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1923.  
NEW ZEALAND.

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# DEPARTMENT OF INDUSTRIES AND COMMERCE

## (BOARD OF TRADE)

SIXTH ANNUAL REPORT OF THE

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

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THE subjoined report deals with the operations of the Department of Industries and Commerce since the last report was placed before Parliament, and covers the period 1st August, 1922, to 31st July, 1923.

Since the last report was published a considerable reduction in staff and a further reduction in expenditure has taken place.

The general decline in prices and the increase in the supply of marketable goods, with the resultant increase in trade competition, has obviated in large measure the necessity for price control and rationing, which were leading features of the work of the Department in past years.

The Department's activities are now of a more constructive nature, along the lines of fostering the development of secondary industries and the furnishing of information relative to markets for New Zealand produce.

Mr. W. G. McDonald, who was for some years Chairman of the Board of Trade, resigned at the end of October last, and the Hon. the Minister of Industries and Commerce is at present the only member of the Board.

### GENERAL TRADE REVIEW.

The external trade of the Dominion has shown during the past year a continuance of improvement on the abnormal position of 1920.

The total values of exports and imports for the past three years have been as follows :—

			Exports.	Imports.	Excess of Imports.	Excess of Exports.
			£	£	£	£
1920	..	..	46,441,946	61,595,828	15,154,082	..
1921	..	..	44,828,827	42,744,122	..	2,084,705
1922	..	..	42,726,249	34,326,074	..	7,900,175

The more satisfactory position in 1922 has been made possible by the maintenance of our exports at a figure—despite low prices of some of our products in 1922—little lower than that of 1921, while the imports have declined materially.

While the figures for 1922 show a return to a more normal and healthy condition of external trade, it should not be forgotten that the annual interest payments in respect of foreign indebtedness of our General Government and local bodies amounts probably to over five millions sterling, and when interest in respect of other foreign capital invested in the Dominion is considered it is clear that our exports must normally show a favourable balance of considerable magnitude if we are to pay our way.

It is difficult to gauge with any degree of accuracy the volume and condition of internal trade, but it is probable that a satisfactory indication is afforded by a consideration of the quarterly bank returns. The returns for 1922 and the first half of 1923, with those of March, 1921, inserted for comparative purposes, show the following :—

Quarter ended				Deposits.	Advances.	Excess of Advances over Deposits.
				£	£	£
1921—March	..	..	..	47,155,726	52,446,336	5,290,610
1922—March	..	..	..	40,360,390	46,491,315	6,130,925
June	..	..	..	41,388,886	46,155,934	4,767,048
September	..	..	..	41,961,865	42,994,448	1,032,583
December	..	..	..	41,104,419	43,431,015	2,326,596
				Excess of Deposits over Advances.		
				£		
1923—March	..	..	..	43,465,815	42,521,570	944,245
June	..	..	..	45,682,952	41,711,273	3,971,679

The decline in the excess of the advances over deposits during 1922 is of outstanding importance, and by reason of a marked increase in the deposits during 1923 the figures for the latest quarter show an excess of deposits amounting to nearly four millions.

Heavy stocks of high-priced goods imported from abroad were liquidated during the past year, and banks were relieved of a large portion of the financial burden involved, while the satisfactory firming of the markets for wool, meat, and dairy-products also materially assisted in removing the financial stringency and the resulting general depression of internal trade.

Interest rates have declined generally, and best bank overdrafts are now at  $6\frac{1}{2}$  per cent., a decline of  $\frac{1}{2}$  per cent. on the position ruling throughout 1922. Government securities in recent months have been eagerly sought after, and  $5\frac{1}{2}$ -per-cent. bonds, redeemable in 1933, have risen to £102.

Deflation of values has to a large extent been effected, and conditions and prospects generally may be regarded as satisfactory.

#### SECONDARY INDUSTRIES.

While it is recognized that the prosperity of the Dominion is dependent very largely upon the well-being of the primary and extractive industries of the country, the fact should not be overlooked that the secondary industries are responsible for a great and increasing volume of production, which, though not exported to any material extent, is nevertheless necessary in the national economy, and contributes largely to the wealth of the Dominion and the available supply of consumable commodities.

The following table sets out the comparative statistics relative to secondary industries over a period of years. The totals differ somewhat from those previously published, for the reason that the Government Statistician has made certain adjustments of the figures with the object of eliminating from the totals for previous years the figures of industries not included in later compilations. The table given below is therefore on a better comparative basis than could be secured by adhering to figures previously published for earlier years :—

	1900-1.	1910-11.	1920-21.	1921-22.
A. Number of establishments ..	..	4,670	4,804	4,180
B. Number of employees ..	41,257	47,631	63,616	61,068
C. Amount of wages paid ..	£3,302,647	£5,572,270	£12,569,904	£11,519,975
D. Value of materials used or operated upon ..	£6,692,727	£20,089,187	£53,426,649	£39,909,824
E. Value of products ..	£12,227,864	£30,083,484	£78,473,569	£66,847,837
F. Approximate value of land, buildings, machinery, and plant ..	£7,959,631	£14,430,355	£39,564,837	£41,384,219

The readjustment of the basis of compilation has had the effect of showing an apparent decrease in the number of establishments in some industries, and also in the total of all industries; but in other respects the effect on the statistics is negligible, the number of employees, materials used, products, &c., included in the trades now eliminated being comparatively small. Consequently, comparisons with earlier years are not seriously affected, except in so far as the number of establishments is concerned.

It is pleasing to be able to record the establishment of several new industries, one of the most important of which is that of glass-manufacture, the works established near Auckland being opened in September last. The economic need for a large output is keenly felt, however, and the position of the industry in relation to the necessity and advisability of tariff protection is now under consideration by the Government.

Many of the well-established factories of the Dominion have extended their premises and plant, and have increased their output.

The smelting of iron-ore now being carried on in the Nelson District appears to be a venture of assured success, and the Department has been pleased to be of assistance in bringing the product before the notice of users, who have as a result placed orders for supplies of pig iron.

The following brief comments may be made in regard to the condition of several of the leading industries :—

*Engineering and Agricultural Implements.*—The year 1921 was unsatisfactory, and 1922 opened with the trade still depressed. Improvement was shown during the year, and the outlook is now more satisfactory. Slackness of trade in the past, so far as agricultural implements are concerned, has been due essentially to farmers' financial difficulties, and not to overseas competition.

*Furniture and Cabinetmaking.*—From a poor beginning the year improved considerably, and skilled labour is now in great demand.

*Clothing.*—Here also there has been gradual improvement, and firms are eagerly competing for any experienced labour available. It is reported that difficulty has been met with in obtaining adequate supplies of Dominion-made light-weight woollen cloths.

*Confectionery and Biscuits.*—There has been a satisfactory trade offering during the year, and the demand is increasing, with labour none too plentiful. Overseas competition is not seriously affecting the position.

*Rope and Twine.*—By reason of good harvests last year the demand was heavy, and, provided that the "yellow-leaf" disease in the flax-growing districts does not become increasingly troublesome, the coming year should be satisfactory.

*Tanneries.*—Conditions in 1921 were entirely unsatisfactory, but 1922 saw marked improvement in the trade. The prospects for 1923-24 are at present fair, though English and Australian competition is particularly keen. The industry is likely to be adversely affected by the depression in the boot-manufacturing industry due to heavy importations.

*Boots and Shoes.*—The demand during the past year has been only fair, and in recent months heavy importations have affected the industry most seriously. Competition among local factories is keen, and the maintenance of full staffs is possible only by making to stock—a policy which cannot, of course, be maintained for any lengthy period. It is alleged that the low prices at which imported goods are available are due to the use of German and French leathers landed into England at low cost. This may be correct, but there is also a clear indication that manufacturers in England and America are making special efforts to regain a dominant position in the colonial markets.

