

1947
NEW ZEALAND

DEPARTMENT OF INDUSTRIES AND COMMERCE

(THIRTIETH ANNUAL REPORT OF THE)

Presented to both Houses of the General Assembly by Command of His Excellency

Wellington, 23rd July, 1947.

YOUR EXCELLENCY,—

I have the honour to submit for your Excellency's information the report of the Department of Industries and Commerce for the past year.

I have, &c.,

A. H. NORDMEYER,

Minister of Industries and Commerce.

His Excellency the Governor-General of the Dominion of New Zealand.

Wellington, 12th June, 1947.

SIR,—

I have the honour to submit the annual report of the Department of Industries and Commerce. This report deals with the work of the Department since the previous report was placed before Parliament, and covers the period ended 31st March, 1947.

I have, &c.,

G. W. CLINKARD, Secretary.

The Hon. A. H. Nordmeyer, Minister of Industries and Commerce.

OBITUARY

The death on 8th April, 1947, of the Hon. D. G. Sullivan, who had administered the portfolio of Industries and Commerce since November, 1935, is recorded with regret. The personal relations between the late Minister and the officers of the Department were always of the most friendly and helpful nature, and his passing will be keenly felt by all who were associated with him during his long term of office.

CONTENTS

PART I.—INTRODUCTORY

	Page.	Para.
Section 1.—Organization	3	1-5
Section 2.—Staff	4	6-9

PART II.—INDUSTRIES DIVISION

Section 1.—Introductory	5	10- 13
Section 2.—Building and Metal Products Division	5	14- 22
Section 3.—Chemicals, Oil, and Rubber Division	7	23- 38
Section 4.—Engineering and Transport Division	9	39- 48
Section 5.—Textile and Leather Division	11	49- 68
Section 6.—Bureau of Industry	14	69- 88
Section 7.—Import Licensing System in relation to Industry	17	89- 91
Section 8.—Industrial Raw Materials and the Supply Position generally	17	92-104
Section 9.—Shipping in relation to Industry	19	105-109
Section 10.—Industrial Labour	19	110-113
Section 11.—Industrial Building and Power	20	114-116
Section 12.—Decentralization of Industry and Development of Industrial Estates	20	117-123
Section 13.—New Industrial Projects	21	124-128
Section 14.—Factory Control	22	129-131

PART III.—COMMERCE DIVISION

Section 1.—Introductory	23	132-134
Section 2.—Commercial Policy	23	135-138
Section 3.—Trade Commissioner Service	23	139-140
Section 4.—Commercial Intelligence	24	141-145
Section 5.—Reparations—		
(a) Germany	25	146-148
(b) Japan	25	149-150
Section 6.—Miscellaneous—		
(a) Control of Exports	25	151-152
(b) UNRRA	26	153-154
(c) Government Procurement	26	155
(d) Enemy Trading Emergency Regulations 1939	26	156-157
(e) Public Relations	26	158

PART IV.—OTHER DEPARTMENTAL ACTIVITIES

Section 1.—Accounts Section, including Ministry of Supply, Stock Disposals, and Departmental Accounting	27	159-172
Section 2.—Library and Information Service	28	173-177
Section 3.—Motion-picture Industry	29	178-180

PART V.—ORGANIZATIONS ASSOCIATED WITH THE DEPARTMENT

Section 1.—Price Tribunal	30	181-190
Section 2.—Food and Rationing Control	31	191-214
Section 3.—Wheat, Flour, and Bread Industries	35	215-234
Section 4.—Tobacco Board	38	235-248
Section 5.—New Zealand Linen Flax Corporation	40	249-250

(Statistics of specific Industries quoted in Part II, Sections 2, 3, 4, and 5, are the latest available from the Census and Statistics Department.)

PART I.—INTRODUCTORY

SECTION 1.—ORGANIZATION

1. The close of the period under review marks the completion of a full year's operation of the Department of Industries and Commerce as reconstituted by Government decision in November, 1945. The period has, necessarily, been one of adjustment, the character of the work performed by the Department being influenced, to an extent, by the changing conditions resulting from the gradual reconversion of industry and commerce from wartime to peacetime conditions, and by the general unbalanced state of world economy. Emergency legislation administered by the Department is constantly being reviewed, with the object of revoking the regulations, wherever practicable, at the earliest possible moment. The volume of departmental business transacted has continued at a high level, fully taxing the capacity of a staff, which is gradually being reduced in numbers in relation to the preceding war years.

2. The organization of the Department has been on a divisional basis, the Industries Division being primarily concerned with the problems of New Zealand's manufacturing industries, and the Commerce Division with the Department's responsibility in external aspects of trade and commerce. The Industries Division is further subdivided into four main groups which, except for minor changes in classification, have remained unaltered during the year, viz. :—

Building and Metal Products Division, including building materials, paper, fibres, containers, metal toys, and glass.

Chemicals, Oil, and Rubber Division, including chemicals, oils, rubber, tobacco, and foods.

Engineering and Transport Division, including machinery, transport equipment, electrical, and radio goods.

Textiles and Leather Division, including textiles—woollen, cotton and rayon—footwear, and leathercraft.

3. The Bureau of Industry, which was constituted under the Industrial Efficiency Act, 1936, and is concerned with industries licensed under that Act, together with the Industries Committee, which is set up within the Department to discharge the responsibilities connected with the import licensing system, both perform functions which are, in a sense, complementary to the work of the Industries Division.

4. Specialized sections operating inside the Head Office organization include the Accounts Section, Stores Control Section, Library and Information Service, Shipping Section, Staff and Records Sections. Branch offices are maintained in New Zealand at Auckland, Christchurch, and Dunedin, and overseas offices at London, Washington, New York, Montreal, Bombay, Tokio, Sydney, and Melbourne. In addition, Honorary New Zealand Government Representatives are located at San Francisco, Honolulu, Vancouver, Durban, Johannesburg, Bombay, Hong Kong, Suva, and Tientsin.

5. Associated with the Department, but operating either under specific legislative authority or by virtue of War Emergency Regulations, are —

The Price Tribunal.

The Food and Rationing Controller.

The Wheat and Flour Controller.

The Tobacco Board.

The New Zealand Linen Flax Corporation.

The Factory Controller.

The New Zealand Standards Institute.

The Shipping Controller.

SECTION 2.—STAFF

6. During the year Mr. F. R. Picot terminated his services with the Government as Commissioner of Supply, and re-entered commercial life. Mr. Walter Bromley, Assistant Commissioner of Supply, who retired from the Public Service on 31st January, 1946, continued to act in an advisory capacity to the Industries Committee of the Department until 31st March, 1947. Mr. P. B. Marshall succeeded as Commissioner of Supply, and Mr. G. W. Clinkard returned from overseas to take up the position of Secretary of the Department.

