

to be noted. One is the dispersal of the Armed Forces at the end of the war; another is the return to civilian life of something like 10 per cent. of the population; while the third is the stimulus to increased consumption per head of the population. If all these factors are taken into consideration any long-term policy must anticipate and provide for a considerable increase in the daily demand disturbed, perhaps somewhat violently, during the period of repatriation.

ORGANIZATION

Features of Present Organization

The organization of the Milk supply to Wellington is unique in several important features.

Municipal Milk Department and Wellington Dairy Farmers' Association.—The first feature is the co-existence of and co-operation between a Municipal Milk Department and a strong organization of suppliers. Among treating and vending houses in New Zealand the Milk Department of the Wellington City Council is conspicuous in respect of volume of business, the standard of production, and completeness of organization. Among organizations of suppliers the Wellington Dairy Farmers' Co-operative Association, Ltd., is conspicuous in its comprehensiveness of scope, its persistent and successful endeavour to maintain a high standard, and its capacity to conduct successfully the affairs of a large group of suppliers. In co-operation the Milk Department and the Farmers' Association have controlled the major part of the liquid-milk industry of the metropolitan area of Wellington for nearly a quarter of a century. Their ability to meet and negotiate has ensured the smooth and efficient working of the industry during that period. By processes of negotiation and arbitration a higher price per gallon has been secured for the producer than has been secured in any other area and a higher-quality milk has been delivered. The growth of the population and the increasing pressure on the sources of supply is developing a new situation, but it is reasonable to hope that, with certain necessary modifications in organization and relationship, the co-operation hitherto displayed will continue to exercise a guiding and controlling influence over the developing industry to the advantage of all concerned.

Contracts for the supply of milk have been made from time to time between the Wellington City Council and the Wellington Dairy Farmers' Association, Ltd. Features of these contracts that have endured for some time are—

- (1) Subject to certain qualifications, the association has a right to supply 50,000 lb. of milk per day from the 30-mile area:
- (2) If during the summer and autumn periods the association cannot supply the specified quantity from the 30-mile area, the Council has the right to obtain the shortage from its Rahui Factory, but if it cannot do this the association has the right to supply it from outside the 30-mile area:
- (3) If during the winter period the Council requires more than 50,000 lb. of milk per day, it is to give the association the opportunity to supply from the area extending beyond the 30-mile limit up to Levin one-half of its requirements up to 1,700 gallons per day, and two-thirds of its requirement in excess of an additional 3,400 gallons per day.

The specified 50,000 lb. of milk per day has been included in successive contracts for a number of years, though it is understood that an increase to 60,000 lb. in the next contract is contemplated. The continuance of this fixed amount during a period of continuous growth in the population has meant that the contractual rights of the association has affected a decreasing proportion of the city's total consumption. This has not in practice greatly affected the Dairy Farmers' Association, since the orders have exceeded the prescribed amount and the increasing consumption in the Hutt Valley has absorbed a considerable portion of the production of the members of the association. Disputed matters, such as price, are settled by arbitration.

Relation of Vendors in Hutt Valley to Wellington Dairy Farmers' Association.—The second feature of the organization of the supply to the metropolitan area is the relation of the Dairy Farmers' Association to the vendors in the Hutt Valley and the cordial co-operation of these two bodies. This has had a double effect. It has given the Hutt Valley Vendors and their consumers a supply assured by a powerful producers' association, and it has given to the members of the association an assured and growing market for which they were able to organize their resources.

Limit of Contracts. The policy of the Milk Department of the Wellington City Council appears to be to contract for quantities considerably less than its anticipated requirements and to arrange for additional supplies in the period of the year in which they are called for. It is not suggested that it does not estimate its requirements or that such estimates have been faulty. Nor is it suggested that it overlooks the question of the extent of the resources on which it can rely. The feature is that provision by forward contract is made for part only of its needs and that for the remaining part reliance is placed on its ability to call upon other resources as the need arises. Complaints were made by farmers that the Council would not enter into contracts for a term sufficiently long to justify them in organizing their farm economy for the supply of liquid milk to the area. It certainly appears that many farmers who could undertake city supply have been unwilling to do so because of the uncertainty attaching to the continuance of the demand. It is understood that the Department on one occasion suffered by over-commitment and that it has been careful to avoid a repetition of that experience. It has been urged that a body such as a City Council cannot commit itself with the freedom of a proprietary concern. If this means that a municipality cannot fairly estimate its requirements in respect of so vital a commodity as liquid milk and make contractual agreements for ensuring adequate supplies for the community, then it would be at a serious disadvantage in competition with private enterprise. But the Commission is not satisfied that any such limitation necessarily attaches to a public service of this nature.

When the Milk Department of the City Council commenced its operations in 1919 the liquid-milk supply to Wellington had sunk to a very low level. The Department rapidly improved the position and after taking over retail delivery in 1922 it raised the service to a standard unexcelled in New Zealand and that challenges comparison by any other system in any part of the world. But it is impossible to contemplate with equanimity the introduction of large supplies from outside sources. And it was profoundly disturbing to hear resort to such supplies approved as a permanent feature of the supply policy of the Council. There does not seem to be any valid reason why the Council should not fairly estimate the whole of its requirements with a reasonable degree of accuracy. The present daily demand is known to be approximately 12,700 gallons. Yet the Milk Department has made forward contracts