*Chemical Fertilizers.*—Very successful business has been done during the past year, and the demand for phosphatic manures is increasing. Local works have no tariff protection, but have nevertheless been able to capture substantially the whole trade in this class.

*Cement.*—With the general improvement in business and financial conditions the demand for cement is increasing, and reports indicate that a satisfactory year in 1922 will be improved on in the current period.

*Woolleens.*—The industry does not appear to have suffered in any material degree from the general trade depression. Competition is keen, however, and large importations have affected to some extent the demand for certain classes of New Zealand woolleens. Generally, however, the manufacturers' difficulty lies in the persistent shortage of skilled labour, and if this difficulty could be overcome manufacturers are confident that, at least in certain lines, an export trade could be built up. Efforts are now being made to test the market for light-weight woolleens in the East, and the prospects in that connection appear to be bright.

In general, it may be said that the secondary industries of the Dominion were affected materially by the world-wide depression of business. These industries, however, were not subject during the war period to the conditions pertaining in regard to primary production. The depression was apparently not felt in the secondary industries immediately upon the general recession of prices in other countries, since costs of production in many of the local industries did not climb to such heights as abroad. In consequence of this the difficulties have been comparatively easily met. Undoubtedly, keen competition will have to be met from abroad, but there are good grounds for expecting that stability of industrial conditions may be looked for.

#### SCIENTIFIC RESEARCH.

This subject has recently been receiving the earnest attention of the Industrial Corporation of New Zealand, and a special committee has been set up to endeavour to formulate a scheme which will have the effect of co-ordinating and enlarging the industrial research work which at present is being conducted by various scientists in New Zealand.

Inquiries have been received from abroad in regard to the possibility of manufacturing power alcohol from waste timber. This matter is now under consideration by the State Forest Service. The main difficulty in this regard apparently lies in the collection of sufficient raw material at one point at a sufficiently low cost to enable manufacture to be economically carried on.

Consideration is also being given by the Dominion Analyst to the question of the distillation of brown coals.

It is clear that until steps are taken to co-ordinate the research work, which is being done both officially and by private investigators, satisfactory progress in this matter cannot be attained.

#### EXHIBITIONS.—SECONDARY INDUSTRIES.

During the latter end of last year and early in January of this year an Exhibition devoted entirely to the manufactures of the Dominion was held on a large scale in Christchurch under the auspices of the New Zealand Industrial Corporation. The Exhibition was opened to the public for a period of seven weeks, and was attended by 126,000 people.

The King Edward Barracks, one of the largest open buildings in New Zealand, was engaged for the purpose, and a spacious temporary annexe was built to provide room for the exhibits. In all some 72,000 ft. of floor-space was made available, and every foot was readily taken up by approximately 250 exhibitors. The arrangement of the stands and avenues reflected the greatest possible credit upon the designers. The Exhibition gave, in miniature, a rapid picture of the industrial activities of the Dominion, and demonstrated conclusively that locally made goods are of wide range and of good quality. This Department co-operated both in the management and in providing an exhibit. The latter included special charts and diagrams showing the industrial progress of the Dominion for a period of twenty years, and models of sections of the British Empire Exhibition, to be held in

London next year. The Department of External Affairs and the Prisons Department also co-operated with this Department in making an attractive display.

A profit of £1,200 was made on the enterprise, and this amount is to be reserved for propaganda work to encourage the development of the secondary industries in New Zealand. Undoubtedly, the Exhibition was well organized, and the greatest possible credit is due to the executive of the Canterbury Industrial Association, which launched, organized, and managed the Exhibition.

In December of this year and in January and February of next year a British and Intercolonial Exhibition is to be held at Hokitika, Westland, to commemorate the completion of Arthur's Pass Tunnel, and to celebrate the Diamond Jubilee of the Province of Westland (1864-1924). It is planned to give no less than 70,000 ft. of floor-space for exhibits. West Coast citizens are taking up the project with enthusiasm, and residents of Hokitika have already guaranteed a substantial sum towards the expenses. Considerable support from the manufacturers of the Dominion has been promised, and the assistance of Government Departments is also to be given in making displays.

In co-operation with the Auckland Agricultural and Pastoral Association, the manufacturers of the Auckland Province made a comprehensive show of their manufactures at the Winter Show held in Auckland in July of this year. This exhibition was also a pronounced success.

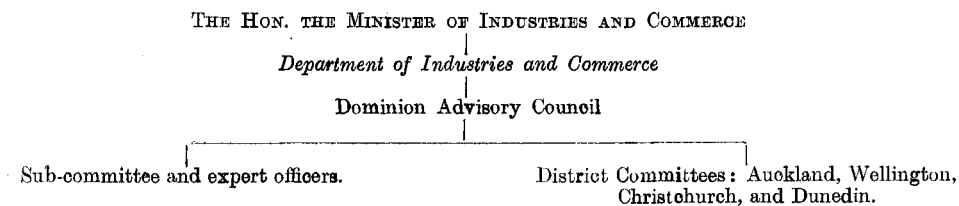
A resolution was passed at the last annual Conference of New Zealand manufacturers to hold a Dominion Exhibition of the manufactures of New Zealand at Auckland during the summer of 1924. Steps have already been taken to ensure the success of this exhibition, which will, it is expected, be on the largest scale yet attempted in New Zealand.

A further exhibition is to be held at Dunedin in the year 1925. The scope of this exhibition has not yet been finally decided upon, but it is expected that the manufacturers of the Dominion will largely avail themselves of the opportunity of showing the advance made in industries during recent years.

#### BRITISH EMPIRE EXHIBITION, LONDON, 1924.

The first wave of enthusiasm over, New Zealand has now settled down to work in earnest in its preparation for participation in the great Exhibition to be held in London next year. A little doubt was felt as to the soundness of the central organization, but this doubt has since been dispelled by the receipt of cabled advice from London which indicates that the differences between the various sections of the management have been composed, and the British Government itself has undertaken to be responsible for the efficient management and organization of the Exhibition. The interests of the Dominion in connection with the Exhibition are likely to be properly safeguarded. The High Commissioner for New Zealand, Sir James Allen, has been appointed to the managerial committee, and not only represents the Dominion's interests, but acts as the representative for the other parts of the Empire.

The organization set up in the Dominion to deal with New Zealand's display at the above Exhibition is shown by the following table:—



Since the original appointment of the Dominion Advisory Council was made on the 4th August last there have been twenty-five meetings. District committees have also held periodical meetings, and are working in close conjunction with the Council. Expert advisory sub-committees were set up to obtain information for the Government and the Council, and these committees are now dealing with the following matters: Finance; decorations and space; native flora for grounds; insurance of exhibits; timber and forestry; charts and diagrams; butter and cheese; honey; maps; kauri-gum; minerals; fine arts; Maori arts and craft; poultry; flax; seeds; wool; architectural and building construction; fares and freights; publicity; island products—Samoa, Cook, and Niue Islands; fisheries; frozen meat and by-products; fruit; boots; all other secondary industries; tourist resources; industrial art; natural history; amateur sports; furniture; manufactured woollens; storage and packing of exhibits.

The Council and sub-committees have been enthusiastically at work, and considerable progress has been made in the preparation of exhibits. Government Departments are also rendering considerable assistance. Wherever possible, the assistance of Dominion organizations has been obtained, and in almost every case exhibits are being prepared free of charge.

