

1931.  
NEW ZEALAND.

# INDUSTRIES AND COMMERCE COMMITTEE

(REPORTS OF THE).

(MR. G. C. MUNNS, CHAIRMAN.)

*Presented to the House of Representatives, and ordered to be printed.*

## ORDERS OF REFERENCE.

*Extracts from the Journals of the House of Representatives.*

TUESDAY, THE 21ST DAY OF JULY, 1931.

*Ordered*, "That a Select Committee be appointed, consisting of ten members, to deal with all matters in connection with industries and commerce; with power to call for persons, papers, and records; three to be a quorum: the Committee to consist of Mr. Ansell, the Hon. Mr. Cobbe, Mr. Fletcher, Mr. Harris, Mr. H. Holland, Mr. Munns, Mr. Savage, Mr. Sullivan, Mr. Wilkinson, and the Mover."—(Hon. Mr. DE LA PERRELLE.)

THURSDAY, THE 23RD DAY OF JULY, 1931.

*Ordered*, "That the name of the Hon. Mr. Cobbe be discharged from the Industries and Commerce Committee, and that the name of Mr. Ward be added thereto."—(Hon. Mr. DE LA PERRELLE.)

TUESDAY, THE 4TH DAY OF AUGUST, 1931.

*Ordered*, "That the Licensing Amendment Bill be referred to the Industries and Commerce Committee."—(Mr. MASON.)

TUESDAY, THE 11TH DAY OF AUGUST, 1931.

*Ordered*, "That the Trading-coupons Bill be referred to the Industries and Commerce Committee."—(Hon. Mr. DE LA PERRELLE.)

WEDNESDAY, THE 19TH DAY OF AUGUST, 1931.

*Ordered*, "That the petitions of H. Woods and Co. and others, P. Floyd and others, A. Kohn, Ltd., and others, P. Hayman and Co. and others, J. Smith and others, Thompson Brothers and others, Gertrude Annie Guest and others, and T. E. Price and others, relating to the Trading-coupons Bill be referred direct to the Industries and Commerce Committee."—(Right Hon. Mr. FORBES.)

*Ordered*, "That the Honey Local-marketing Board Bill be referred to the Industries and Commerce Committee."—(Mr. JORDAN.)

FRIDAY, THE 21ST DAY OF AUGUST, 1931.

*Ordered*, "That the petitions of Abbott, Armstrong, and Howie and others, and Langford Brothers and others, be referred direct to the Industries and Commerce Committee."—(Mr. FLETCHER.)

TUESDAY, THE 25TH DAY OF AUGUST, 1931.

*Ordered*, "That the petitions of W. H. Cronk and others, and S. J. Plant and others be referred direct to the Industries and Commerce Committee."—(Mr. SEMPLE.)

*Ordered*, "That the petition of Arnold and Sons and others be referred direct to the Industries and Commerce Committee."—(Mr. W. NASH.)

*Ordered*, "That the petitions of D. Broderick and others, and J. McFarlane and others be referred direct to the Industries and Commerce Committee."—(Hon. Mr. DOWNIE STEWART.)

THURSDAY, THE 27TH DAY OF AUGUST, 1931.

*Ordered*, "That the petition of Milne, Bremner, Ltd., be referred direct to the Industries and Commerce Committee."—(Mr. ANSELL.)

FRIDAY, THE 28TH DAY OF AUGUST, 1931.

*Ordered*, "That the petition of Manning and Dorreen, Ltd., and others be referred direct to the Industries and Commerce Committee."—(Mr. H. HOLLAND.)

WEDNESDAY, THE 2ND DAY OF SEPTEMBER, 1931.

*Ordered*, "That the petitions of Mouat Brothers and others, and Janson Brothers and others, be referred direct to the Industries and Commerce Committee."—(Mr. FRASER.)