7. The following tables show the distribution of the staff within the control of the Department as at 31st March, 1947 :—

Table I

—	Overseas.*	Head Office, Wellington.	Auckland.	Christchurch.	Dunedin.	Total.
Department of Industries and Commerce	14	219	18	8	4	263
Price Tribunal	..	117	41	16	12	186
Standards Institute	..	59	..	..	..	59
Food and Rationing Control	..	49	14	8	5	76
	14	444	73	32	21	584

* Excluding locally-engaged staff and officers seconded from other Departments.

Table II.—Distribution of Staff of Head Office, Wellington

Executive and Administrative	12
Industries Divisions—	
Building and Metal Products	10
Chemicals, Oil, and Rubber	18
Engineering and Transport	16
Textiles and Leather	14
Commerce Division	26
Accounts Section	25
Stores Control Section	17
Records Section	16
Library and Information Service	9
Typists	20
Staff Section, Shipping Section, Import Licensing Section, Bureau of Industry, and others	27
Officers seconded to other Departments	9
Total	219

8. Under the guidance of the Department's personnel officer, staff training lectures were conducted during the year, primarily in the interests of returned servicemen.

9. I would like to record my appreciation of the willing and able support given by the staff as a whole during a year which has brought new and additional problems to the Department.

PART II.—INDUSTRIES DIVISION

SECTION 1.—INTRODUCTORY

10. Throughout the year under review the Department has continued to extend the maximum assistance to industrial and commercial interests in all questions having relation to the maintenance and development of New Zealand's manufacturing industries. Through direct liaison with the Customs Department in the administration of the import licensing system it has been possible, with due regard to the consumer interests, to exercise reasonable safeguards to ensure that efficient local production is not unduly prejudiced by the unrestricted admittance of imports.

11. Basic objectives of Government policy in the industrial sphere are long range in character, and demand that encouragement be given to a gradual and progressive development of efficient manufacturing industry within New Zealand as a means of increasing and widening avenues of future employment, conserving the Dominion's resources of overseas funds, and generally imparting a greater measure of stability to the country's economic structure through an increasing diversification of industrial effort. It is the Government's view that New Zealand can make its best contribution to world prosperity, and therefore to world stability, by ensuring full employment at home in accordance with rational economic principles. These principles require that industrial expansion should be such as to give preference to the development of those industries which utilize in their manufacturing processes raw materials indigenous to this country, those which for strategic or other reasons must be carried on here, and those in which we can expect to obtain the greatest measure of efficiency and which offer scope for useful and productive employment.

12. Obviously, however, any long-range policy of industrial development requires to be co-ordinated with other movements in our economy. The shortages of labour, building materials, and power apparent to-day, although perhaps of a short-term nature, must be, and are, taken into account in shaping the course of our manufacturing industry. It is believed that the gradual return to more stable world conditions, with consequent adjustments within New Zealand, coupled with the Government's announced policy of immigration, will gradually bring about a correction of the present difficult position.

13. The following table, prepared from information published by the Census and Statistics Department, indicates the progressive development of secondary industry in New Zealand over the past three decades :—

Year.				Number of Establishments.	Number of Employees.	Value of Wages paid.	Value of Output.
						£	£
1910-11	..	..	..	3,483	45,924*	4,786,698*	29,317,023
1920-21	..	..	..	4,022	69,681	13,172,996	77,828,013
1930-31	..	..	..	5,194	77,914	15,617,052	77,745,249
1940-41	..	..	..	6,395	113,999	26,946,799	147,153,559

* Productive employees only.

SECTION 2.—BUILDING AND METAL PRODUCTS DIVISION

14. Included in the group of industries within the scope of this Division are some of New Zealand's basic secondary industries—for example, cement, brick, tile and pottery, glass, soft board and hard board, rope and twine. Also of importance is the domestic production of fibrous plaster, asbestos roofing, plywood, bituminous roofing fabrics, kraft, paper products, baths, and other building hardware.

15. The group of industries is an important one not only because of the essential end-use of its production, but also because of the relatively high incidence of male labour involved, and the fact that indigenous raw materials enter largely into the production.

The group, as a whole, offers scope for potential development—perhaps the most striking example being that of pulp and paper production, for which there exists substantial raw material resources in the form of extensive areas of exotic forests.

16. The following are notes covering selected industries within this group :—

(a) WALLBOARD AND BUILDING SHEET OF PLASTER

(Year 1943–44)

Number of units engaged	..	..	..	35
Number of persons engaged	..	..	..	503
Annual value of salaries, wages, and drawings	..	..	£165,477	
Annual value of production	..	..	£702,608	

17. Softboard production has been well maintained and sufficient material for approximately 10,000 houses has been produced in the year. Production of hardboard has been hampered by machinery breakdowns, and local supplies have been augmented by large orders placed with Sweden. Production of building-board and fibrous-plaster sheet has improved in recent months with the arrival of supplies of gypsum and plaster-of-paris from Australia and the United States of America.

(b) BRICK, TILE, AND POTTERY MAKING

(Year 1943–44)

Number of units engaged	..	..	..	53
Number of persons engaged	..	..	..	1,133
Annual value of salary, wages, and drawings	..	..	£326,558	
Annual value of production	..	..	£656,874	

18. The industry as a whole has shown some decline over the past five years, particularly in brick production, where labour difficulties and increased manufacturing and transport costs have tended to restrict the usage of building-bricks. The incidence of higher transport charges no doubt has a bearing upon the current tendency towards the erection of modern kilns in areas adjacent to potential markets. Some progress is being made in the technique of production of domestic table earthenware, and it is anticipated that an increased range and design of articles will be available in the future. The manufacture of roofing-tiles is dependent on regular supplies of cement and clays, and, despite many difficulties with these materials during the past year, output was sufficient for 4,760 houses. It is anticipated that the total annual output will be sufficient for 6,400 houses when new units in this group are fully in production.

(c) CEMENT

19. There are three units engaged in the industry. Shortage of shipping has led to difficulties in freighting coal to the works and also in distributing the finished product. Local production during the past year has been insufficient to meet the country's requirements, and extensive importations were made from the United Kingdom, Australia, and the United States of America. The distribution of cement-supplies has continued to be carried out by the Building Controller and District Cement Allocation Committees.