A considerable amount of attention and thought was given by the Council to the planning of the pavilion, but owing to the delay in receiving the drawings from the London end it was eventually decided, after consultation with the Right Hon. the Prime Minister and the Minister of Industries and Commerce, that the responsibility for the design and erection of the building should be left in the hands of the High Commissioner at London, and that the Dominion Advisory Council's responsibility should be limited to matters relating to the collection, packing, and despatch of exhibits at the New Zealand end. It was deemed advisable, however, that the lay-out of the floor-space and avenues, and design of the stands, should be suggested from this end, and the complete drawings have now been despatched to the High Commissioner giving the lay-out prepared by the advisory architects. Definite allocations of space have been made for the different classes of exhibits, and it is evident that every

foot of the total area of 42,000 square feet will be required. An annex to the main building is to be erected to provide for a cinema-hall with seating accommodation for at least 475 persons.

Considerably more than half of the space will be devoted to the display of the Dominion's primary products, special efforts being taken to make the exhibits worthy of the great place that our produce holds in the markets of Great Britain.

The manufacturers of the Dominion, through their several associations, have accorded such ready support that it has been difficult to find accommodation for the exhibits. While having practically no export trade in manufactured goods, the industrialists of the Dominion have recognized the importance of the Empire Exhibition in showing to their kinsmen that important industries have been established and that goods of first-class quality are being made. This exhibition should also prove attractive to prospective immigrants who are at present ignorant of the facts relating to the industries of the Dominion. Carefully compiled publications will show statistically the number of employees, wages paid, value of output in each of the main industries, and expert officers will be available to give inquirers the fullest information in respect to industries generally. Films have been prepared of the primary and secondary industries, of the tourist, scenic, and sporting attractions, and of the national life of the Dominion. A large variety of photographs has also been specially taken for the exhibition. The Dominion's main endeavour in its display will be to fully show its great resources in food-production, present and prospective, and its great and varied mineral wealth.

#### OVERSEAS TRADE.

Considerable interest continues to be taken by the Chambers of Commerce and the industrial associations of the Dominion in the development of trade overseas, and the Department has watched the movement closely and kept all interests supplied with information that has come to hand from various sources. At the annual conferences of the Chambers of Commerce and industrial associations resolutions were unanimously passed favouring the sending of a commercial mission to the Netherlands East Indies to report upon the prospects of reciprocal trade. Australian statistics show that a valuable trade has developed in this market, and that the tendency is for the trade to increase from year to year.

Attention has been given to the subject of trade with the Pacific islands, particularly Samoa, Fiji, Cook Islands, Tahiti, and Hawaii, and most valuable assistance has been rendered by the Secretary to the Department of External Affairs in regard to islands coming within the jurisdiction of his Department. Satisfactory progress has been made in the provision of better shipping facilities, and a new projected regular steamer service to Niue and Apia (Samoa) from New Zealand main ports is likely to have far-reaching and beneficial results, especially in making available to consumers in New Zealand tropical fruits at reduced prices. An analysis of the external trade of Fiji and Samoa is as follows:—

The imports into Fiji fell off in 1922 as compared with the figures of 1921 by over £500,000, the reduction being due in the main to decreased importations of articles classified as "wholly or mainly manufactured." The total imports in 1922 were valued for Customs purposes at £946,063. New Zealand sent into Fiji last year goods to the value of £102,768. The figures of the other most important exporting countries were: Australia, £422,245; United Kingdom, £219,920; United States, £76,172. Our leading exports to Fiji were represented by: Live sheep (£3,514), bags and sacks (£13,022), butter (£7,621), lime and cement (£11,174), drapery (£8,342), grease and tallow (£3,081), meats (£10,618), milk (£4,164), sugar (£3,654), tea (£3,514), timber (£3,251), and vegetables (£5,614).

The exports from Fiji normally show a considerable excess over imports, and this was the position in 1922, when exports totalled £1,863,172, all but £75,280 being exports of domestic produce. By far the most important item of export is raw sugar, and as New Zealand took a very large proportion of this—£1,173,502—out of a total of approximately £1,350,000—the Dominion may be classed as Fiji's most important customer, our total imports from the colony being valued at £1,224,994. The balance of our imports was represented mainly by bananas (£45,170), and cocoanut-oil (£1,882). Copra, the only other Fijian export worthy of note, was sent out to the value of £346,096. New Zealand did not participate in this trade, the exports going mainly to the United Kingdom (£101,114) and Germany (£205,532).

The imports into Samoa in 1922 were valued at £282,939, a decrease of over £100,000 as compared with the previous year, while the exports increased from £241,539 in 1921 to £365,610 in 1922. An adverse balance of trade of £167,353 in 1921 was therefore changed to a favourable balance of £82,671 in 1922. Samoan imports in 1922 were drawn mainly from Australia (£104,663), New Zealand (£82,596), United States (£63,345), and United Kingdom (£14,202).

Our most important exports to Samoa, exclusive of goods imported by the Administration of the Territory, were living animals (£2,103), drapery, &c. (£9,151), drugs, &c., (£3,092), butter (£3,684), meat (£28,449), soap (£2,657), and timber (£3,346).

The exports from Samoa were sent mainly to the following countries: Denmark (£118,562), United Kingdom (£86,298), Germany (£83,658), United States (£32,568), Holland (£24,678), and New Zealand (£12,398). Copra (£319,333) and cocoa-beans (£44,513) accounted for substantially the whole value of the export trade. New Zealand's share of the Samoan export trade was represented mainly by cocoa-beans, which were brought into the Dominion to a value of £11,597.

Many inquiries have been made from the Department as to the possibilities of trade with China and Japan, and this information has been supplied.

#### SUGAR.

Most countries exercised a measure of Government control during the war and during the immediate post-war period. In Great Britain and the United States of America Government control has been abandoned for some time, although there are still high protective duties maintained in each

of those countries. The Commonwealth of Australia and the Union of South Africa relinquished control at the 30th June of this year, and these countries also have a tariff protection on sugar. In view of the decision to decontrol sugar in August, it will be fitting to place on record a brief history of the Government's operations.

New Zealand experienced the effect of war conditions as early as 1914, during which year there were no less than eight revisions of price. In addition there were complaints in regard to shortage of supplies, and alleged preferential treatment. Even before the war, during 1912, the Cost-of-Living Commission reported that certain complaint in this regard were not without foundation.

Early in 1915, at the instance of the Government, the Cost-of-Living Commission, presided over by Mr. Justice Stringer, effected an arrangement with the Sugar Company whereby the requirements of the Dominion were to be supplied for the year ending the 30th June, 1916, at a price of £21 per ton. Complaints still continued in regard to the inequality of the basis of distribution and the general shortage of sugar. The Board of Trade instituted an inquiry in 1916, and satisfied itself that the Colonial Sugar-refining Company had done everything in its power to ensure an equitable distribution.

In June, 1916, the Board effected an extension of the arrangement to supply the Dominion's requirements until the 30th June, 1917, at a price of £21 per ton. This was further extended for another year at £22 per ton, which was considerably below world parity. A further arrangement was made with the Sugar Company to supply the requirements of the Dominion for the nine months ending the 31st March, 1920; at £23 15s. per ton. It is estimated that the savings effected by these arrangements amounted up to that time to approximately £4,000,000.

#### GOVERNMENT PURCHASE OF SUGAR.

Early in 1920 negotiations began for a further arrangement, but the Sugar Company represented that the heavy increases in the cost of production of raw sugar and the unstable nature of the world's markets made it impossible for it to enter into anything like the old arrangements, and indicated that it would be preferable for the Government to purchase outright the whole crop. The arrangements between the Government and the Sugar Company in respect to the years 1915-19 were in the first place negotiated for the purpose of removing any cause for complaint in regard to the question of preferential treatment by having official supervision of the distribution.

