

The Wellington station is in a different category, because when it was erected it had more modern features embodied in it than any of the other stations. It has been in use since July, 1927, a period of approximately four and a half years, and the depreciation I allow in this plant is four and a half years at 5 per cent.—a total of $22\frac{1}{2}$ per cent. The three smaller stations were equipped with plant manufactured by the Western Electric Co., of the United States of America, this company at that time being looked upon as the best manufacturer of transmitting equipment. The equipment at 2YA was manufactured in England by a firm associated with the Western Electric Co., and having the right to use its data and patents. Owing to alterations in tariffs, imports from the United States of America now have to meet preferential duty levied in favour of British products, and although British products are duty-free, the primage rate on all imports has risen from 1 per cent. to 3 per cent., thus making as far as British products are concerned, an import market less favourable to the extent of 2 per cent. In addition to this, the rate of exchange between New Zealand and England has risen, and the result of these increases in importing costs means an extra cost on present-day imports of not less than 10 per cent., as compared with the importing costs three or four years ago. These factors would result in increased importing costs if new equipment was imported from Britain to-day. A table supplied by the company's accountant showed that increased tariff and exchange-rates on importations from the United States of America mean an increase in importing costs of 68 per cent. The company contends that because these smaller plants were manufactured in and imported from the United States of America then the replacement value must be taken as the United States of America market, and not the British market—the former, with exchange, being some 68 per cent. higher, and the latter, with exchange, being something over 10 per cent. higher. I do not accept the contention that we must assume an importing from America instead of from Britain. Whatever was the position some four years ago, it was not proved to me that a buyer of transmitting-plants would to-day reject British manufacture as inferior to American and take the latter, whatever the cost. I think it must be taken that a buyer would buy in the best market, and I must assume that the market is regulated by the British cost. If the Americans wanted to do business, they would have to meet the market, and it may be taken, I think, that the British prices would be the ruling prices. If, therefore, there be any appreciation in to-day's costs, it would, I think, be on the British and not the United States of America basis. Moreover, duty is levied on the cost in the exporting country, and it by no means follows that a buyer of a second-hand plant would precisely increase his price by the amount of increased importing-costs of new materials. We have not exact quotations to enable us to compare present-day factory costs in England for to-day's equipment as compared with factory costs four years ago. At best, therefore, one must endeavour to judge as near as possible to what extent a buyer, in fixing the price he was prepared to give for a second-hand plant, would appreciate his price by reason of the altered exchange and tariff as between New Zealand and England. An increase in duty is not calculated on the final cost. I think that if I treat these increases as affecting a second-hand-buyer's mind to the extent of $2\frac{1}{2}$ per cent. on cost, I shall be doing no injustice to either of the parties to this arbitration. The result of so doing would in the case of the plant and equipment of the Auckland, Christchurch, and Dunedin stations, be to make a net deduction from cost of $22\frac{1}{2}$ per cent., and in the case of the Wellington station a net deduction from cost of 20 per cent.

The Department does not dispute the correctness of the figures supplied by the company so far as actual payments are concerned. Over and above the actual disbursements by way of payments to makers, duty, and charges, there is shown in the case of the three smaller stations a payment by the company to Harris and Co. of 11 per cent. on actual costs. Harris and Co. imported the plant and made use of their technical knowledge in the specifications for the plants, and also did a certain amount of the financing in the first instance. This 11 per cent. was claimed by Harris and Co. against the company as a disbursement by Harris and Co., the nature of the claim being that Harris and Co. had provided the expert knowledge, clerical assistance, and overhead generally inseparable from the equipping of the company's stations. Harris and Co. also undertook the erections. The makers sent an expert to New Zealand to assist in the erection, and the expenses of this expert were paid by the company. In the case of the three smaller stations the company actually paid to Harris and Co. their claim of 11 per cent. as general disbursements for Harris and Co.'s overhead costs. The Crown does not admit this was a proper payment by the company to Harris and Co., especially as that firm, in addition to being paid this 11 per cent. by way of a disbursement, was also paid a further 10 per cent. for its services. If a business firm imports an article it must add as part of the cost of such article its overhead costs. If such a firm added, say, 10 per cent. to the actual disbursements necessary to import the article, and that firm's general overhead expenses were, say, 15 per cent., the sale of such an article at 10 per cent. on actual disbursements would result in the loss to that firm of 5 per cent. on the transaction. To make a profit it must add its overhead cost, plus its profit, to the selling-price, so that in the case I have assumed the firm would have to sell at 25 per cent. on actual disbursements to make an actual profit of 10 per cent. The firm of Harris and Co., in charging the company 11 per cent. on disbursements for overhead costs, and a further 10 per cent. for profit, actually only made 10 per cent. on the transaction if its overhead costs are 11 per cent. The figure of 11 per cent., as standing overhead costs, was deposed to by Mr. Harris as the proper figure for such costs, and it was not disputed that overhead must be provided for by any business firm. I do not think the percentage unreasonable, and there is the outstanding fact that the company paid it. It is true that Mr. Harris, who has a considerable interest in Harris and Co., is also a director of the Broadcasting Co., but he was not the only shareholder, and the other directors and shareholders are business men, and they would not have paid it had they not been satisfied. The Broadcasting Co., in addition to treating Harris and Co.'s 11 per cent. as a disbursement, paid them in the case of the three stations a further 10 per cent. for their profit.

The company would have had to employ some one to specify the plant and undertake its erection and to allow a remuneration of 10 per cent. on cost is not unreasonable, and such an arrangement is quite a usual one. It is well known that contractors when tendering for works first ascertain their costs (including overhead) and then add their profit. A profit of 10 per cent. on such a transaction quite usual. It is equally common for firms of builders or electrical firms to be employed on a basis