(d) ROPE AND TWINE INDUSTRY

20. Three units are engaged in the industry. Production has been maintained throughout the year, but expansion has been limited by the difficulty in securing additional raw materials and labour. *Phormium tenax* fibre production was 1,500 tons below the 1945 figure, but the industry was able to produce, over and above its normal output, 200 tons of baling-twine, which proved an excellent substitute for baling-wire. Manila and sisal fibres have continued in short supply, but efforts are being made both to increase imports from present suppliers and to find new sources of supply. Locally-grown linen flax has been used to maintain production of seaming twine and ham cords.

(e) PAPER-BAG AND BOX-MAKING

(Year 1943-44)

Number of units engaged	..	..	..	29
Number of persons engaged	..	..	..	992
Annual value of salary, wages, and drawings	..	..	..	£216,797
Annual value of production	..	..	..	£1,210,639

21. Local paper-mills continued to supply the bulk of the local requirements of wrapping-paper, bag-reels for the manufacture of paper bags, and container board for the manufacture of cartons and containers. In particular, the output of bag-reels and container board showed an increase over the previous year, despite broken time due to power shortages, and this was reflected in a greater output from the paper-bag and box making factories. It is expected that a new corrugated board and box making plant will be in production in the South Island in the near future, but apart from this projected expansion no new units have entered the industry during the past year.

(f) PRINTING, PUBLISHING, AND BOOKBINDING

(Year 1943-44)

Number of units engaged	..	..	..	331
Number of persons engaged	..	..	..	6,095
Annual value of salaries, wages, and drawings	..	..	..	£1,789,000
Annual value of production	..	..	..	£5,409,000

22. This group of industries is one of the largest in New Zealand, employees representing 5·17 per cent. of the total employees of all manufacturing industries, and the value of output being 3·08 per cent. of the total of all New Zealand manufacturing production. Despite shortages of materials, the industry has continued to progress, and many plants have been modernized during the past year. Newsprint-supplies, all of which have been obtained from Canada, were higher in 1946 than in the previous year, but are still below the pre-war level, and control of the sizes of publications has continued to be exercised by the newspaper companies.

SECTION 3.—CHEMICALS, OIL, AND RUBBER DIVISION

23. The remarkable advances that have been achieved overseas in recent years in the field of industrial chemical research have particular significance in the case of a number of industries—*e.g.*, plastics, rubber, synthetic-paint manufacture—coming within the scope of this Division.

24. Among the older-established industries in the group are those engaged in the production of soap, fertilizers, cigarettes and tobacco, rubber vulcanizing, matches, paint and varnish, petroleum products, chocolate, biscuits, cocoa, malted milk beverages, and canned fruit. More recent development has occurred in the projected manufacture of car and truck tires, and extended manufacture of pharmaceutical products and cosmetics, fish-liver oils, agar (from seaweed), and linseed-oil. Interest has also been shown during the past twelve months in the possibilities of salt, algin, glucose, and insulin production.

25. An important function of the Division during the year has had relation to the procurement from overseas countries of raw materials, foodstuffs, and fertilizers which have been allocated on a world basis by the International Emergency Food Council.

26. More detailed comments on selected industries within the group are given hereunder :—

(a) COSMETICS AND TOILET PREPARATIONS

(Year 1943-44)

Number of units engaged	..	..	..	34
Number of persons engaged	..	..	..	367
Annual value of salary, wages, and drawings	..	..	..	£76,757
Annual value of production	..	..	..	£507,470

27. Good progress has continued to be made in this field, and the introduction of modern plastic containers in place of the wartime austerity packs has added to the appeal of many lines. This industry provides considerable demand for allied products in the engineering, printing, plastic, cardboard, and glass industries.

(b) APPLE-JUICE

28. Five additional units have been licensed in this industry, and it is expected that approximately 400,000 gallons per annum of concentrated non-fermented juice will be available when full production is reached. Some inquiries from overseas indicate the possibility of development of an export trade.

(c) SOAP AND CANDLEMAKING

(Year 1945-46)

Number of units engaged	..	..	..	24
Number of persons engaged	..	..	..	704
Annual value of salaries, wages, and drawings	..	..	..	£205,740
Annual value of production	..	..	..	£1,157,983

29. All manufacturers have been working below full capacity in the latter half of the past year, due mainly to shortages of alkalis, but output continues to be sufficient to meet domestic demand. Supplies have been made available to the Government of Burma and NAAFI, in fulfilment of war contracts, and to certain of the Pacific Islands.

(d) RUBBER GOODS AND VULCANIZING

(Year 1943-44)

Number of units engaged	..	..	..	59
Number of persons engaged	..	..	..	701
Annual value of salaries, wages, and drawings	..	..	..	£204,075
Annual value of production	..	..	..	£831,529

30. The output of all types of rubber products has shown a steady increase during the period under review. Plantation rubber has become freely available from Malaya, although liquid latex and crepe rubber has been in short supply. Synthetic rubbers are not being used to any large extent in New Zealand, the main raw material being Malayan smoked sheet rubber. Our manufacturers are keeping abreast of advances in rubber research overseas, and the competition from synthetic and plastic materials has stimulated new activity in the industry.

31. The three licensed manufacturers of rubber tires have been proceeding with the erection of their factories, but, due to supply difficulties, it is not anticipated that the units will be in production until 1948.

(e) WHALE-OIL

32. The past season saw a record catch of 110 whales, and approximately four-fifths of the oil produced was exported to Australia for processing. An interesting development last year was the canning of whale-meat in fulfilment of contracts for UNRRA, and the possibility of developing production of other by-products such as leather, glue, casings, jelly, hormones, and vitamins is also being studied.

(f) PAINT AND VARNISH MANUFACTURE

(Year 1943-44)

Number of units engaged	..	..	..	25
Number of persons engaged	..	..	..	445
Annual value of salaries, wages, and drawings	..	..	..	£141,556
Annual value of production	..	..	..	£1,385,026

33. The paint industry has operated under considerable difficulties during the past year, due mainly to shortages in the supply of raw materials. Local manufacturers have met approximately 60 per cent. of our requirements of paint, varnishes, and enamels, but the position has been less favourable in production of lacquers. Locally-produced linseed blended with overseas supplies has resulted in an average production of 40,000 gallons of oil per month, but supplies are, nevertheless, still acute. Supplementary supplies have been obtained in limited quantities from overseas, principally from Canada.

(g) CASEIN

34. With the addition of a further unit recently, there are now three factories producing lactic casein in New Zealand. Approximately 25 per cent. of the annual production is required locally, and although there is a world-wide shortage with a strong demand from overseas countries, almost all exports have been made to the United Kingdom.