The main object of the new proposal, however, was to ensure continuity of supply, as the Sugar Company was not prepared to take the risk of holding their stocks for a lengthy period when an immediate market offered elsewhere. The world shortage strengthened the Sugar Company's economic position, as it could have remained out of the New Zealand market for a year or more without its trade being seriously prejudiced by outside competition.

The company offered to sell the whole of the Fijian crop—subject to a small reservation—at £35 10s. per ton raw f.o.b. Fiji. At this time inquiries showed that Cuban sugars were quoted at £96 per ton, and Javan up to £80. A consignment of Javan sugar landed at this time cost a local manufacturer £102 per ton. A contract was entered into by the Government to purchase outright 65,000 tons of raw sugar to be refined and distributed on Government account. The wholesale price of refined sugar was fixed at £47 per ton f.o.b. Auckland, and the maximum retail price 6½d. per pound. The comparative retail prices at this time in the United States of America were 8d. and 10d. per pound, and in the United Kingdom 1s. and 1s. 2d. per pound. The wholesale price in Australia was fixed at £49 per ton and the retail price 6d. per pound. While New Zealand obtained the 1920 supply at £36 17s. 6d. per ton c.i.f., the average price paid by the British Government during 1920 was £67 8s. 6d., and the average paid by the Australian Government for the same period was £59 19s. 5d.

This contract was an entirely new departure. Under the previous arrangements the Sugar Company undertook all risks of the market, but under the new arrangement the Government purchased the sugar f.o.b., paid the cost of transport and charges to Chelsea—in fact, became the actual owners of the sugar, and bore the expense of refining and selling. The contract finished with a small profit, a portion of which was utilized to lower the price for the succeeding period, and the balance to meet the loss arising out of the stranding of the "Atua."

To avoid disturbing the established channels of trade the Board of Trade appointed as sub-agents wholesale merchants who usually handle sugar, and to ensure that the distribution would be on an equitable basis a limited system of rationing was inaugurated. Each retailer's supply of sugar was allotted on the basis of his grocery turnover, and to prevent duplication each was required to nominate a merchant through whom supplies would be drawn. The following order of essentiality was decided upon: (1) Householders and general domestic requirements; (2) jam-manufacturers and fruit-preservers; (3) manufactures other than sugar-boilers and confectioners, including vinegar, sauce, and jelly-crystals; bakers and manufacturers of essential foodstuffs; (4) sugar-boilers and confectioners; (5) cordial, syrup, and aerated-water manufacturers; (6) brewers.

The Board of Trade placed the distribution on a stable basis, and endeavoured to arrange as far as possible for regular shipments at frequent intervals, to obviate the necessity of merchants carrying large stocks. A flat rate of commission for subagents was instituted, in place of the scale rate hitherto in vogue, which had caused so much trouble, and which ultimately led to the well-known case against the Merchants' Association under the Commercial Trusts Act in 1912. In fixing the retail price consideration was given to retailers' handling-expenses, and a price was fixed each time to allow of a fair margin of profit.

At the expiry of the first contract, in 1921, the company intimated to the Government that until trade conditions were more normal it would not be possible to return to the pre-war methods of conducting business, and it offered the new season's crop to the Government at £26 per ton raw f.o.b. Fiji. The Government made a counter offer which resulted in a price of £22 12s. 6d. per ton being

agreed upon for a portion of the crop. This enabled the wholesale price of refined sugar to be reduced to £34, and the retail price to 4½d. The balance of the crop was later purchased at £15 10s. per ton raw f.o.b. Fiji, which enabled the retail price to be fixed at 3½d. per pound.

Almost immediately following this purchase the sugar-market began to firm, placing New Zealand consumers in an exceptionally advantageous position as compared with other parts of the world.

On the completion of the foregoing arrangements the company offered supplies for a further season, and the Government agreed to purchase at £19 12s. 6d. per ton raw f.o.b. Fiji. By averaging the price with the previous and the subsequent contracts, the sugar purchased under the fourth contract was disposed of without making any increase in the retail price.

Later the Government purchased the balance of the crop for £17 3s. 8d. per ton raw f.o.b. Fiji, which price when averaged with the sugar bought under the previous contract enabled the retail price of 3½d. per pound to be maintained until after the end of the jam season.

On account of the cheaper price a considerable increase in consumption has taken place during the past six months. It should be noted that during the jam season just past (1922-23)—November to March), 4,000 tons more sugar were delivered than during a similar period in the previous year. The quantity delivered last jam season constituted a record, and the heavy demand has shown no abatement since March, when normally there is a decided slackening-off in orders. Early this year it was evident to the Government that the extra demand at that time, due largely to a plentiful supply of cheap fruit, would result in the supply not lasting as long as was originally anticipated. Reports from Fiji also indicated that the new season's crop would not be available until the end of August; consequently, to bridge the gap, the Government decided to secure a supplementary supply from Java.

#### JAVAN PURCHASE.

It was decided to purchase 19,000 tons of Java sugar in parcels to coincide with the best shipping arrangements that could be effected. The first and second shipments were secured before an advance in price took place, but for the last shipment £6 a ton more had to be paid. One of the disabilities of trading with a market with which there is no regular freight service is that purchasers are to a great degree at the mercy of a fluctuating market—particularly so in the case of Java, where 90 per cent. of the total sugar-output is sold through a combination called the Java Sugar Association, for under such circumstances the price is subject to artificial manipulation.

The higher cost of the sugar purchased from Java necessitated an increase in the local retail price from 3½d. to 4d. per pound, but, despite this, the price still compares favourably with any other country in the world.

#### ABNORMAL DEMAND.

The demand during the jam season was unusually heavy, as is shown by the following figures:—  
*Comparison of Deliveries during Jam Season—Pre-war and Post-war.*

		November to March. Tons.			November to March. Tons.
Pre-war—1911-12	..	24,790	Post-war—1920-21	..	26,094
1912-13	..	26,140	1921-22	..	27,014
			1922-23	..	31,153

Unfortunately, the abnormally heavy demand continued, necessitating a restriction of deliveries to an equivalent to orders executed during the winter months of last year. As sugar at that time was in free supply, cheap, and subject to no restriction whatever, it was considered that it would form the most equitable basis of distribution, and enable distributors to meet the normal requirements of their regular customers.

To show that last year was a normal year—if anything a little higher than usual—the following comparison with earlier years is made:—

		April to October. Tons.			April to October. Tons.
Pre-war—1912	..	28,822	Post-war—1920	..	28,673
1913	..	28,430	1921	..	25,422
			1922	..	29,299

Despite the complaints made, it is a fact that every merchant in the Dominion has received more sugar this year than last. The following figures are submitted to show that the deliveries this year, since the restriction has been imposed, have been more than equivalent to deliveries effected last year:—

#### Monthly Deliveries from Chelsea.

		1922. Tons.	1923. Tons.
April	..	3,944	4,760
May	..	3,624	4,243
June	..	4,194	5,286

These figures not only prove conclusively that the demand has been abnormal, but also show that every reasonable effort was made to anticipate the requirements of the Dominion.

#### AUSTRALIAN PURCHASE.

A recent attempt was made by the Government to secure additional supplies in an endeavour to satisfy the insistent and more or less speculative demand. Inquiries were made as to further supplies from Java, but it was not possible to arrange for delivery to be effected promptly. 2,500 tons of Australian raw sugar were secured from the Federal Government. This extra quantity has made it

possible to supply practically the full demands of manufacturers, and to increase supplies to distributors. Despite the fact that the Australian sugar was more expensive than any of the previous purchases, by utilizing the profits made on the earlier contracts, it has been possible to avoid making any advance in the retail price.

