfully with Australia and the United States unless they send travellers to the islands to study the requirements of the market and to observe special points relating to packing. In regard to trade with Samoa, co-operation between the Department of External Affairs and this Department has resulted in a better understanding between the traders of Samoa and New Zealand manufacturers as to the trade in cocoa-beans. New methods of grading are being established, and as a result the trade should be greatly improved, to the mutual benefit of both producer and customer.

Trade with Hawaii shows considerable extension, with a growing demand for meat, butter, boots, oats, onions, fruit, and woollen goods.

All these near-by markets offer good prospects for New Zealand merchants, but stress must again be laid upon the point that the Department's work is limited to obtaining and disseminating information, and that it should be followed by commercial firms taking the risk of sending representatives to obtain preliminary orders.

EXHIBITIONS.—SECONDARY INDUSTRIES.

During the year under review the New Zealand associations of manufacturers have co-operated with a view to showing the general public the quality and variety of goods manufactured in the Dominion. In October of last year an industrial exhibition was opened in Wellington with the main object of interesting Parliament, the Press, and the public in New Zealand's manufactures. The Department co-operated with the management in the enterprise and made an interesting exhibit, which included specially prepared charts showing statistically the progress made in industries combined and separately. Exhibits showing processes in the manufacture of woollen goods and boots and the raw materials used in many industries were also made. The exhibition was largely attended by the public, and proved most successful from every point of view.

The New Zealand Industrial Corporation, as a means of propaganda, decided that a Dominion industrial exhibition should be held in Christchurch in November-December, 1922. This exhibition will be on a scale hitherto not attempted in New Zealand. The Department has been invited to assist in the management of the exhibition and to contribute an exhibit. This exhibition will bring together a complete collection of the Dominion's industrial activities, will enable established industries to show what they are producing, and will direct public attention to those industries which are in the early stages of their development.

Local exhibitions have also been held at Dunedin and Auckland, in each case in conjunction with the agricultural and pastoral winter show. The Department made an exhibit at the Auckland exhibition, and also at the exhibition of the New Zealand Master Bakers' Association held at Auckland last summer.

BRITISH EMPIRE EXHIBITION, LONDON, 1924.

New Zealand's interest in the above Exhibition was stimulated by the visit of a mission headed by Major E. A. Belcher, C.B.E. (Assistant General Manager of the Exhibition), who, with Colonel A. Christie (Financial Adviser) and Mr. F. W. Bates (Secretary), reached the Dominion on the 3rd July last. The purpose of the mission's visit was to explain the objects of the Exhibition and to consult with the Government and prominent men of the Dominion regarding the best means of ensuring the interest and co-operation of New Zealand in connection with the Exhibition. The organization of the mission's tour throughout the Dominion was placed in the hands of this Department, but owing to the limited time at the mission's disposal it was found impossible to carry out the complete itinerary proposed. Particular attention was therefore given by the mission to the four chief centres, it being understood that after the mission leaves New Zealand the work of interesting other parts of the Dominion in this great enterprise should be left in the hands of the Department and the advisory committees to be appointed. In consideration of the fact that a great deal of publicity has been given to the objects of the mission through the Press of the Dominion, it is not proposed to reiterate those objects in this report, but brief reference may be made to the great importance of the enterprise from the standpoint of Empire trade.

A prominent British statesman, Colonel L. S. Amery, Secretary to the Admiralty, emphasizes the fact that the British Empire is really the greatest undeveloped estate in the world, and that the task before the British people at Home and overseas is to devote their best energies to its development. That is the main object of the British Empire Exhibition—"to bring home to the millions from all over the world who will pass through its turnstiles the idea of Empire development as not only an immensely fascinating aim in itself, but also as the true and only effective solution of the economic crises which confront us in this post-war period."

The meetings that have been held by the mission throughout the Dominion have shown that it is the intention of all the parties interested heartily to co-operate towards making our participation successful, and, by means of a display at the Exhibition worthy and characteristic of New Zealand, to impress upon those who will attend the true facts of the attractions, products, and potentialities of the Dominion.

At a representative meeting recently convened by the Minister of Industries and Commerce (the Hon. E. P. Lee), and held at Wellington, a strong central committee was formed to assist the Government in an advisory capacity, and a working council of ten members was appointed to act in conjunction with the Department in dealing with matters relating to the organization of the Dominion's exhibit and to advise the Government generally on the best manner in which our exhibits may be displayed. District committees will be set up in other cities and towns to co-operate with the Wellington central committee, and thus ensure that every part of the Dominion has a fair and equitable opportunity of participation.