*Ordered*, "That the petitions of J. A. Logan and others, J. G. Jennings and others, J. E. Furness and others, and Watchman Brothers and others, be referred direct to the Industries and Commerce Committee."—(Mr. WRIGHT.)

TUESDAY, THE 13TH DAY OF OCTOBER, 1931.

*Ordered*, "That the petition of J. Brown and others be referred direct to the Industries and Commerce Committee."—(Mr. O'BRIEN.)

WEDNESDAY, THE 14TH DAY OF OCTOBER, 1931.

*Ordered*, "That the petition of W. Hannah and others be referred direct to the Industries and Commerce Committee."—(Mr. MUNNS.)

*Ordered*, "That the petition of E. Samuel and others be referred direct to the Industries and Commerce Committee."—(Mr. BLACK.)

*Ordered*, "That the petition of R. Trembath and others, F. Thorpe and others, E. Rostern and others, and G. H. Snow and others, be referred direct to the Industries and Commerce Committee."—(Mr. H. E. HOLLAND.)

*Ordered*, "That the petition of L. J. Vincent and others be referred direct to the Industries and Commerce Committee."—(Mr. KYLE.)

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## REPORTS.

## TRADING-COUPONS BILL.

I HAVE the honour to report that the Committee, having carefully considered this Bill and taken much evidence upon it, recommends that it be allowed to proceed, with the amendments shown in the copy attached hereto.

8th October, 1931.

## HONEY LOCAL-MARKETING BOARD BILL.

I HAVE the honour to report that, having carefully considered this Bill, the Committee recommends that it be not allowed to proceed this session.

8th October, 1931.

No. 51/31 (Sess. 2).—Petition of NICHOLAS BENJAMIN FRYDAY, of Ngaere, Taranaki.

PRAYING for an inquiry into the cost of ammunition.

I am directed to report that in the opinion of the Committee the petition should be referred to the Government for consideration, with a recommendation that the Department of Industries and Commerce be instructed to make a full investigation into the prices charged for ammunition by the Colonial Ammunition Co., and generally into the operations of the Colonial Ammunition Co.

29th October, 1931.

No. 96/31 (Sess. 2).—Petition of H. WOODS AND Co., of Auckland, and 15 Others, and 22 similar Petitions as per Schedule attached.

PRAYING for amendment of the Trading-coupons Bill.

I am directed to report that the subject-matter of these petitions having already been dealt with by the House during the present session, the Committee has no recommendation to make.

29th October, 1931.

## SCHEDULE.

Date received.	No. of Petition.	Member presenting.	Petitioner.
20 August, 1931 ..	97/31 (Sess. 2) ..	Hon. Mr. Stallworthy ..	P. Floyd and 5 others.
20 " " ..	98/31 (Sess. 2) ..	Mr. Parry ..	A. Kohn and 21 others.
20 " " ..	99/31 (Sess. 2) ..	Mr. Endean ..	P. Hayman and 12 others.
20 " " ..	100/31 (Sess. 2) ..	Mr. Endean ..	J. Smith and 10 others.
20 " " ..	101/31 (Sess. 2) ..	Mr. Jordan ..	Thompson Bros. and 8 others.
20 " " ..	102/31 (Sess. 2) ..	Mr. Jordan ..	G. A. Guest and 4 others.
20 " " ..	103/31 (Sess. 2) ..	Mr. Savage ..	T. E. Price and 14 others.
22 February, " ..	110/31 (Sess. 2) ..	Mr. Fletcher ..	Abbott, Armstrong, and Howie, and 21 others.
22 " " ..	111/31 (Sess. 2) ..	Mr. Fletcher ..	Langford Bros. and 10 others.
24 August, " ..	112/31 (Sess. 2) ..	Mr. W. Nash ..	Arnold and Son and 18 others.
24 " " ..	113/31 (Sess. 2) ..	Mr. Semple ..	W. H. Cronk and 23 others.
24 " " ..	114/31 (Sess. 2) ..	Mr. Semple ..	S. J. Plant and 4 others.
24 " " ..	115/31 (Sess. 2) ..	Hon. W. D. Stewart ..	D. Broderick and 75 others.
24 " " ..	116/31 (Sess. 2) ..	Hon. W. D. Stewart ..	J. McFarlane and 41 others.
28 " " ..	121/31 (Sess. 2) ..	Mr. Ansell ..	Milne, Bremner, Ltd., and 11 others.
29 " " ..	123/31 (Sess. 2) ..	Mr. H. Holland ..	Manning and Dorreen, Ltd., and 300 others.
3 September, " ..	124/31 (Sess. 2) ..	Mr. Fraser ..	Mouat Bros. and 14 others.
3 " " ..	125/31 (Sess. 2) ..	Mr. Fraser ..	Janson Bros. and 10 others.
3 " " ..	126/31 (Sess. 2) ..	Mr. Wright ..	J. A. Logan and 12 others.
3 " " ..	127/31 (Sess. 2) ..	Mr. Wright ..	J. G. Jennings and 20 others.
3 " " ..	128/31 (Sess. 2) ..	Mr. Wright ..	J. E. Furness and 5 others.
3 " " ..	129/31 (Sess. 2) ..	Mr. Wright ..	Watchman Bros. and 14 others.

