

margin of profit, especially as the industry is dealing with a wasting asset, which makes the problem of maintaining a supply of its raw material more expensive as time goes on. It is admitted by the Board of Trade that had the timber industry been able to charge f.o.b. prices for its output, the application of export values to local supplies—as in the officially accepted case of butter and cheese—would have made things much worse for the New Zealand consumer. Royalties, cutting and handling charges, supervision, and overhead charges are brought into the Board of Trade calculations. Variations in freights and royalties affect the net result with different mills, but taking all the facts into consideration, the Board (which sets out the facts in careful detail) comes to this conclusion:—“As already intimated, as the result of the investigations made, the Board is satisfied that when all the circumstances are taken into consideration only a reasonable profit has been made generally; but those mills that are working on rights acquired on advantageous terms years ago are earning fairly lucrative profits as compared with the mills working under current royalty conditions.”

PRICES NEAR THE LIMIT.

Details of working costs of two North Island mills are given in the Board's report, supporting their conclusion that although prices have increased, profits have not gone up. Then the report analyses carefully the costs and average prices realised by a typical South Island mill, the efficiency of which, it states, is probably above the average. Thus the figures relating to this mill may be taken as one of the fairest, judged from the consumers' point of view. They are as follow:—

Production Costs per 100ft. Cut at Mill.

	Year 1919.	Year 1920.	Year 1921.
Logging ...	33.58	43.97	63.90
Milling ...	36.17	34.11	50.72
Yarding ...	3.86	4.02	5.09
Loading ...	0.95	1.21	1.38
Royalty ...	6.01	6.00	6.10
Depreciation ...	5.77	5.64	6.18
Overhead ...	13.00	19.00	19.00
Income tax ...	9.00	15.00	13.00

Total cost	106.34 (8/10)	128.95 (10/9)	165.37 (13/9)
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Average Prices Realised on Trucks at Mill.

	Year 1919. s. d.	Year 1920. s. d.	Year 1921. s. d.
First-class ...	15 11	15 6	18 2
Second-class ...	11 0	11 4	13 11
Third-class ...	—	—	12 8
All-over average ...	12 9	15 0	16 3

This table is significant in the way in which it shows how the stringent financial conditions have prejudiced timber milling. At one stage, the mill could sell its output straight off the saw; now the lessened demand has necessitated extra handling to stack, and the expense of financing marketable stock for a period. A third grade of timber has come into the count, showing an improved utilisation of the product. But the all-over average price shows a margin of only 3s. 6d. over cost of production—not a heavy margin in such an industry. The first-class timber realised 18s. 9d. per 100ft. on the trucks at the mill. Railage from Ohakune to Wellington, over 200 miles, is 4s. 8d. per 100, but the West Coast miller has to pay 7s. 6d. per 100 for sea freight. Taxation has also been a heavy burden. Every factor in the business has made for increased expense, until the industry has reached the point of not being able to carry anything more. What is the remedy? The Board of Trade states it in plain terms:—“As a counter-acting influence to the persistent effect of the law of diminishing returns, thereby attempting to prevent prices from going still higher, and with a view to the conserving of our timber supply by the elimination of waste, the Board of Trade is going into the question of improving and standardising the system of costing with the object of improving the efficiency of the mill organisation generally, and it is also urging upon millers the adoption of a uniform system of measurement with the idea of establishing standards that will tend towards a reduction of the loss in cutting. The price of timber is approaching what may be termed the marginal utility point; hence it is imperative, in the interests of the millers, of the industry generally, and of consumers, that no effort should be spared to increase the efficiency in production and thereby bring about a lowering of the cost.”

RAILWAY COMMON-SENSE.

An announcement of changed policy in regard to the construction of new railways will be received with satisfaction by the general public. The Minister of Public Works (Hon. J. G. Coates), who has brought the revivifying vigour of youth to the portfolio, is not going to authorise further lines simply on the dictum of members of Parliament and other people who can put pressure on the Government. His plan is to have suitable routes surveyed, but before deciding to placate the local demands for a share of the public works pie, he will refer the whole proposal to the Railway Department, to decide whether the conditions of traffic running have been met in the detailed survey, and what will be the running cost. Then the proposal goes to the Department of Agriculture for a report on the productivity of the area to be served, and its capacity for providing payable traffic if the line is built. That is what any business man would do, and it is consoling that these hard times have produced a change to business methods in Government circles.