With this purchase from Australia there was available for local consumption between April and August of this year—which concludes the period of Government control—24,500 tons, as compared with 19,857 tons actually delivered during the same period last year, when there was no suggestion whatever of any shortage.

#### GENERAL RESULTS OF CONTROL.

A continuous and regular supply has been assured, thus avoiding any inconvenience to manufacturers and others engaged in co-ordinate trades. Merchants and manufacturers have not been required to finance large stocks or to carry the risk of a falling market, as they have been able to replenish their supplies practically from week to week.

The stabilization of the price has been another advantageous factor in connection with the control. A fluctuating price is usually against the consumer. It is interesting to note that the British Sugar Commission stated that but for the stabilizing effect of the British Government's control, trading in sugar would have been difficult and precarious, and there would have been frequent and violent fluctuations in price which would have resulted in the price on the whole being largely increased to the consumer. The whole of the Government's arrangements have been effected without any encroachment on Consolidated Fund, and, as the price has averaged well below world parity, there has been no burden on the taxpayer. In regard to cost of administration, it should be noted that the Government utilized the distributing organization of the Sugar Company, so that Government supervision only has been necessary, with the minimum of expense, and without involving the appointment of special officers.

#### FUTURE SUPPLIES.

Recently the future sugar-supply was considered by a special parliamentary Committee, when the Colonial Sugar-refining Company represented that it would be in the best interests of all concerned for the Government to continue control for another year. This view was widely endorsed by manufacturers and merchants concerned in the distribution and use of sugar. It was made clear that assured and regular supplies of an even quality at a stable price were essential, and that any interruption in the supply would produce chaos for some months at least. The Sugar Company represented that these conditions could be fulfilled only (a) by continuance of Government control, or (b) by the provision of a small protective tariff on white sugar, sufficient to compensate for the disadvantage in the matter of the increased cost of refining in New Zealand, and the dissability in relation to freights. The whole matter was carefully considered, and it was made abundantly evident that there are many industries in the Dominion whose operations necessitate the use of high-grade sugar, and they are more or less dependent on being able to secure supplies through the local refinery.

As the Government had definitely decided to give up control in August, the only question open for discussion was as to whether the request for a duty was warranted. It was shown—

- (a.) That the aggregate disability of the Sugar Company in the matter of freight and the extra cost of refining at Chelsea as compared with the milling of whites in Java was considerably over £3 per ton.
- (b.) Out of every 100 tons of white sugar imported there are 100 tons of saleable sugar, whereas out of 100 tons of raw sugar imported there are just under 95 tons of refined sugar produced. Consequently, the present preferential duty would press unfairly on importers of raw sugar as compared with importers of whites unless replaced by a protective duty.
- (c.) The company could do better by disposing of its raw sugar from Fiji in Great Britain or Canada, where it has a preference over foreign sugar. This extra profit would largely discount a loss that might arise from a temporary closing of the works. It is thus obvious that it is not the Colonial Sugar Company that has to be considered, but rather the industries of the Dominion that are dependent on a regular supply of high-grade sugar. Further, the closing of the works at Chelsea might put New Zealand consumers at the mercy of the Javan trust. With the Sugar Company operating in New Zealand any undue monopolistic tactics can be corrected by Javan competition, but with no sugar company operating in New Zealand there would be no corrective against predatory methods arising from control by trade combinations beyond the legislative authority of the Dominion.

In view of these facts the committee recommended a duty of not more than £3 per ton, and the Sugar Company agreed to a duty of £2 18s. 4d. a ton, or  $\frac{1}{8}$ d. a pound.

#### WHEAT, WHEAT PRODUCTS, AND BREAD.\*

During the past years Government has been closely associated with the production of the Dominion's supply of breadstuffs. This was found essential by reason of the disturbed conditions of the world's supply and prices of wheat when war had cut off a great portion of the supply from Europe.

\* In regard to the control of the wheat trade the Secretary of the Department of Industries and Commerce was appointed Wheat Controller in May last, and he acts on the advice and on the instructions of the Minister of Agriculture (Hon. Mr. Nosworthy).



In order to protect the position of consumers in the Dominion, Government took steps to secure as far as possible an adequate local production, and, to the extent that such supplies fell short of our requirements, importations from Australia were arranged on the best possible basis.

Good milling-wheat of the harvest of 1922 was purchased by Government in terms of the following guarantee given to growers in 1921 :—

- (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  $\frac{3}{4}$ d. 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.

Market prices in January and February, 1922, were such that in accordance with the terms of the guarantee, the above-mentioned minimum prices became the maximum prices, and it was at those prices that the wheat was taken over by Government.

The harvest was a particularly large one, growers apparently being of the opinion that with depressed markets for other products an assured price made wheat-growing a relatively advantageous undertaking. The total yield amounted to 10,565,275 bushels, but a considerable quantity could not be classed as of good milling-quality, and Government purchases amounted to 7,853,993 bushels.

On account of the anticipated loss on the surplus, which necessarily had to be exported on Government account, the price charged to local millers on resale by Government was "loaded" to an amount of 9d. per bushel, this loading covering also the estimated costs of administration and brokerage charges.

The loss on export proved to be less than was at first anticipated, and the consequent balance of profit remaining in the hands of Government was used to reduce, in November last, the price of flour and bread. Flour-prices were reduced (by means of a subsidy to millers) by £2 10s. per ton, and bread-prices were reduced throughout the Dominion by  $\frac{1}{2}$ d. per 2 lb. loaf.

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  $2\frac{1}{2}$  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 transport from southern ports. At these prices no subsidy on flour was necessary, as they returned to the miller his expenses of production and what was estimated to be a reasonable margin of profit.

The reduction in flour-prices in March, 1922, was such that bread-prices throughout the Dominion were in general reduced by  $\frac{1}{2}$ d. 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.

As previously mentioned, the accumulated profit on wheat transactions, towards the end of 1922, was used by a subsidy or rebate to millers to reduce flour and bread prices as from November to the end of the wheat year—28th February, 1923. Orders in Council were gazetted reducing maximum flour-prices from a basis of £18 f.o.b. southern ports to £15 10s., and bread-prices by  $\frac{1}{2}$ d. per 2 lb. loaf. The maximum price of bread for cash over counter was reduced to 5 $\frac{1}{2}$ d. per 2 lb. loaf in main South Island centres, and 6d. per 2 lb. loaf in the North Island. Relative additions to these prices were allowed for booking and (or) delivery, and were also allowed in smaller centres where cost of production and distribution warranted special consideration.

At the end of February of this year Government control of wheat and of the prices of wheat products ceased. There remained in the possession of the Government, however, some 200,000 bushels of last season's wheat, which have now been disposed of at ruling market prices.

The policy of the Government in this matter has been carried out at a very small administrative cost, and without any call being made during the past year upon the Consolidated Fund. In fact, after making financial provisions for the rebate on wheat (which absorbed a very substantial proportion of the profit of last year's trading) it is expected that the final accounts of the Wheat Control Office will show a small credit balance.

In earlier years, during a period of high world prices, it was necessary that growers in the Dominion should receive similar returns for their products. In order to minimize the effect of such prices upon the cost of bread to the public it was decided that a subsidy should be paid to millers, and by this means flour and bread prices were prevented from reaching an excessively high level. The cost of such subsidies to the State was to some extent reduced by the profit made on favourable purchases of high-grade Australian wheat.