No. 73/31 (Sess. 2).—Petition of WALKER AND HALL, of Auckland, and 15 others.

PRAYING that a Select Committee be appointed to hear evidence in respect of certain matters relating to the use of trading-coupons and advantages to be derived therefrom.

I am directed to report that the subject-matter of this petition having already been dealt with by the House during the present session, the Committee has no recommendation to make.

29th October, 1931.

## LICENSING AMENDMENT BILL.

I HAVE the honour to report that, as the promoters of the Bill have found it impossible to bring forward their evidence this session, the Committee has no recommendation to make, other than that the subject-matter of the Bill be considered by the Government when further licensing legislation is being brought down.

29th October, 1931.

## FREE-GIFT SYSTEM.

I HAVE the honour to report that the Industries and Commerce Committee has passed the following resolution, viz. :—

That the Chairman do lay upon the table of the House the report furnished by the Industries and Commerce Department relative to the abolition of the free-gift system, a copy of which is attached hereto.

29th October, 1931.

## COUPON-TRADING BILL.

*Notes relative to Suggested Extension for the Purpose of prohibiting all Forms of Gifts or Concessions (in relation to the Sale of Goods) whether through the Coupon System or otherwise.*

(1) In the first place it must be evident that many so-called gifts or concessions are made in relation to the sale of goods which cannot be classed as objectionable. Many of these are commercially unimportant, but others are looked upon as regular and normal trading practices. Some of these "concessions" are regularly made with all sales, others are due to particular or special circumstances arising from time to time. For example, slow-selling lines are often disposed of along with attractive articles at an inclusive price or at special separate rates based upon the joint sale. An almost unlimited range of instances might be quoted where "gifts" or concessions of varying natures are made or allowed in wholesale and retail trade.

Another phase of similar practices is seen in the distribution of free samples or in the adoption of special sales-promotion methods when one article already established on the market is used as a means of introducing to buyers the merits of other relatively unknown or new products made or sold by the proprietary interests concerned.

To prohibit (or rather to endeavour to prohibit) all such practices for the purpose of preventing the class of gift now objected to—a class which is distinguishable only by reference to the *intentions* of the seller—would be a very extreme step. It is virtually impossible to draw any line of demarcation between that which is clearly a recognized and accepted legitimate trade practice and that which is now in some quarters objected to as being unfair, uneconomic, and illegitimate trading.

(2) In comparison with the coupon method of distributing gifts, the "straight" gift system does not involve any serious possibilities of deception.

One of the objections to the coupon system is that it may be the means of securing trade virtually by false pretences based upon an exaggerated description of the value of the gifts ultimately to be secured by the purchaser.