(h) TOBACCO AND CIGARETTE MAKING

(Year 1945-46)

Number of units engaged	..	..	..	6
Number of persons engaged	..	..	..	1,067
Annual value of salaries, wages, and drawings	..	..	..	£300,252
Annual value of production	..	..	..	£2,853,744

35. Although output has been maintained at a level comparable with that of the war years, it has not been possible, due almost entirely to the shortage of female labour, to increase the output of the industry to cope with the increased demands for tobacco products.

36. When it was realized that there was little prospect of the local units overtaking the shortage, and it was apparent that this situation would continue for some time to come, the question of tobacco importations to supplement the local production was investigated, and arrangements were made with the Customs Department to issue import licences for the deficiency between local output and market requirements, which was estimated at approximately 35 per cent. of the local output.

37. While the substantial quantities of overseas brands that have been imported during the year have assisted in alleviating the shortage, it has been evident that the locally-manufactured tobacco products have been competitive in price and generally more popular with the consuming public.

38. It is anticipated that, with the decentralization plans of the two major tobacco-manufacturers, the local output should slowly but steadily improve during the forthcoming year.

SECTION 4.—ENGINEERING AND TRANSPORT DIVISION

39. The stimulus given to the development of the local engineering and transport industry as a result of World War II has led to a greater degree of diversification in the field of local manufacturing. In the engineering group alone there are now operating some 3,155 units, employing 38,171 males and 3,614 females, and, although substantially dependent upon overseas sources for raw material supplies, the industry, as a whole, is playing an increasingly important and useful role in our domestic economy. Many of the major units are now soundly established, and production technique is steadily being improved. On the basis of male employment the engineering industry is probably now the most important manufacturing group among New Zealand's secondary industries.

40. Comments are given hereunder on certain selected industries within the control of the Division :—

(a) RADIO APPARATUS: MAKING AND ASSEMBLING

(Year 1943-44)

Number of units engaged	..	..	..	23
Number of persons engaged	..	..	..	905
Annual value of salaries, wages, and drawings	..	..	..	£254,884
Annual value of production	..	..	..	£661,438

41. The radio industry produced 60,000 radio sets in the past year. Although certain components have been in short supply, it is believed that, as soon as the initial high demand has been met, the trade will be able to cope satisfactorily with future New Zealand requirements, and provide a wider range of models.

(b) ELECTRICAL ENGINEERING

(Year 1943-44)

Number of units engaged	..	..	..	99
Number of persons engaged	..	..	..	1,395
Annual value of salaries, wages, and drawings	..	..	..	£389,810
Annual value of production	..	..	..	£1,426,409

(i) *Electric-power Distribution Transformers*

42. This item is vitally essential for domestic and industrial power reticulation. Two companies are now manufacturing, and another is commencing towards the end of this year. Productive capacity is influenced to an extent by the availability of raw materials.

(ii) *Insulated Cables*

43. A range of insulated flexible 230 volt and other types of electric cables is manufactured in New Zealand. This industry has been developing, and a satisfactory grade of cable is being produced. It is anticipated that another manufacturing unit will be established in Christchurch as soon as conditions permit.

(iii) *Domestic Electric Ranges*

44. A total of over 20,000 domestic electric ranges was produced in 1946, showing a substantial increase over the output for the previous year. There is now no acute shortage of ranges, and five different brands are available to the public in reasonable quantities.

(iv) *Refrigerators, Domestic*

45. There are twelve manufacturing or assembling units engaged in the production of domestic-type refrigerators in New Zealand, while additional firms are considering entering this field. Output during 1946 was hampered by shortage of raw materials and by post-war dislocation, and production was limited to some 1,000 units. However, it is anticipated that this figure will be expanded in 1947 to an estimated 10,000 units.

(v) *Washing-machines*

46. The manufacture of commercial types of washing-machines ceased in New Zealand at the outbreak of war, and has not yet been resumed, but the production of domestic units is making steady progress. The ten operating manufacturers produced some 4,000 machines in 1946, and anticipate expanding to approximately 15,000 in the current year.

(c) ENGINEERING, IRON AND BRASS FOUNDRY, AND BOILERMAKING

(Year 1943-44)

Number of units engaged	..	..	..	327
Number of persons engaged	..	..	..	8,409
Annual value of salaries, wages, and drawings	..	..	..	£2,872,829
Annual value of production	..	..	..	£7,735,790

47. Considerable progress has been made, as a result of wartime experiences, in the application of welding techniques to the fabrication of a wide variety of metals. New rods and fluxes have been developed overseas which enable metals like aluminium and zinc alloys to be welded as readily as steel. This facilitates the repair and maintenance of plant and machinery in this country. Engineering industries generally have experienced difficulty in procuring sufficient metal supplies. Iron-foundries, in particular, have been hampered in their output through lack of pig iron, bright bar, and black bar steel. Non-ferrous metals, pig lead, antimony, copper, zinc, ingot tin, and tinplate are also difficult to procure.

(d) AGRICULTURE AND DAIRYING MACHINERY

(Year 1943-44)

Number of units engaged	..	..	..	66
Number of persons engaged	..	..	..	1,460
Annual value of salaries, wages, and drawings	..	..	..	£130,577
Annual value of production	..	..	..	£1,345,388

48. The country is steadily progressing to the stage at which the bulk of the machinery used in the primary industries of New Zealand will be manufactured locally. A small export business is also developing in certain lines, such as churns, curd-mills, and milk-pumps, which are being sold to India, Australia, and the Pacific Islands and elsewhere. Stainless steel is playing an increasingly important part in the manufacture of all kinds of dairy machinery. Cheese-vats, cream-vats, and pasteurizers are being made of this material, and in this sphere of manufacturing a high standard of workmanship is being maintained.

SECTION 5.—TEXTILE AND LEATHER DIVISION

49. Included in this divisional group are four of New Zealand's most important manufacturing industries—namely, woollen-milling, hosiery and knitted goods manufacture, clothing-manufacture, and boot and shoe making. A review of the latter is to be found in Part II, Section 6, of this report.

50. Throughout the year the Department has been closely associated with the operations of these industries, both in relation to raw material requirements and production, and the following summarizes the main importations of cloth and yarns during the past year :—

Type of Material.	Quantities imported.			
*Woollen piece-goods	..	..	..	3,722,000 sq. yd.
*Woollen yarns	..	..	..	1,385,000 lb.
Cotton piece-goods	..	..	..	44,459,000 sq. yd.
Cotton yarns	..	..	..	1,874,000 lb.
Rayon piece-goods	..	..	..	9,149,000 sq. yd.
Rayon yarns	..	..	..	356,000 lb.

* See paragraph 60 for details of local production.

51. The outstanding feature of the year was the reversion to the auction system, of raw-wool disposal after several years of controlled prices under the appraisal method. At the sales held considerable increases in prices occurred, which will presumably, in due course, affect the prices of yarns, piece-goods, and garments made from this important natural fibre.