When the current wheat season opened it was realized that, while the Government had no desire to take any further part in the control of this trade, wheat-prices on the world's markets had fallen to such a level as to place growers in this Dominion in a most unsatisfactory position. It was estimated that this year's harvest was likely to be ample for our domestic requirements, and it was

considered that conditions had not so far returned to normal that the Government would be justified in removing the embargo on importation.

The Hon. the Minister of Agriculture explained in a full statement published on the 16th March last that while the benefit to wheat-growers by the maintenance of the embargo had not by any means been lost sight of, the two main reasons for the decision were (a) the fact that Government was carrying forward a stock of wheat purchased at last year's guaranteed prices, and (b) the national necessity for encouraging and making possible a reasonable measure of wheat-growing for local requirements.

On the understanding that the embargo on importation would be maintained for a further twelve months, millers and growers conferred in regard to the prices to be paid for wheat and to be charged by millers for flour, bran, and pollard. The parties arrived at an agreement by which growers received approximately 5s. 1d., 5s. 3d., and 5s. 5d. for Tuscan, Hunters, and Velvet wheat respectively. By this arrangement flour continued to be sold at £15 10s. f.o.b. Lyttelton, Timaru, and Oamaru, and bran at £5 f.o.b. The price of pollard was reduced from £8 per ton to £7 f.o.b. southern ports.

As there was no reduction in the price of flour, no general decrease in bread-prices took place. Competition among bakers, however, is, in general, keen, and quite sufficient to safeguard the interests of the consuming public. The cost of production of flour has been closely investigated by this Department, and reports have been submitted to the Government from time to time.

In regard to the prices of products as laid down in the agreement between millers and farmers, it is the opinion of the Department that the collective prices of flour, bran, and pollard named in the agreement are to a relatively small extent higher than is warranted by the agreed prices of wheat and the probable average cost of production and distribution during the current year. If this margin of profit were so adjusted as to leave the prices no longer open to criticism, the decrease brought about would be much less than sufficient to enable any reduction to be made in the price of bread to the public. In view of all the circumstances, and in consideration of the fact that later developments made it clear that any attempt to force a reduction in such prices would automatically void the agreement made between farmers and millers, and would inevitably result in a "breaking" of the wheat-market, with consequent disastrous results to the wheat-growing industry, the Government decided against any interference with the prices of flour, bran, and pollard, which form an essential part of the agreement above referred to.

Beyond the decision to continue the prohibition of importation for a further twelve months from February last, the Government has now no connection whatever with the trade in wheat and wheat products.

There has recently arisen a decided shortage of bran, and to a lesser extent of pollard. The New Zealand price of these products is relatively low, and importations from abroad could not, after paying the duty, compete in the local market even if the prohibition on importation did not exist. The shortage appears to have arisen from the following causes:—

- (a.) Some mills were not gristing for a short period prior to 28th February. This is not an abnormal state of affairs. The effect, however, is that the demand for offals has to be met out of accumulated stocks, which consequently tend to become depleted.
- (b.) Floods in the South Island have tended to bring about a shortage of other feeding-stuffs, and severe weather conditions in both Islands have resulted in an increase in the demand for bran and pollard.
- (c.) The relatively low price of bran and pollard has made these commodities very popular with various users, and the demand is, for that reason, exceptionally strong. This is probably one of the most important reasons which make the supply inadequate to meet demand.

Several firms have applied to the Hon. the Minister of Customs for permission to import quantities of bran and pollard. On the recommendation of this Department permits have been granted, and in order to enable importers to enter the market the duty has been suspended. In anticipation of the possibility of a shortage in the Dominion during the winter months, a prohibition of export, save with the consent of the Minister of Customs, was gazetted on the 26th April last, and the only shipments made since that time have been allowed under permission for the domestic requirements of several of the Pacific islands, whose supplies are normally drawn from the Dominion.

#### TIMBER.\*

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, rimu, and beech should not exceed certain maximum quantities. 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 regard to timber the Department of Industries and Commerce acts on the advice and on the instructions of the Commissioner of State Forests, who is responsible for the policy and regulations as to the control of timber.

In the case of rimu the last-mentioned Order in Council provides a maximum for the year 1922–23 of 15,000,000 ft. for allocation to mills which were in the export trade prior to December, 1918. In view of the decreased home consumption, a special quota of 2,000,000 ft. that year was fixed for saw-mills not engaged in the export trade prior to the 31st December, 1918. For succeeding years the maximum export 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 ordinary building matai produced in excess of New Zealand demands.

By the Order in Council of the 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, the export is allowed of the quantity produced in excess of that required to meet the New Zealand demand.

During the year ended the 31st March, 1923, the export market for rimu was dull, and a relatively small fraction of the available export quota was called for. This has apparently been due in part to the competition on the Australian market of soft timbers from other countries, which have been tending to displace supplies of rimu previously drawn from the Dominion. Out of the total available quota of 17,000,000 ft. of rimu only approximately 4,000,000 ft. have been exported.

During the past few months, however, a remarkable change has taken place, and the export demand for supplies of rimu has so increased that the restriction on export is preventing to a material extent the acceptance of orders from abroad. The Department has received many requests for increased export allocations, but has, of course, been unable to accede to such requests, the whole of the permissible export quota having been definitely allocated to mills which were in the export trade prior to December, 1918. The non-inclusion in the regulations of any quota for “new” mills for this year would appear to have resulted in difficulties for those mills which had expected a continuance of export privileges. Full publicity was given some years ago to the Government’s policy in this matter, and mills which were not in the export trade prior to the initiation of control were definitely advised that they could not expect to receive export permits in future years.

In regard to the exportation of kauri, the Department’s report for last year indicated the substantial reduction of previous years’ quotas as made by the regulations of April, 1922. The reduction from 1,500,000 ft. last year to 500,000 ft. in 1923–24, following upon a reduction from 7,000,000 ft. in 1921–22, has been the subject of strong protest from sawmillers. The restriction relates, of course, only to kauri of a grade not inferior to medium, but it is apparently for the higher grades that an active export market exists.

As was indicated in the previous report, regulations relative to control of timber-prices were revoked when supplies became fully adequate to meet the local demand. A tendency towards a lower price-level has been noted, but cost of production, which is essentially based upon labour costs, has not as yet shown any material fall. The cutting-out of the more accessible timber areas tends towards an increasing cost, and, while certain price-adjustments have been made as between the different grades and qualities of timber, no general and substantial reduction of prices has taken place.

The following figures show the total quantity and value of timber exported from New Zealand during the year ended 31st March, 1923:—

Variety.					Quantity.	Value.
					Super. ft.	£
Kauri .. .. .	..	..	..	..	3,865,533	73,168
White-pine .. .. .	..	..	..	..	35,687,358	363,444
Rimu .. .. .	..	..	..	..	4,536,253	38,830
Beech .. .. .	..	..	..	..	726,109	10,031
Miscellaneous—New Zealand produce .. .. .	..	..	..	..	384,810	4,275
„ not New Zealand produce .. .. .	..	..	..	..	79,973	1,016
					Number.	
Shingles .. .. .	..	..	..	..	2,000	190

## GAS.

During the prevalence of war conditions many complaints were made regarding the quality of gas supplied by various undertakings throughout the Dominion, and after investigation a recommendation was made to Government that provision should be made to enforce the system of charging for gas supplied on the basis of its heating-value. Action in this direction was deferred pending a return to more normal conditions, when the difficulties of securing regular and adequate supplies of good-quality gas-coal would not be experienced.