MANUFACTURERS' DIRECTORY.

Information was collected by the Department from manufacturers throughout New Zealand for the purpose of compiling a directory to show buyers and other interested parties the many articles that are manufactured in the Dominion, to indicate by whom they are made, and to foster a demand for New Zealand goods. Unfortunately, owing to retrenchment of staff, this work has been considerably delayed in publication, and some help has had to be sought from the manufacturers' associations in getting the necessary clerical assistance to complete it. By mutual arrangement it has now been decided to place the matter in the hands of a private publisher, and it is expected that the directory will be published towards the close of this year. The classifications of manufactured goods will number between two thousand and three thousand; the directory will include the name of every leading manufacturer of the Dominion, and will be the most complete of its kind ever attempted in the Dominion.

CHAMBERS OF COMMERCE.

The Department has co-operated closely with the Chambers of Commerce in the principal centres, and a considerable volume of correspondence on a multiplicity of subjects is continually passing between this office and those organizations. The Department has also kept in touch with the conferences of the Associated Chambers of Commerce, and has rendered assistance in matters relating to bills of lading and the question of extending New Zealand's trade abroad.

There has recently been in evidence a commendable desire to strengthen the position of the Chambers of Commerce in the larger centres, and a strong effort is to be made to increase membership. The Wellington Chamber, too, has given consent to the suggestion that several large Government Departments should have representation on the Chamber, and so ensure a greater degree of harmony and co-operation between the Government and commercial interests.

The recent amalgamation of the two Chambers of Commerce in Wellington is also undoubtedly a step which should be in the interests of the commerce of the city.

COSTING SYSTEMS.

It has been abundantly apparent to the officers of the Department that insufficient attention is paid by manufacturers to the necessity of accurately and promptly ascertaining the detailed cost of production and distribution of commodities. This necessity has grown more acute since economic conditions have brought about a general recession in prices. Indications are not lacking that manufacturers are coming to realize this fact, and will take steps to institute efficient systems of cost-finding. The Department has given encouragement to the movement, and in several instances the Board's accountants have given professional advice to traders in regard to the details of schemes to be adopted.

While the staff of the Department is not sufficiently large to allow of any general extension of the principle of directly assisting in this work, every effort will be made to increase interest in this subject and to bring about the recognition of the need for more efficient methods of accounting generally.

CUSTOMS TARIFF INQUIRIES.

At the request of the Customs Department, detailed investigations have been carried out in relation to several industries which are now feeling the full force of overseas competition. Inquiries have been made in regard to the necessity for imposing special or temporary duties for the purpose of protecting the industries in question, and detailed reports have been submitted for the assistance of the Hon. Minister of Customs. These matters are so far confidential that details of the work done in this connection cannot be given in this report.

SUGAR.

The Department has continued its arrangements in regard to the control of the supply of sugar for the Dominion. In this respect the Government purchases the sugar f.o.b. Fiji, and arranges for the freighting, refining, and ultimate distribution through the ordinary trade channels to the consumer in New Zealand. Since the date of the last report of the Department the maximum price has been reduced from 6½d. to 4½d. per pound retail, and arrangements are in hand for a further reduction of 1d. per pound as from the 7th September next. When supplies became more plentiful the necessity for rationing disappeared, and the Department removed all restrictions in this respect.

The normal requirements for the Dominion, estimated over a number of years, are between 60,000 and 65,000 tons per annum, but last year (largely owing to changed financial conditions) there was a considerable decline in consumption, and when the contract for that year was under negotiation a careful analysis of the statistics of consumption was made. As the result of this the Department estimated that 50,000 tons would be sufficient to meet the requirements of the Dominion for the year, and the Sugar Company offered this quantity to the Government at £26 10s. per ton f.o.b. Fiji. Further negotiations resulted in a price of £22 12s. 6d. being agreed upon, and this represented a reduction on the original offer of £3 7s. 6d. per ton, which, on the 50,000 tons, amounted to a saving of £193,753.