52. The importation of woollen and worsted piece-goods and of woollen yarns has continued to be difficult, with a dearth of offers from the United Kingdom, which is our chief overseas supplier. Australia has continued the allocation of piece-goods and yarns to New Zealand as in previous years. An interesting innovation for 1947 has been the granting of separate allocations by Australia of worsted cloths (which includes all cloths with a worsted content) and woollen cloths. This has resulted in the necessity for granting separate import licences for each type of cloth imported into New Zealand from Australia.

53. An important event during the year was the withdrawal of the country by country cotton allocation by the United Kingdom Government as from 31st December, 1946. Under this system, which had been in operation for some five years, New Zealand received a quarterly quota of 1,750 tons, which was progressively reduced—firstly, to 1,650 tons in the final quarter of 1945 and then to 1,150 tons, and subsequently increased to 1,250 tons in the final quarter of 1946.

54. Against this quota, all supplies of cotton were charged, regardless of the form in which the material was supplied. A portion of the quota was set aside for mixtures of cotton with rayon, and of cotton with linen, an allowance allocated for the requirements of Island Territories, for hospitals, and an amount set for normal trading. The balance of approximately 500–600 tons was retained for sponsored orders. Orders for piece-goods were sponsored by the New Zealand Ministry of Supply in accordance with the recommendations of an Advisory Panel comprising representatives of the New Zealand Manufacturers' Federation, the New Zealand Wholesale Soft-goods Federation, the New Zealand Retail Drapers' Federation, and the New Zealand Woollen-mill Owners' Association. In addition, sponsored orders included allocations of cotton knitting yarns and threads, amounting to approximately 130 tons per quarter.

55. Since the cessation of this quota system the United Kingdom has not, as yet, instituted the open-market scheme under which practically all countries will have equal opportunity of access to the United Kingdom as a source of supply of cotton-goods. This has been due mainly to a fall in production following the recent fuel crisis in Britain. It is apparent, however, that the cotton-mills have concentrated their production as far as possible on their back-log of outstanding orders, and when the new open-market scheme operates in July it is hoped that delivery dates will be shortened.

56. During the year there has been some expansion in the manufacture of carpet and underfelt, women's and children's frocks, ribbons, buttons and accessories, toys, leather bags, and leather accessories. In addition, inquiries were received during the year from persons interested in commencing manufacture of such lines as hand-woven tweeds, hosiery, corsets, gloves, and women's frocks.

57. Disposals of Ministry of Supply textile stocks in wool and cotton, aggregating some 5,000,000 linear yards, together with substantial quantities of towels, towelling, kapoc, and yarns, have been made by the Division during the past twelve months. This aspect is referred to further in Part IV, Section 1, of this report.

58. Further details in respect of three major industries are given hereunder :—

(a) WOOLLEN-MILLS

(Year 1944–45)

Number of units engaged	..	..	..	16
Number of persons engaged	..	..	..	3,824
Annual value of salaries, wages, and drawings	..	..	£1,009,677	
Annual value of production	..	..	£2,835,628	

59. Production in all branches of the industry has shown some decrease for the twelve months ended 31st December, 1946, as compared with the corresponding period last year. This has been due almost entirely to a shortage of operatives, particularly in the spinning and weaving sections of mills.

60. The following is a comparative statement of the domestic output of woollen yarns and piece-goods for the years 1945 and 1946 :—

—	1945.	1946.	Decrease.	Percentage Decrease.
Yarns (lb.)	1,835,672	1,663,674	171,998	9·4
Woollen and worsted piece-goods (sq. yd.) ..	3,984,654	3,381,945	502,709	12·6
Flannel (sq. yd.)	794,428	529,860	264,568	33·3
Blankets (pr.)	152,988	128,942	24,046	15·6

61. It is interesting to note that during the past year there has been a tendency towards the establishment of a number of minor hand-weaving units for the manufacture of specialized fabrics.

62. Brief reference was made in last year's annual report to the visit of Professor A. F. Barker, and to the comprehensive report which he subsequently made to the Government on the New Zealand woollen-milling industry. An appendix to his report, dealing with the educational aspects of the industry, has since been received and is being studied. In the course of his investigations Professor Barker visited every woollen-mill, with the exception of two, the agricultural colleges, the Universities, and the wool-scourers, and met other interested parties.

63. The main aspects about which the Department was concerned were: (a) Was the present vertical set-up of the New Zealand mills an economic one? (b) Was the machinery and processing technique up to date? (c) What wools were the most suitable to be developed? (d) What additional industries could be considered which would use wools already grown in New Zealand? His report answered many of the questions raised and will enable decisions to be made on points which have been long outstanding.

(b) HOSIERY AND KNITTING MILLS

(Year 1943-44)

Number of units engaged	..	..	..	45
Number of persons engaged	..	..	..	2,182
Annual value of salaries, wages, and drawings	..	..	..	£474,296
Annual value of production	..	..	..	£2,059,102

64. Production of this group covers wool, cotton, and rayon fabrics, together with a wide range of garments, including bathing-costumes, underwear, sox and stockings, and knitted outerwear for juveniles and adults.

65. It is estimated that approximately 9,310,000 articles of hosiery and knitted wear were produced by the industry during the period under review, made up as follows:—

Hosiery and Knitted Apparel for—					Number of Articles.
Infants	..	..	..	..	402,000
Boys	..	..	..	..	677,000
Men	..	..	..	..	4,057,000
Girls	..	..	..	..	342,000
Women	..	..	..	..	3,832,000
Total	..	..	..	..	9,310,000

The gross value of the products for 1946-47 is estimated at approximately £2,500,000.

(c) CLOTHING

(Year 1943-44)

Number of units engaged	..	..	..	421
Number of persons engaged	..	..	..	13,279
Annual value of salaries, wages, and drawings	..	..	..	£2,460,981
Annual value of production	..	..	..	£7,478,680

66. Due in some respects to the relatively small capital outlay required, there has been a growing tendency for numbers of small units to engage in the industry, and this has been accentuated by the desire of many discharged servicemen and servicewomen to set up in their own business.

67. A recent movement in the industry which has caused some concern has been an apparent trend towards a concentration of production by some units on the less-essential clothing lines, and under prevailing conditions this has had the undesirable effect of attracting workers from other and more important branches of the industry.

68. It is estimated that the production of garments in 1946 exceeded 11,000,000, made up as follows :—

Clothing for Wear by—					Number of Garments.
Infants	..	..	..	..	712,000
Boys	..	..	..	..	1,178,000
Men	..	..	..	..	3,427,000
Girls	..	..	..	..	989,000
Women	..	..	..	..	4,970,000
Total garments of all kinds					11,266,000

The value of this production is estimated to be in the vicinity of £8,000,000.