With the straight-gift system the purchaser is usually able to see and reasonably assess the value of the whole of his purchase—gift or concession included.

(3) The straight gift system does not, as in the case of the coupon system, tend to tie the purchaser up to continued buying of one brand or quality in the desire to avoid loss of gift value even when the purchaser may be in some degree dissatisfied with the quality of that particular brand. In other words, the straight gift does not lend itself to the sales promotion of inferior-quality articles as a continuous process.

(4) There are very definite physical limitations to the adoption of the straight-gift system with proprietary lines. Large or bulky gifts cannot be packed or otherwise distributed with small articles. The coupon system, however, can be and is used to distribute large gifts through the continued sale of small articles.

As another phase of the same matter there are very clear value limitations of the straight-gift process. It is clear that gifts of high value cannot conveniently or regularly be given with articles of low price.

In view of these two points, the practice of giving gifts directly and without a coupon system is not likely to become extensive along those lines to which objection is now raised.

(5) The straight-gift system amounts, in effect, to the making of a single sale of two articles conjointly—a practice which, as already mentioned, is a common and often admittedly regular and legitimate procedure.

Apart, however, from the difficulty of finding any principle of differentiation between the good and the allegedly bad, it must be recognized that any law designed to prohibit the straight gift or concession would be easily evaded.

This could (and undoubtedly would) be done—

(a) By advertising and regularly offering for sale not one article, but two, at an inclusive price. To suggest that any defendant was guilty of an offence of giving something with the major or main article and to contend that he must be adjudged guilty of that offence until he could prove his innocence would, in face of such advertising and such offers—commercially made and constructively accepted by the buyer—be legislation and legal action of a most extreme character.

(b) By selling two articles conjointly but with a *specified* price for each. Conditions of sale could be so framed that it would be impossible to prove that the sale of either article constituted a gift or concession. Even though one of the articles be sold at a price below its cost of production or cost of prior purchase, that fact would not by any means constitute proof that a gift or concession had been made. Goods are often sold at or below cost in recognition of changes in fashion, or recession in market values. This condition of affairs is particularly evident in certain trades, and is more noticeable at a time when general price-levels are falling.

It would be virtually impossible in many instances to administer and enforce a law of the character in question, and at best the process could be carried out only with constant friction and irritation of commercial interests.

The law could be further evaded by the adoption of special methods of packing under which wrappers or containers could be made to constitute something in the nature of gifts of value. It is in fact a recognized policy of some manufacturers to use this method—often advertised and stressed—of increasing sales. Householders may, for example, buy well-known brands of tea or other products partly with the desire to secure particular sizes or shapes of canisters, &c.

(6) So far as the matter may be of interest, it is worthy of mention that while the coupon-trading system is prohibited in various parts of the world, so far as is known, no country has been prepared to face the matter of attempting to prohibit "straight" gifts or concessions in the commercial field.

#### SPECIAL REPORT.

I HAVE the honour to report that the Industries and Commerce Committee desires to record its high approbation of the ability, courtesy, and tact with which the Chairman, Mr. Munns, has conducted the business of the Committee during the session.

It desires also that this resolution shall be recorded on the minutes of the Committee, and be reported to the House.

9th November, 1931.

H. HOLLAND,  
A Member of the Committee.

#### SPECIAL REPORT.

I AM directed to report that the Industries and Commerce Committee desires to compliment its Clerk, Mr. Fox, on the courtesy and ability shown by him in carrying out his duties this session.

It desires also that this resolution shall be recorded on the minutes of the Committee, and be reported to the House.

9th November, 1931.

#### FINAL REPORT.

I HAVE the honour to report that the Industries and Commerce Committee, consisting of ten members, has held thirteen meetings during the session. Three Bills were considered and reported to the House, including the Trading-coupons Bill of this session and accompanying petitions, on which twenty-six witnesses were heard. Two other petitions were also taken and reported on.

9th November, 1931.

G. C. MUNNS, Chairman.

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