Later in the year the Sugar Company intimated that they had available a further 12,000 tons of sugar in Fiji, and they offered this to the Government at £16 5s. A purchase of this quantity was effected by the Government at £15 10s. f.o.b. Fiji. The foregoing advantages in the matter of price have been largely due to the close attention paid by the Department to the movements of the world's sugar-market, and in this respect the Department is indebted to the High Commissioner for his regular cables relating to this matter. Moreover, it may be claimed that a careful study of the statistics of consumption enabled the Government to limit its original purchase and thus be in a position to buy the balance when the market was at its lowest level.

It is of interest to note that almost immediately the last contract was signed the sugar-market began to firm. This purchase was a most opportune one, and the Government has arranged a price so that the consumers will have the benefit of the transaction.

It will be evident from the foregoing, and also from the fact that the initial contract was effected at £35 per ton when the world's market price was £47, that the Sugar Company in the course of the negotiation of the several contracts has taken up a reasonable attitude. It should be noted that these satisfactory results could be secured only by the conduct of operations on a large scale. The Government has, in effect, used the combined purchasing-power and credit of the community in a matter which would be beyond the financial capacity of any but the largest private institutions, and the benefit which has resulted to the people of this Dominion should not be overlooked in any discussion relative to the merits or demerits of State enterprise.

The Government has continued to maintain a plentiful and regular supply of sugar suitable for all purposes, and the price has compared favourably with that ruling in any other part of the world. The Department has worked in close co-operation with the shipping companies to ensure regular deliveries. This has obviated the necessity of merchants carrying large stocks, and at the same time has ensured regular supplies for manufacturers.

WHEAT, WHEAT PRODUCTS, AND BREAD.

During the past year the Government has fulfilled its contract with wheat-growers in respect to the 1920-21 crop. The quantity of wheat purchased from growers and resold to millers and for seed purposes was 5,897,000 bushels, and the year's operations resulted in a net profit of £5,272 12s.

For the first year since the Board of Trade has been in existence it has not been necessary to go outside the Dominion for supplies of wheat. The Wheat Controller was approached towards the end of the year by millers who wished to import Australian wheat, but the stocks of flour in mills and the wheat ungristed at that time were in his opinion sufficient for the flour requirements of the Dominion.

About June of last year the millers stopped buying, being under the impression, along with merchants and others, that there would be a surplus of wheat in the country. It was therefore necessary to inaugurate a scheme whereby the wheat could be taken over from the farmers immediately. Under this arrangement the Wheat Controller took over, on behalf of the Government, wheat from the growers, which was subsequently resold to millers, the wheat in the meantime being held under warrant by the Government.

Control of Flour.—The price fixed by the Board of Trade in respect of flour made from the wheat of the season 1920-21 was £21 per ton f.o.b. southern port, less 2½ per cent. if paid within seven days. Cabinet determined that a subsidy of £1 10s. per ton should be paid on flour. The amount expended in subsidy for the year ended 31st March, 1922, was £182,055.

Guarantee for 1921-22 Crop.—The Government undertook to purchase from wheat-growers all good milling wheat of the 1921-22 season at the following minimum prices:—

- (a.) For Tuscan and similar varieties, 5s. 6d. per bushel f.o.b.; for Hunters and similar varieties, 5s. 9d. per bushel f.o.b.; for Pearl and similar varieties, 6s. 3d. per bushel f.o.b.
- (b.) An increment of ¾d. per bushel per month to be added to above prices for wheat dealt with between the 1st May, 1922, and the 31st October, 1922.
- (c.) Market rates to be paid if in excess of the above guaranteed minimum prices.
- (d.) If necessary to determine market rates the Government to be guided by the world's market value of wheat in February, 1922, of similar quality to New Zealand wheat, having regard to the necessary adjustment between North Island and South Island; but in any case the purchase price to be not less than the minimum stated above for the respective varieties with the monthly increment.

In January it was decided that the guaranteed prices should be the maximum, and the Wheat Control Office is now engaged in purchasing the wheat in conformity with the contract entered into.

As a result of this continuation of the period of Government purchase and control of wheat-supplies, it has been necessary during the past year to again fix the prices of wheat products (flour bran, and pollard) and of bread.

After investigations of costs of production during the season ended February, 1922, and the prospects of reduction in costs during the ensuing season, prices of wheat products were fixed by Order in Council dated 28th February, 1922, at £18 for flour, £8 for pollard, and £5 for bran, all less 2½ per cent. discount for cash within seven days, on the basis of delivery f.o.b. Timaru, Oamaru, or Lyttelton. Relative prices for sales at other points were fixed, allowance being made for charges and costs of conveyance from southern ports. At these prices no subsidy on flour was necessary, as they returned to the miller his expenses of production and a reasonable margin of profit.