SECTION 6.—BUREAU OF INDUSTRY

69. The following passages have been selected as the main features of a report for the year ended 31st March, 1947, which has been circulated to members of the Bureau :—

(a) GENERAL REVIEW

70. The Bureau of Industry, which was established under the Industrial Efficiency Act, 1936, has continued to deal with those industries brought within the licensing provisions of the Act. The post-war expansion which was noted in last year's report has continued, and the Bureau has had many applications for permission to extend premises and install additional plant and machinery. A new feature which has been brought about by the shortage of man-power and housing in the cities has been the opening of branch factories in the smaller towns, and the Bureau has given its approval to this where the circumstances have warranted this course.

71. A large number of applications have been received from discharged service personnel for new licences and for the transfer of existing licences, and these have all received the sympathetic consideration of the Bureau. In collaboration with the Rehabilitation Department, the Bureau has been instrumental in securing the transfer of existing licences to ex-servicemen where the licensees have been desirous of giving up their businesses.

72. The paua-shell industry, which was licensed towards the end of 1946, lends itself admirably as a means of rehabilitating disabled servicemen. The Disabled Servicemen's Re-establishment League is training disabled servicemen in this work and setting some of them up in business on their own, and licences have been granted to the trainees. In addition, licences are being granted to applicants who were engaged in the industry prior to licensing.

(b) PERSONNEL

73. Mr. G. W. Clinkard, Secretary of the Department, has been appointed a member of the Bureau, and Mr. A. Linton was appointed as one of the members to represent agricultural and pastoral industries in place of Mr. H. Morrison, who had resigned.

(c) LICENSING

74. There were 31 industries licensed as at 31st March, 1947. During the year it was decided that the time was opportune to delicense two industries—viz., manufacture of cement, and manufacture of gut. The Hon. the Minister delicensed the manufacture of cement by a notice gazetted on 11th April, 1946, and the manufacture of gut by a notice gazetted on 25th July, 1947. The paua-shell industry was declared a licensed industry by a notice under section 14 of the Act, gazetted on 14th November, 1946. Applications from three industries embracing the manufacture of non-ferrous products, televisions, and algin were declined.

(d) INDUSTRIAL PLAN COMMITTEES

75. There are five Industrial Plan Committees established under Part II of the Act to assist with the administration of industries. The position of the four main industries involved is briefly summarized below :—

(i) *Radio Manufacturing Industry*

76. During the year further consideration was given to the survey of this industry, which had been carried out the previous year and which showed that a considerable expansion of this industry had taken place during the war years, and that most of the factories were also engaged in making a wide range of products not subject to licensing, such as intercommunication equipment, electrical apparatus, carpet-sweepers, tricycles, electric fires, and ballasts for fluorescent lighting. In addition, some of the licensees also service radio sets and engage in the retail sale.

77. After fully considering the survey the Bureau recommended to the Minister that as the industry was well established there seemed little purpose in maintaining the control under the Act. The Radio Plan Industrial Committee found no cause for disagreement with the Bureau's recommendation, but felt that the industry should be consulted first. At this stage it seems that the licensees are equally divided on the question whether licensing should continue. During the year several licences were granted to discharged servicemen who had the necessary technical knowledge and experience.

(ii) *Flax-milling (Phormium tenax) Industry*

78. The world shortage of hard fibres and the critical position of jute-supplies from India has rendered it more than ever necessary to effect a much-needed stimulus to the growing and milling of phormium in the Dominion. This industry has been declining steadily over the past ten to fifteen years. In 1930 there were 57 mills operating, and at present there are 19 only.

79. Production figures of fibre and tow for the past five years are :—

1941-42	3,371 tons.
1942-43	3,961 tons.
1943-44	6,637 tons.
1944-45	4,969 tons.
1945-46	3,496 tons.

These figures are for the period 1st July to 30th June, and may vary from previous figures given due to change in period of calculation. Indications are that this year's production will not reach that of 1945-46.

80. To meet the needs for manufacture of woolpacks, rope, binder twine, lashings, and fibrous plasterers and upholsterers, approximately 4,300 tons of fibre and tow are required annually in addition to the normal requirements of sisal and manila. As manila is almost unprocureable at present and sisal importations are on a quota equal only to about five-eighths of our requirements, it can be seen that a very critical supply position has been reached.

81. To meet this position Cabinet has now approved measures for the rehabilitation of the industry, and these measures are in the process of being carried out. They include—

- (1) That the Government guarantee the purchase of the total annual production of phormium fibre at prices fixed from time to time :
- (2) That finance be made available to approved millers in amounts and on terms and conditions as approved by the Minister of Finance on the recommendation of the Minister of Industries and Commerce :
- (3) That improved conditions of wages and accommodation for workers be given consideration, together with the training of young men to fill key positions at the mills.

82. In order to make No. (1) effective it was necessary to fix a guaranteed price, and this has now been accomplished. Millers throughout New Zealand have expressed satisfaction with the measures so far adopted, and particularly in regard to the guaranteed price. It seems reasonably certain that it has already given a needed stimulus to production, and it has definitely kept certain millers in production who otherwise intended to cease operations.

83. Provided No. (2) can be implemented successfully, it can be confidently asserted that the past drift will be checked and production progressively improved. The aim is an annual production of up to 10,000 tons of fibre and tow, as this quantity can be absorbed in manufacture within the Dominion as soon as the labour becomes available. Only approximately 25 per cent. of the machine-capacity of the woolpack-factory is now in operation, equalling 250,000 woolpacks per annum, whereas with labour and material the total Dominion requirements of approximately 1,000,000 woolpacks per annum, can be manufactured there. A considerable expansion in other fibre products merely awaits developments when labour and material are available.

(iii) *Pharmacy*

84. The Committee has met regularly throughout the year. Considerable attention has been given, in collaboration with the Department of Health, to devising a simpler and more equitable method of prescription pricing which will also tend to save time in pricing offices. The liaison which exists between the Committee and the Department is working very smoothly and is appreciated by the contracting chemists.

(iv) *Footwear Industry*

85. The Footwear Plan Industrial Committee has been active and industrious in carrying out its functions in relation to the administration of licensing during the past year. During this period production allocations have been revised and increased. The implementation of the specialization plan is steadily progressing, and its introduction has generally met with the approval of the industry.