During the past year inquiries have been made in regard to the various systems of control in operation in other countries, and reports have been secured in regard to the success or otherwise of such methods.

It has now been decided that control is necessary, and reasonably possible under the circumstances in which the industry is carried on, and accordingly regulations under section 26 of the Board of Trade Act, 1919, have recently been drafted. It was considered advisable that the form and substance of the proposed regulations should be submitted for the criticism of representatives of the leading gas undertakings, and for that reason a conference was arranged by the Department, and held recently in Wellington. By this means there was secured the benefit of practical advice from experts, and suggestions which will undoubtedly assist in the carrying-out of control have been incorporated in the draft regulations.

Discussion with representatives of the gas companies has also enabled the Department (which throughout has worked in conjunction with the Dominion Analyst) to give to the companies a full explanation of the proposals, and to afford an opportunity to gas undertakings to make preparations for the initiation of control.

The proposed regulations, which are now the subject of legal scrutiny, will provide for safeguards in the matter of quality and pressure, and will ensure that consumers receive service in accordance with the payments made to suppliers.

The price of gas has, in general, shown some recession during the past year, and as costs tend downwards further modification of price may be looked for. In main centres the quality and pressure are now entirely satisfactory, though the present shortage of supplies of good-quality gas-coal is causing some difficulty. This position, however, is not likely to continue beyond the winter months.

## MANURES.

In conjunction with the Department of Agriculture, inquiries have been made during the year in respect of the trade in manures, with particular reference to prices of Nauru phosphates and super-phosphates.

In addition to complaints of overcharging, a general allegation relative to prices and distribution in the Otago and Southland districts were inquired into, and, where necessary, adjustments in prices were brought about.

Suggestions of unreasonable restraint of trade were made, and voluminous evidence was submitted to show that farmers had been refused supplies from manufacturers at other than retail prices. It could not be proved, however, that this refusal was unreasonable or that manufacturers were acting in any way contrary to accepted commercial practices in giving a preferential price to sub-distributors.

The profits of distributors and manufacturers were challenged on the ground that the fall in the price of imported rock phosphate justified a downward revision of prices greater than had taken place. It was found on investigation, however, that the supplies which had gone into distribution at allegedly high prices were manufactured from rock costing considerably more than current quotations, and that little of the lower-priced rock had at that time come forward to New Zealand. Moreover, considerable stocks of expensive materials had been brought forward from the previous season, and had warranted to some extent the prices being charged. Railage to country stations was in general also being paid by manufacturers and distributors, and even bulk supplies for a time had to be railed from Canterbury to the southern districts.

General reductions in prices have since been made possible, and there is every probability of further adjustments as costs decline.

## PRICE-REGULATION.

The question of the legality of fixing selling-prices by manufacturers has been raised from time to time by various manufacturers in the Dominion, who claim that their interests are prejudicially affected by the process ordinarily known as "price-cutting," and legal protection has been sought under the provisions of the Board of Trade Act.

The goods that are subject to price-cutting are usually what are known as "proprietary lines." Goods the quality and price of which are widely known and associated are especially subject to the practice of cutting, for the public, having for a long time associated a given commodity with a given price, are quick to detect a lowering of price, and so confine their purchases to the retailer who has cut the price. The effect is to compel competing retailers either to meet the cut, to discontinue handling the goods, or to handle the line half-heartedly, offering substitutes where possible. Eventually the price-cutters themselves, having exhausted the advertising value of the cut price, lose interest in the line and either drop it or attempt to displace it by offering substitutes which afford bigger profits.

The effects which are said to result from price-cutting may be summarized as follows: (1) A decline in the value of the stock owned by traders who are in the realm of influence exerted by the price-cutters; (2) a reluctance on the part of other traders to handle the goods, thus involving the

handling of substitutes and a consequent decline in the sales of the discounted goods ; (3) a consequent loss to the manufacturers, and a loss to the consumers in so far as quality articles are displaced by inferior substitutes.

Local manufacturers claim that they are at a disadvantage as compared with oversea competitors in the matter of price-control, as manufacturers beyond the jurisdiction of New Zealand can cut off the supply of goods to any local distributor who fails to observe a scheduled price. The result is that many dealers prefer to handle imported lines that are not subjected to price-cutting. A local manufacturer taking similar action would probably infringe the provisions of the Commercial Trusts Act. By section 12 of the Cost of Living Act, 1915, the scope of the Commercial Trusts Act, 1910, is widened to embrace in the schedule thereto "any article of food for human consumption, and ingredients used in the manufacture of any such article." By virtue of this amendment the manufacturers of a foodstuff in common with the manufacturers of any commodity mentioned in the schedule to the Commercial Trusts Act—become a commercial trust within the meaning of the Act as soon as such manufacturers endeavour to control or determine the prices at which their goods shall be sold wholesale and retail. If the manufacturers enter into an arrangement with other persons, whether wholesalers or retailers, for the fixation of the price of goods—in respect to which the Act applies—either by arrangement to supply subject to the observance of certain conditions in regard to prices, or by refusing to deal in consequence of the non-observance of those conditions, the Act makes such arrangement an offence.

Notwithstanding these comprehensive provisions of the Act to prevent unfair restraint of trade, the fact that there are many devices that can legally be resorted to to prevent price-cutting indicates that in all cases the prevention of such tactics is not deemed to be an unfair restraint of trade within the meaning of the Act. Many devices are resorted to by manufacturers to prevent price-cutting, some of which are not illegal, but others are such as would clearly involve a breach of the Act if they had relation to goods in respect to which the Act applies.

The principal devices which have come under the notice of the Department and which have been adopted by manufacturers to prevent cutting tactics are as follows :—

- (1.) Grants of rebates to such dealers as are willing to maintain the fixed price, such rebate to be payable when the goods are sold, and any variation from the fixed price to entail forfeiture of the rebate. This practice is common in New Zealand, but so far as this Department is aware it is confined to commodities not included in the schedule to the Commercial Trusts Act.
- (2.) Manufacturers refuse to sell to dealers who cut prices. Some manufacturers have gone so far as to refuse to supply not only the offending dealer direct, but to insist that agents shall not supply, thus making it impossible for the dealer to renew his supplies from any source. A refusal to supply—even if the commodity is one to which the Commercial Trusts Act applies—is not an offence in itself, but some valid reason must be assigned for the refusal, otherwise an offence would be committed. With regard to the question of cutting off all sources of supply, there is an organization in New Zealand one of the objects of which is to obtain an undertaking from all affiliated manufacturers to refuse to supply any goods should a retailer offend even in the sale of one specific line. By means of a "stop list" all avenues of supply are closed. Such organization is careful to apply its machinery only to goods not included in the schedule to the Act.
- (3.) Another method of maintaining prices is to embody in the contracts of sale special provisions by which dealers are bound to observe a fixed price.
- (4.) A further means of control, not unusual, is for conditional sales to be made in which the title to the goods sold to dealers remains with the manufacturers, and passes only upon completion of the resale made at the fixed price. The manufacturers reserve the right to demand the return of the unsold goods in the event of price-cutting.
- (5.) The use of an agency agreement whereby the dealer is regarded merely as an agent without title to the goods is probably the most common means of control, and no doubt the most effective, as agent dealers must sell at a stated price and their profits are in the form of commissions. This method of control is not illegal, and is in fairly wide use by certain manufacturers and distributors in New Zealand. It has been adopted by the Board of Trade in connection with the distribution of sugar.
- (6.) Sometimes there is affixed to the goods or the container a statement that certain prices must be observed, the implication being that the use of such notice makes the transaction a conditional sale which binds the dealer to the fixed price. This practice is probably the least effective in the accomplishment of the desired end, and in fact plays into the hands of the price-cutter.