The reduction in flour-prices was such that bread-prices throughout the Dominion were in general reduced by ½d. per 2 lb. loaf. It was found, however, that minor adjustments in price scales were necessary in respect of a number of the small centres, and a considerable volume of work has been done in this connection. The position of the bread trade in approximately three hundred towns and districts has been under review.

During recent months there has been a tendency on the part of flour-millers to cut flour-prices below the maximum price fixed in February last. There is ample evidence that this cutting competition arose in the first place from financial pressure and other factors, and was not warranted or brought into existence by any excessive margin of profit allowed by the maximum price. Fierce competition for trade resulted in a reduction by as much as £2 per ton, but production costs speedily forced millers to agree upon a reversion to the maximum price of £18 per ton. The cutting of flour-prices was not sufficient nor of sufficient duration to warrant any action by the Department towards reducing bread-prices. The force of competition among bakers, which in most centres is very keen, has resulted in more or less temporary reductions in prices of bread. Generally it may be said that the present abundant supplies of wheat and flour and the free competition between millers and bakers are such as to ensure that consumers will receive their bread requirements at bed-rock prices.

Provided that future wheat harvests are adequate to the needs of the Dominion, and following upon the decision of the Government to terminate the system of guaranteed wheat-prices, there should be no further need for restrictive control over prices of wheat products and of bread, and the matter can, from the end of the current season, be left to the normal play of economic forces.

TIMBER.

When the year opened the outlook for the timber trade was most encouraging, and although all sawmills were working at full pressure the output was inadequate to meet the demand, which had increased enormously during the preceding year and showed no signs of abating. This excessive demand, with prices on a reasonably remunerative basis, naturally attracted further capital to the industry, and within two years from April, 1919, the number of sawmills operating had increased in number from 277 to 365, with a resulting increase in output of building-timber alone during the latter year of approximately 52,500,000 ft. Such was the position at the commencement of the year now under review. The reduction of credits early in the year and the consequent restriction of finance, combined with an anticipated lowering of price-levels generally, were probably reflected earliest in a curtailment of building operations, and the demand for timber slackened almost immediately. During the period of shortage, stocks of seasoned timber had been practically exhausted, and, anticipating an early renewal of building operations, sawmillers continued cutting for stock. Their anticipations, however, were not realized, and it soon became apparent that, as the financial burden involved in carrying large stocks became too heavy, outputs must be curtailed. Those sawmills situated most remotely from the markets and having few forward contracts—comprising, of course, a large percentage of new mills—were first affected and compelled to cease operations. The policy of restriction of export precluded sawmills from seeking an outlet for their surplus in foreign markets. Indications at the close of the year are for a revival in the New Zealand market, but the demand is not yet sufficient to absorb the current output.

Sawmillers and other vendors of timber were not permitted to obtain for their product during the years of shortage the full market value, as they were bound, first by agreement with the Board of Trade and later by Order in Council, not to demand or accept prices in excess of those from time to time declared by the Board to be reasonable. For the purpose of this control of price, complete and regular investigations were made of the books of representative sawmillers, and such increases only were allowed as were justified by increases in cost. The prices and costs ruling in November, 1918, were accepted as a basis, since at that time normal conditions of trade existed. Had no such control of price operated there is no doubt that prices would have largely influenced the distribution of supplies, and a much greater proportion of building-timber would have been diverted from the building of residences to the building of premises for commercial purposes. With the decrease in the demand, competition became sufficiently keen to render it impossible for any producer to demand prices providing more than a reasonable margin of profit on the producing costs of competing mills, and the necessity for Government control of prices accordingly disappeared. Inefficient sawmills and those subject to high cost of production were unable to continue operations. Had there been no restriction on export it would have been possible for sawmillers to maintain prices by placing larger quantities of timber on the export market, but the operation of the export regulations would not permit of this course being adopted.

In consideration of these circumstances, the Board therefore, towards the close of the year, made a recommendation to the Government that the regulations governing timber-prices be revoked, and action was taken accordingly. Prices have recently been reduced, and investigations that have been made clearly demonstrate that further appreciable reductions are extremely improbable until further reductions can be made in production costs, of which labour represents more than 60 per cent.