86. In common with many other industries, the footwear industry has been hampered by shortages of labour, and modernization after heavy war production has been delayed owing to the slow delivery of new key machines and to the lack of building facilities. Decentralization has been achieved to an appreciable degree, and footwear-factories are now operating in such towns as Invercargill, Gore, Temuka, Ashburton, New Brighton, Leeston, Rangiora, Blenheim, Picton, Wanganui, Dannevirke, Ngaruawahia, Thames, Waihi, and Rotorua. There are at present approximately 4,500 workers engaged in the industry.

87. During the year the industry has maintained an active interest in the licensing issue as affecting the footwear industry, and an unofficial vote revealed that the majority favour delicensing. This has culminated in the Minister's decision to take an official vote on the question of continuation of licensing in the footwear industry on the basis of a revised plan which is now in the course of preparation. There are now 106 licensed units operating in the footwear-manufacturing industry. Value of products from the industry approximates £3,750,000 per annum.

(e) *APPEALS*

88. The Hon. Sir Francis Frazer continued to act as Industrial Efficiency Appeal Authority throughout the year, and a total of 55 appeals were heard. Of these, 19 were allowed, and on 36 occasions the decisions of the Bureau were upheld.

SECTION 7.—IMPORT LICENSING SYSTEM IN RELATION TO INDUSTRY

89. The need for the effective co-ordination of domestic factory production with import demands is recognized as an essential factor in a policy of import selection.

90. This has been achieved in practice, through the machinery of a special committee—the Industries Committee—set up within this Department, and having the responsibility of advising in relation to the import licensing system, in so far as industry in New Zealand is concerned, either directly or indirectly. The procedure involves reference by the Customs Department to this Department of import licence applications in respect of industrial plant and raw materials, and finished products of types produced in this country. Under this arrangement the whole of the departmental organization is thus available to the Industries Committee in the exercise of its functions, and this, coupled with the fact that a close liaison is maintained with other Government agencies concerned—such as the Registrar of Companies, the Labour and National Service Department, and the Building Controller—ensures that the information on which decisions of the Committee are based embraces all material facts. Decisions are conveyed in the form of a recommendation to the Comptroller of Customs.

91. The policy of the Committee involves consideration being given to special factors, such as the conservation of overseas funds, particularly in relation to hard currency areas, the relative availability of locally manufactured and imported products, the importance of the local product to the economy of New Zealand, and the relative interests of domestic industry and the consuming public. Due regard is also had to aspects such as the effect of decisions on the rehabilitation of ex-servicemen and, in cases where industrial development is involved, the effect in relation to capitalization, labour, power, and building requirements.

SECTION 8.—INDUSTRIAL RAW MATERIALS AND THE SUPPLY POSITION GENERALLY

92. This Department is intimately concerned, directly or indirectly, with the maintenance of adequate and regular supplies of raw materials and finished goods essential to New Zealand's domestic economy.

93. It is, perhaps, appropriate to record here that the unusual supply conditions created during the war were met by the gazetting of the Supply Control Emergency Regulations 1939, as amended in 1940 and 1943. These regulations, *inter alia*, established the machinery for bulk importation and distribution by the Government, and, whilst it is the Government's desire to revoke emergency legislation generally at the earliest possible moment, it will probably be necessary, in the meantime and until world supply conditions return to a more stable level, to continue these regulations in force.

94. There has been during the past year a further deterioration in the overseas supply position of many important materials and commodities essential to New Zealand's economy. On occasions the shortage of certain materials in New Zealand has reached a critical stage, hampering production and creating temporary pockets of unemployment.

95. Unceasing efforts have been made by the Department throughout the year to correct these deficiencies, and full advantage has been taken of the overseas organization, both as a means of keeping local industry in touch with alternative sources of supply, and also—when the occasion demanded—for the purpose of arranging direct Government procurement. Full support has been given to import licence applications in respect of essential items in short supply on production of satisfactory evidence of availability. Wherever possible, efforts have been made to satisfy requirements from sterling sources, but, where necessary, recourse has been had to hard currency areas.

96. It has been the practice generally, in the case of materials in world short supply, for such to be the subject of international allocation or quota controls in the supplying countries, and interests of New Zealand have been continuously watched by maintaining the closest liaison with the overseas authorities administering these controls.

97. In the latter part of 1946 Mr. F. R. Picot, on behalf of the New Zealand Government, visited the United Kingdom and made special representations regarding materials which were in critically short supply in New Zealand. A similar mission was undertaken to Australia in March of this year by the Commissioner of Supply, Mr. P. B. Marshall.

98. A summary is given hereunder of some of the more important materials, classified according to commodity divisions, which have been in short supply during the period under review :—

(a) BUILDING AND METAL PRODUCTS DIVISION

99. Jute, which has a highly important end-use in New Zealand in the production of woolpacks, &c., has been in extremely short supply, the allocation by India for 1946-47 being less than our minimum requirements. Gypsum, plaster, cement, veneers, hardboard, and hardwood timber, all of which have been urgently in demand in the building trade, have also been short. Shipping has been a contributing factor. Other items in short supply in this group have been paper, woodpulp, sisal, and manila hemp.

(b) CHEMICALS, OIL, AND RUBBER DIVISION

100. The main supply difficulty here has been centred in the alkali group, which has included caustic soda, sodium bicarbonate, sodium silicate, sodium metasilicate, and soda ash. The scarcity of alkalis has been increasing throughout the year. The chief source of supply is the United Kingdom, and production there has been limited by the shortage of coal. Demand has continued to be substantially in excess of available supply, and, although every effort has been made to secure increased allocations for New Zealand, these have been less than our minimum needs.

101. The paint and varnish industry has also been affected by acute shortage of a number of raw materials, including antimony oxide, titanium, lithopone, and white lead, all of which have been subject to production difficulties in the United Kingdom. Linseed-oil has been extremely short and has been subject to strict export control within the supplying countries and international allocation through the International Emergency Food Council. Paraffin-wax, from Assam, which has been allocated by the British Ministry of Fuel, has been insufficient for our requirements, and supplies were subject to direction by the Factory Controller during the year.

(c) ENGINEERING AND TRANSPORT DIVISION

102. Supplies of iron and steel generally have been shorter during the year than at any time during the war. This position has been influenced by production difficulties, both in the United Kingdom and in Australia, and, in the latter case, shipping has also been an important factor. The effect has been serious in so far as New Zealand foundries and other engineering works are concerned, output being seriously hampered through lack of sufficient raw material supplies. The shortage of structural and reinforcing-steel and roofing-iron has also been of major concern in the building industry. Other essential items which have been short have included wire of all kinds—particularly fencing-wire—galvanized and black sheet, tinplate, conduit, ingot tin, zinc, pig lead, and non-ferrous metals, such as copper tube, rod, sheet, and plate.

