

1929.

## NEW ZEALAND.

## THE CASH-ORDER TRADING SYSTEM.

REPORT OF INQUIRY CONDUCTED BY THE HON. J. G. COBBE, MINISTER OF INDUSTRIES  
AND COMMERCE, UNDER AUTHORITY OF CABINET MINUTE DATED 17TH JANUARY, 1929.

ASSOCIATED WITH THE HON. THE MINISTER WAS MR. J. W. COLLINS, SECRETARY, DEPARTMENT OF INDUSTRIES AND  
COMMERCE.

*Laid on the Table of the House of Representatives by leave.*

## REPORT.

27th April, 1929.

To the Right Hon. Sir J. G. Ward, Bart., P.C., K.C.M.G., Prime Minister, Wellington.

WITH reference to the inquiry into the system of cash-order trading we have the honour to report as follows :—

1. We visited the four main centres of the Dominion, where opportunity was given to any person so desiring to give evidence for or against the system of cash-order trading. Previous to visiting the main centres advertisements inviting evidence from persons interested appeared in the newspapers published in those cities.

Evidence was taken—in Wellington on the 4th, 5th, and 20th March, 1929, the number of witnesses heard being 12; in Christchurch on the 8th March, 1929 (number of witnesses, 5); in Dunedin on the 11th, 12th, and 13th March, 1929 (number of witnesses, 10); and in Auckland on the 25th, 26th, 27th, and 28th March, 1929 (number of witnesses, 28). The total number of witnesses heard was 55. The witnesses included representatives of trade organizations, principals of cash-order trading companies, retailers, and householders.

In addition to the evidence obtained from witnesses we have perused the reports prepared by the Department of Industries and Commerce regarding investigations carried out in New Zealand and in Australia (notably New South Wales and Victoria).

2. **The System explained.**—The cash-order system is operated as follows: An individual or firm issues to approved clients orders which on presentation to a trader will be accepted for their face value in exchange for goods. The firm or person issuing the cash order collects from the client the amount of the order in instalments, usually spread over a period of twenty weeks. The usual weekly repayments are fixed at the rate of 1s. for every £1 value of the order issued. The client also pays a commission of 1s. or 2s. in the pound on the value of each order. On a £5 order 5s. to 10s. is paid, and this commission is charged at the commencement of the transaction. Two cash-order firms charge no commission to clients. The retailer accepting the order tenders it to the order-issuing house, and secures payment less an agreed-upon discount, which ranges from 10 to 15 per cent.; the average discount granted by retailers is 12½ per cent. The majority of cash-order-issuing houses therefore make two profits—the commission charged to the client and the discount received from the retailer.

The systems adopted by different cash-order companies vary slightly, but they are all of the same general character. A few retail houses carry as part of their method of giving credit a cash-order system. This eliminates the third party, but the methods of conducting the system are substantially the same, but the purchases must generally be made in the shop from which the order is accepted.

The classes of articles usually bought under the cash-order system are unlike those which are purchased under instalment plans. They comprise goods which usually depreciate rapidly, and once in possession of the purchaser and used are of little resale value. The vendor has no lien on goods usually sold under the cash-order system.