The first regulations imposing restrictions on the export of timber were issued by Order in Council on the 6th August, 1918, the policy at that time being one of conserving New Zealand timber for New Zealand use at prices based on cost of production without regard to parity prices for export. In August, 1919, this policy was further defined as to building-timbers, and an Order in Council was issued providing that the export for the three years 1919-20, 1920-21, and 1921-22 with respect to kauri and rimu should not exceed maximum quantities shown in the Order in Council dated 19th August, 1919. The quantities for the first year were fixed on the basis of the export trade done during the year 1918-19, and in the succeeding years the maximum quantities fixed showed a percentage reduction each year from the base quantities. This policy was continued by the issue of an Order in Council on the 13th April, 1922, prescribing maximum quantities for a further period of years commencing from the 1st April, 1922. In the case of rimu, the last-mentioned Order in Council provides a maximum for the year 1922-23 of 18,000,000 ft., being a reduction of 6,000,000 ft. on the quantity fixed for the previous year. In view of the decreased home consumption, a special quota of 2,000,000 ft. for the year was fixed for sawmills not engaged in the export trade prior to the 31st December, 1918. For succeeding years the maximum quantities were fixed as follows: 1923-24, 12,000,000 ft.; 1924-25, 9,000,000 ft.; 1925-26, 6,000,000 ft.

In the case of kauri, the maximum allowed for export for the year 1921-22 was 7,000,000 ft. For the year 1922-23 the quantity was reduced to 1,500,000 ft., and for each succeeding year to 500,000 ft. The quantity of kauri so fixed does not include timber inferior to that classed as medium grade in the New Zealand classification (provided that evidence is produced that this timber cannot be absorbed by the New Zealand market at reasonable prices), nor timber shipped to Samoa or the Cook Islands, which, being under the control of the New Zealand Government, are entitled to receive reasonable quantities for home consumption.

Throughout the control of export the shipment of timber has been allowed only subject to permit, and in all such permits a condition has been inserted providing that the permit is only exercisable if the New Zealand demand is first satisfied at reasonable prices to the extent to which available freight made supply possible. This condition was rigidly enforced during the shortage

periods, with the result that the actual quantities exported fell far short of the maximum quantities fixed by the Order in Council.

The process of fixing maximum quantities for export has the effect of conserving the New Zealand forests, as the aggregate output of all mills must of necessity be limited to the quantum fixed for export with the addition of approximately the quantity that can be absorbed in New Zealand.

The only New Zealand timbers extensively used for building purposes, in addition to rimu and kauri, are matai and totara. The export of these timbers is not permitted except in the case of O.B. matai produced in excess of New Zealand demands.

By the Order in Council of 13th April, 1922, the maximum quantity of beech for export was fixed at 2,500,000 ft. per annum.

The policy enunciated in previous reports with respect to white-pine is still continued—that is to say, that the export is allowed of the quantity produced in excess of that required to meet the New Zealand demand.

At the time of writing New Zealand timbers are very difficult to place on the Australian market, owing to the competition of timber from other countries and to the late amendments of the Commonwealth Customs tariff, which increased the duty very considerably.

As has been indicated above, the control of prices of timber has been based upon investigations made from time to time relative to costs of production and distribution in various districts throughout the Dominion. During the past year an extensive investigation was made over the whole field of the industry, in order to ascertain with the greatest possible exactitude the financial results secured by the millers during past years, and to determine closely the current cost position. The records of a number of representative mills were considered, and a comprehensive report was compiled and forwarded to the Hon. Minister of Industries and Commerce. Portions of the concluding paragraphs of this report may be quoted here :—

From the foregoing it will be gathered that the control of prices of timber sold in New Zealand is a phase of the Board's activities which is fraught with very great difficulties. It is probable that few commodities produced in New Zealand offer more difficult subjects for control.

It has already been pointed out that the necessity for the control of prices arises out of a shortage of essential supply, and it is a matter for the price-fixing authority—

- (1.) To determine what price is necessary to prevent the producer from taking advantage of the shortage in supply for the purpose of securing an unreasonably large margin of profit; and
- (2.) Conversely, to determine what price is necessary to allow such a margin of profit as will induce the least advantageously situated producer to place his output on the market, and thus to increase or, at least, to maintain the essential supply. It is evident that a price which returns a profit to the marginal or worst situated producer must of necessity return relatively high profits to those who are producing under relatively advantageous circumstances.