The general question of the legality of fixing selling-prices by manufacturers was discussed in the "Big Ben" case (*Christie v. Hastie, Bull, and Pickering*, 1921), and in that case it was considered by the Court to be a reasonable and universal commercial practice. That case, however, concerned an article to which the Commercial Trusts Act does not apply, consequently considerable doubt exists as to how far manufacturers may legally control prices of articles to which the Act does apply. The guiding principles appear to be whether or not the price is "unreasonably high," and whether or not the practice adopted is "contrary to public interest." There is little doubt, however, that a "refusal to deal" because of a failure to observe a fixed price in regard to a commodity to which the Act applies would in itself constitute a breach of the Act, quite apart from the question of price or public interest.

Local manufacturers, in seeking legal protection, have frequently drawn attention to the provisions of section 26 of the Board of Trade Act, particularly clause (c) of subsection (1), which reads as follows:—

“(1.) The Governor-General in Council may, on the recommendation of the Board of Trade, make by regulations under this Act, such provisions as he deems necessary in the public interest for the following purposes. . . . (c) For the establishment of fixed or maximum or minimum prices or rates for any classes of goods or services, or otherwise for the regulation or control of such prices or rates.”

In certain cases the Board of Trade has fixed maximum prices, but so far has invariably left the adjustment of minimum prices to free competition.

The Department is quite aware of the serious inconvenience to manufacturers that often arises out of the practice of price-cutting by retailers, but owing to the difficulty of the application of a uniform price to different classes of trade, the Department has considered that the determination of minimum prices should be free from Governmental restriction, except where there is evidence of unfair commercial practices.

The opponents of price-fixing deny that price-cutting has disastrous effects. The price-cutter claims that he has paid the price which the manufacturer demanded, and fails to see why the manufacturer, who has given up title to the goods, should be empowered to dictate the conditions of resale. It is contended that price-maintenance carried to its logical conclusion would bring the machinery of distribution virtually within the control of the manufacturers, as the power to fix resale prices carries with it the power to fix the retailer's profits. As the service rendered by retailers varies considerably, an arbitrary retail price could not reasonably apply to every class of business.

The question appears to be not whether manufacturers should have power to fix resale prices, but the extent to which they should have such power. It is fairly evident that generally price-cutting below cost is harmful both to the manufacturer and to the trade competitor. At the same time it is unfair to the consumer from whom the price-cutter makes recoupment. This class of price-cutting is in a totally different category to the charging of low prices as a result of an efficient selling organization which enables a retailer to work on a fine margin of profit. So long as the goods are not sold below cost the practice is not harmful. This type of competition tends to stimulate trade and benefits the consumer.

Unless manufacturers allow for the varying costs of service rendered by the different classes of retailers—e.g., “credit and service” stores, as compared with the non-service or “cash and carry” stores—it will be apparent that any attempt at price-fixation will be unsound and unfair. A modified form of price-maintenance which permits the price to vary according to the variations in the cost of handling would appear to be reasonable.

#### SEA CARRIAGE OF GOODS ACT.

This Act, which was passed by Parliament last year, was mainly a consolidating measure intended to bring into one enactment, with certain additions, the law relating to the carriage of goods by sea.

After evidence had been given before the Statutes Revision Committee on behalf of both shippers and marine carriers, the law was agreed to by the conflicting interests, and was referred to London for Royal assent. There appeared to be some possibility of delay in securing assent to the new measure, but representations made through this Department had the desired effect, and the Act came into force by virtue of a Proclamation gazetted on the 5th July, 1923.

One of the essential provisions of the new law will prevent the unreasonable clausuring of bills of lading, inasmuch as any such clauses shall be null and void unless declared by a Court of law to be reasonable under the circumstances. In cases where clauses on bills of lading have reference to the condition or defect of packages, such clauses shall be null and void unless the attention of the shipper is drawn to such defect at the time of shipment. Other provisions in the Act make for greater security, and in general clarify the law on this matter.

The passage of this measure has given considerable satisfaction to the trading community.

#### CUSTOMS INQUIRIES.

As was reported last year, the Department has given assistance to the Customs Department in relation to a number of tariff matters, and close investigation has necessarily been made into the condition of the industries concerned. The financial result of trading, prices charged for local manufactures, and costs of production have been ascertained, and recommendations made for the guidance of the Hon. Minister of Customs. It will be evident that details of the work done in this connection cannot be published in this report.

#### FRENCH COMMERCIAL MISSION.

In January last a visit was made to the Dominion by a French commercial mission on the cruiser “Jules Michelet,” commanded by Rear-Admiral Gilly. The mission was headed by Governor Guyon (French Colonies), who was accompanied by M. Chauvel (Foreign Office), M. Petrequin (Industries and Commerce), Comite de Vitry (Department of Mines), and two technical associates, Lieutenants Pigelet and Ziegel.

The main object of the mission, which was making a world tour, was to encourage reciprocal trade relations between France and the various countries visited. For the purpose of exhibiting the good qualities and varied nature of France's exportable products, the cruiser was fitted, to a large extent, as an exhibition ship.

The Government afforded every facility for the mission to obtain information regarding the trade of the Dominion by arranging for a personal inspection of the leading industries and development works in the North Island, and in addition supplied comprehensive reports.

#### CONCLUSION.

This report does not refer specifically to more than a small portion of the diversified work undertaken by the Department.

It should be clearly understood that the present organization and staff of the Department does not permit of continuous supervision of prices and conditions of sale of all commodities throughout the various centres of the Dominion. Inquiries are made when and where this course appears to be necessary, but in general the Department believes that the force of unrestricted competition provides an adequate safeguard to the interests of consumers, and that there should therefore be no necessity for official interference in trades and localities where evidence of combination between traders for purposes of price-control is entirely lacking.

An example of the Department's policy in this connection may be cited in the case of retail prices of meat in various towns. Where inquiries have been made the evidence, and also the marked disparity in the prices charged by competing firms, has indicated that free and in some cases keen competition has operated; consequently in such cases no official interference has been warranted.

It is, however, abundantly evident that the tendency towards price-maintenance and the restriction of competition by varying forms of trade associations is a growing factor in our commercial life. The operation of the "law of supply and demand" is to an increasing extent conditioned and set aside by the co-ordinated action of manufacturers and traders; and, while the benefits arising from the formation and operation of combines and trade associations are of great economic importance, the necessity for official supervision and safeguards against the abuse of monopolistic powers increases as free competition loses its force.

The supporters of the policy of non-interference with trade lose sight of the fact that freedom from public control will mean in many instances not free competition but concerted or unified control by private interests. If business conditions necessitate or make economically advisable the fixation of prices by any organized body, it is necessary that such fixations should be subject to Governmental supervision to safeguard the interests of consumers.

The Commercial Trusts Act, 1910, and the Board of Trade Act, 1919, give ample power for the maintenance of healthy business conditions, and from time to time legal action has been taken under those Acts. The Department, however, favours a policy which will enable manufacturers and traders to secure for themselves and for the community all the benefits of combined action, and at the same time check the tendency towards the abuse of monopolistic powers.

The Department is therefore endeavouring, to the limits of its capacity, to prevent the adoption of unfair methods of conducting business, and is also dealing with any instances in which unreasonably high prices appear to be charged. At the same time the constructive work of the Department is being carried on, and everything possible is being done to assist in promoting the welfare of the trades and industries of the Dominion.

For the Department of Industries and Commerce.

J. W. COLLINS,  
Secretary.

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