Official control of prices should be carried out with such consideration of all the circumstances that the price fixed is that which would be arrived at by the play of unrestricted competition, at a time when both supply and demand are in what might be regarded as a normal condition. During the past few years, however, the demand for New Zealand timber both for export and local consumption has been abnormally high. The steps taken by the Government to protect the interests of local consumers have been—(1) Restriction of export, and (2) control of prices within the Dominion. Had this restrictive action not been taken the local market would have been very seriously under-supplied, and the local price would have risen to export parity.

In the control of prices of timber within the Dominion the position of the various producing mills in relation to the markets for timber, and the fact that timber is a bulky commodity in respect of which transport charges are an important factor, has made it necessary to adopt a system of "price points" at which the prices are fixed. Under this system the miller adjusts his "on truck" price in such a manner that when railage from his particular loading-station to the delivery station is added the cost to the buyer is the same as it would be on timber loaded and sold from the standard "price point." For example, the price point for the Main Trunk sawmilling district is Ohakune. Millers loading at, say, Taumarunui—which is farther north—for delivery to Palmerston North must sell "on truck" at prices below the Ohakune price to the extent of the difference between the railage from Ohakune to Palmerston North and Taumarunui to Palmerston North. Conversely, on sales to, say, Auckland, the Taumarunui millers secure an "on truck" price higher by the amount of the difference in railage between Taumarunui and Auckland and Ohakune and Auckland.

The system has the advantage of making the cost to the buyer definite and uniform, irrespective of the loading-station, and has the further virtue of tending to prevent the miller from supplying customers at a great distance from his mill and in respect of whose orders a wasteful and unnecessary amount of railway haulage would be involved. The system tends also to maintain the miller's economic advantages or disadvantages which normally prevailed by reason of his proximity to or distance from markets.

The varying classes, grades, and uses of timber must be considered in the fixation of maximum prices. It is a somewhat difficult question to decide upon the relative maximum price as between, say, totara and rimu timbers, and as between the different qualities of each class of timber. The relation between these prices has previously been adjusted by competition and the relationship between supply and demand. Under the system of State fixation of prices the same relative prices have in general been adhered to, but adjustments and alterations must be made from time to time as supply or demand fluctuates.

Another matter in regard to the control of timber-prices which must not be overlooked is the serious risk of bush-fire under which millers are working. This risk is to a very large extent uninsurable—no insurance office will accept the risk, and no definite charge in respect of insurance premiums can be ascertained and debited against the production of timber. But the risk is nevertheless present, and at any time the plant and bush may suffer to such an extent by damage by fire as to entirely offset profits made over a number of years. It is therefore not possible to make any definite allowance in respect of this risk, but in the fixation of maximum prices an added margin of profit may reasonably be allowed to cover the possibility of serious capital loss by fire. The necessity for some such allowance is clearly demonstrated by the loss which millers in the Main Trunk district suffered by the serious fire in the Raetihi district in 1918. In fact, few mills in New Zealand (with the exception perhaps of the West Coast mills) have been so fortunate as to produce timber over a long period of years without suffering serious fire losses. Further, as has already been explained, the profits of millers in recent years have in many cases been increased by the sales of timber from stock. The strong demand for timber has tended to reduce the stocks normally carried by millers and merchants to the barest possible minimum. These stocks have been accumulated in past periods out of a production secured at a lower cost-level, and consequently the sale of the stocks increased the immediate profit of the milling and merchanting companies. When the demand fell off, as it has recently done, millers have been in a position to build up stocks to something approaching normal. It is recognized that in practically all cases when business is following its usual course stock must be carried. But this building-up of depleted stocks can only be done on what is tending to be a falling market. Losses must inevitably be made at a later period when the new high-costing accumulations are sold on the lower level of values towards which the trade must most surely be moving.

When all these conflicting and difficult questions are given consideration, when it is seen that the profits of millers and merchants have not been excessive, and when the facts in regard to the increase in supply placed on the New Zealand market are looked to, it can be confidently asserted that the control exercised by the Board of Trade has been in the best interests of the consuming public.

MEAT.

The Department has investigated the prices charged during the year for meat sold in various centres throughout the Dominion. A noticeable decline took place in the wholesale prices for beef and mutton, and in response to various complaints a comprehensive inquiry was made to ascertain whether reasonable correlation existed between the wholesale and retail prices. Except for an almost unavoidable lag in the retail-price movements, butchers generally have not been making unreasonable profits. In a number of towns the retail prices did not conform to the fall in wholesale rates, and in several cases, by negotiation with the butchers concerned, the Department effected reductions in prices ranging from 1d. to 3d. per pound, chiefly in regard to beef. The decline in the value of by-products—hides, skins, tallow, &c.—has considerably reduced the gross return, and this has been largely responsible for the keeping of retail prices higher than would have been the case had the return from by-products been somewhere near the level of previous years.

Experience has shown that it would be not only exceedingly difficult but also inequitable to attempt any system of price-fixation, since so much depends on the efficiency of the buying and selling organization of those engaged in the trade. It was found in some instances where the prices had been approved by the Prices Investigation Tribunals that the butchers still rigidly adhered to these prices, notwithstanding that subsequent conditions warranted a modification. As elasticity in the matter of responsiveness of retail prices to any movement in the wholesale price during a falling market is in the interest of the consumer, it has been found more satisfactory not to fix prices, but instead to take all possible steps to ensure that the facilities for free competition exist, and so to allow the law of supply and demand to effectively maintain prices at their proper level.

A fresh element of competition has been introduced by the establishment of meat-auction marts in the main towns, and in some of the country districts by farmers having undertaken the vending of meat direct to the consumer. Although this method of trading increases competition and tends to restrict the profit margin taken by orthodox butchery concerns, the net advantages of this new development, from the point of view of the consumer, are limited by reason of the difficulty in selecting small quantities or cuts of the particular quality desired.

BINDER-TWINE.

Protests have been made during the year relative to the ruling prices for binder-twine. It was contended that the fall in the value of flax-fibre warranted a reduction in the price of twine greater than that which had been put into effect by manufacturers and distributors. Inquiries were made in regard to costs of manufacture and distribution, and the following facts were elicited.

The manufacture of binder-twine is carried on throughout the whole year, while sales are made more or less seasonally. For this reason the reduction in fibre costs was not effective sufficiently early to bring about the substantial reduction in cost of finished twine which current prices of fibre would appear to warrant. The prices of binder-twine for each harvest season are fixed upon the basis of the cost of producing the necessary supplies during the preceding year. It was found that the cost of fibre landed at the factory for the year ended March, 1922, was, in the case of one manufacturer, £37 16s. 1d. per ton. In another case the fibre cost was £38 5s. per ton, being a reduction of £2 1s. 10d. (or approximately $\frac{1}{4}$ d. per pound) on the similar cost for the previous year's supplies.

The position of the distributing firms was also inquired into, and in general it may be said that on a basis of cost of production and distribution there is no ground for the conclusion that unreasonably high prices were being charged.

BACON.

Inquiries have been made from time to time during the year relative to bacon-prices and prices paid for pigs. It is apparently not generally realized that, apart from the difference between live and dressed weights, there is a very considerable shrinkage in weight during the curing process. It has been shown that a carcass weighing 150 lb. (dressed dead weight) will produce approximately only 100 lb. of bacon and ham. The cost of curing has been found to represent approximately $2\frac{1}{2}$ d. per pound of finished product. When sold retail in the form of rashers there is a further loss of saleable weight to the extent of the bones contained in sides. These factors, together with such items as railage from point of purchase of live-stock to factory, and losses through condemnation of diseased animals, are sufficient to account for what has appeared to be an unreasonable margin between live-stock prices and the retail selling-prices of bacon and ham.

The financial results of operations by bacon-factories during the past two years are such that no objection can possibly be raised against the prices which have ruled. The producing companies have, in fact, been trading at considerable loss. The margin secured by distributors has been nothing more than adequate, and, in fact, during recent months this margin has been considerably lower than is normally considered necessary in business of this nature.

BUILDING-BRICKS.

Inquiries have been made from time to time during the past year with the object of determining the extent to which the cost of production of building-bricks has declined. Reductions in price have been put into effect in a number of centres, and while the present slackness in the building trade prevails there is no doubt that brickmakers are quite unable to secure more than a fair price for their product; in fact, recent indications show that the industry is trading on what is practically an unprofitable basis, and sales are being made at lowest possible rates in an endeavour to stimulate trade. It is to be hoped that, in view of possible lessened cost of coal and labour, further reductions in cost of production can be made, and that both the brickmaking and building trades can be stimulated thereby.

WOOLLEN GOODS.

A comprehensive report on the woollen-manufacturing industry was published by the Department in 1920. Since that time fluctuations in costs of production have been followed, and the prices charged by milling companies have been under survey. By this course the Department has been able to keep close touch with the industry, and is able to say that present prices for New-Zealand-made woollen goods are in strict relation to production costs.

FISHING INDUSTRY.

The Department has investigated the marketing of fish in the principal cities of the Dominion, and efforts have been made in the direction of bringing the fishermen and consumers into more direct touch. The facilities at the ports for handling the fishermen's catches are inadequate; much time is lost, and in some cases the delays result in consignments of fish being too late for trains to inland towns. This causes loss to the fishermen and inconvenience to residents in country districts. The Department has co-operated with the fishermen in their efforts to obtain improved appliances for landing their catches expeditiously.

Owing to the lack of cool storage for fish at our ports it is impossible during certain periods to dispose of the full amount of the catches; for this reason the tendency of the fishermen is to limit the quantity of fish sent forward to the markets. The economic loss to the Dominion is obvious. If freezing accommodation was available at the ports a regular supply to the country districts could be maintained, while it would be possible also to increase largely our export trade.

With the abundant supply of excellent fish around our shores it should be possible, by assistance to the fishermen in the way of providing up-to-date methods of handling, cool storage, and transportation, to develop this important industry to an almost unlimited extent.

GAS.

In its 1918 report the Board of Trade advocated payment for gas according to thermal units, but as the result of an investigation of the accounts and the conditions under which the industry was carried on in New Zealand, the Department in its last report stated that until sufficient supplies of coal were available to permit of a certain degree of standardization of the raw materials for gasmaking, a system of payment on the calorific value of gas would not be equitable. So long as manufacturers were obliged to use allocated coals of varying carbonizing-quality the cost of the gas produced differed accordingly, but now that the coal-supply has returned to a state of normality the Department renews its advocacy of the system of payment on a calorific basis, and with that end in view inquiries are being made to ascertain whether or not the system can be established by means of regulations under the Board of Trade Act. The gas companies have passed through a somewhat critical period, but the outlook is again brighter, and a reduction in the price of gas, in addition to small reductions already effected, should be reasonably possible in the near future.

LEGAL ACTION.

During the past year economic conditions have been such that sellers of commodities have been forced to sell at prices which in many instances do not even cover the cost of production and distribution. The tendency towards a lower price-level and the abundant supplies of commodities in general have increased competition among sellers at a time when demand has for several reasons been much restricted.

Under these circumstances there has been little necessity for action by the Department towards ensuring that prices and profits are not unreasonably high. Minor complaints have been received in regard to particular sales, and these, as well as the position of industries taken as a whole, have been subject to investigation. In no case, however, has there been sufficient grounds to warrant the taking of legal action under section 32 of the Board of Trade Act.

A breach of regulations relative to bread prices (made under section 26 of the Act) was made the subject of prosecution, and a fine was imposed.

Generally it may be said, therefore, that the force of competition among sellers has provided an adequate safeguard against profiteering, and while this condition of affairs exists there should be little necessity for taking restrictive action provided for under certain sections of the Act.

CONCLUSION.

While it is generally recognized that the prosperity of the Dominion is closely dependent upon the well-being of the primary and extractive industries of our country, it must not be overlooked that the production of the secondary industries also contributes largely to our total of consumable wealth. The direct products of the soil are, under the present circumstances of our national economy, essentially the coin with which we pay our external debts and purchase our essential imports. This fact and the tendency to focus attention upon external trade doubtless causes us to overlook in some degree the importance of paying adequate regard to the national production as a whole. Local production for local use and development is, unit for unit, of equal importance with that great volume of production which is annually sent overseas; and, while every effort must be made to increase our primary production and to give all possible encouragement to the extractive industries, there is at the same time a great field of effort open to our people in the development of those secondary industries suited to the economic circumstances of the Dominion. Our natural resources and advantages are many and varied, and a well-balanced national progress demands that no portion of these resources should remain undeveloped. The Dominion's great need of increased population can be met by a simultaneous increase in the opportunities for human endeavour in all departments of our national production. Co-operation between all classes of producers and a sympathetic understanding of the difficulties which must be faced are vitally necessary in the interests of the country as a whole.

It is with a realization of these undoubted facts, and with an unbounded confidence in the industrial future of our country, that the Department will continue to bend its energies towards the development of the industries and trades of the Dominion.

W. G. McDONALD, Chairman.

J. W. COLLINS,

Secretary, Department of Industries and Commerce.

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