(d) TEXTILE AND LEATHER DIVISION

103. Shortages in this group have been general, but, in particular, these have been included—cotton, rayon and woollen yarns and piece-goods, all of which have suffered as a result of production difficulties in the United Kingdom and India, and the application of restricted quotas by practically all supplying countries. The effect has been severe in the case of the local woollen, knitting, and hosiery mills, and the clothing industry generally.

104. The footwear industry has suffered, in the main, from the restricted supplies of upper leathers and linings.

SECTION 9.—SHIPPING IN RELATION TO INDUSTRY

105. Throughout the year demand for shipping space for the transport of coastwise cargoes and cargoes from Australia has remained at a level substantially in excess of supply. This position has continued, notwithstanding the acquisition of additional tonnage, both by charter and otherwise, and heavy accumulations of goods awaiting shipment have been apparent, particularly in Australian ports.

106. Trans-Tasman cargoes principally affected by shipping difficulties have included hardwoods, pig iron, steel, gypsum, salt, wheat, sugar, tires, and a wide range of transshipment cargoes from South Africa and the East. In the coastal trade the effect has been most marked in the case of coal, cement, timber, and other building materials, and, as regards the internal distribution of transhipped factory, raw materials and finished goods.

107. Under the Shipping Supply Emergency Regulations 1942 a measure of control over New Zealand registered tonnage is vested in the Shipping Controller—Mr. J. H. Gilbert—and until the shipping position materially improves it is necessary, in order to ensure priority of space for essential cargoes, for these regulations to continue in force.

108. The closest co-operation is maintained by the Department with the Shipping Controller, and during the year it has been possible in this way, and through the Department's district and overseas offices, to facilitate the shipment of urgently needed raw materials, and other goods essential to New Zealand's economy. Assistance has also been given, through Government channels, in the chartering of further tonnage for New Zealand, and continuous efforts have been made by the Department to take advantage of any shipping opportunities to relieve the local situation. During the year the 1,418 ton motor vessel "Gaarden," acquired by the New Zealand Government under the German reparations, was sold to the Union Steamship Co. of New Zealand, Ltd. This ship, which has completed refitting in the United Kingdom, will be a valuable addition to the company's coastal fleet.

109. Appreciation is recorded of the able assistance given by the Shipping Controller throughout the year.

SECTION 10.—INDUSTRIAL LABOUR

110. Shortage of industrial labour remains a basic post-war problem in New Zealand, the current position being particularly difficult in regard to female employment, and, therefore, its effect most apparent in the textile and clothing industries. At the end of March, 1947, notified vacancies in industry approximated 27,000, the shortage in the clothing industry representing approximately 29 per cent. of its current labour requirements. Such a position adversely affects factory production, both as regards output and efficiency in the matter of operating-costs. A reflection of this has been apparent in the continued shortages on the local market of many essential consumer lines.

111. The present shortage of industrial labour is a problem which is not, however, peculiar to New Zealand. A recent United Kingdom white-paper survey indicated that shortages of labour for industry in Britain are at the moment even more acute than here. Major British industries, such as the tinsplate and sheet-steel industry, and the textile industry, are stated to be 67 per cent. and 56 per cent. respectively below their 1939 employment levels. Similarly in Australia a serious shortage of factory labour currently exists.

112. Factors contributing to the present position in New Zealand have undoubtedly included the relaxation and subsequent lifting of man-power controls following the cessation of hostilities, the stimulus given to increased commercial activity in a period of post-war reconversion to civilian production, with resultant high level of labour demand; wider application of the shorter working-week; the tendency towards a reduction in shift-work and overtime; and the effect of the declining birth-rate, in the early and mid-thirties, on the current supply of juvenile labour.

113. It is considered, however, that a gradual return to more stable economic conditions, which should follow when a better equation of supply and demand of capital and consumer goods is achieved, should be reflected in an easier position in the industrial labour market. The recently announced immigration policy for New Zealand should also materially contribute to an improved labour position.

SECTION 11.—INDUSTRIAL BUILDING AND POWER

114. The demand for all classes of building has remained at a high level throughout the year, and with building materials and labour in short supply this has necessitated the continued maintenance of building controls, in order that resources might be conserved for housing, and other essential needs.

115. To this end the Department has continued to act in an advisory capacity to the Building Controller for purposes of determining the relative essentiality and urgency of all industrial and commercial building. The following summarizes the position for the twelve months ended 31st March, 1947 :—

	Permits issued.		Permits deferred.	
	Number.	Value.	Number.	Value.
		£		£
Factory building	659	2,158,000	310	1,923,000
Commercial building	2,334	2,136,000	1,213	3,744,000

These figures in the main cover extensions, repairs, and adjustments to existing buildings.

116. Factory motive power during the year has been subject to certain restrictions. In the North Island, in particular, industry has been somewhat handicapped through the rationing of electrical current and gas. Shortage of coal for industrial use has also been apparent, this being, of course, inter-related with the coastal shipping position. The production of cement and gas have probably been the industries chiefly affected.

SECTION 12.—DECENTRALIZATION OF INDUSTRY AND DEVELOPMENT OF INDUSTRIAL ESTATES

117. The Department continues to support strongly the decentralization of industry within New Zealand from main centres to provincial and country towns. This action is, of course, in line with the development in the United Kingdom and Australia, where a similar movement is being increasingly fostered.

118. There are obvious long-term social and economic advantages that arise from the decentralization of factory production. The provision of employment opportunities in the secondary centres not only helps to preserve the home life, but tends to arrest the drift of population to the more congested city areas. It also provides opportunities for improving factory environment, eases the strain on public amenities, such as electric power, gas, water, transport, and housing, in the main centres, and also, in certain industries, has some strategic significance.

119. An increasing number of industries are now establishing branch factories outside the four main centres of population. Impetus has undoubtedly been given to this movement by the relatively easier labour position existing in the smaller towns.

120. Although a variety of manufacturing has been affected, the increasing decentralization trend has been most apparent in the case of the textile and clothing industries, where factory operations have tended to move into the areas where labour has been more freely available. Units in this sphere of manufacture are now established

in Blenheim, Greymouth, Invercargill, Timaru, Oamaru, Gore, Rangiora, Nelson, Paekakariki, Levin, Wanganui, Palmerston North, Pahiatua, Otaki, Napier, Gisborne, Masterton, New Plymouth, Hawera, Whangarei, Hamilton, Huntly, Tauranga, and Rotorua.

121. It will be apparent that a policy of decentralized operations is more suited to the lighter industries, and its scope, therefore, is limited in the case of heavy industry where the incidence of transport and distribution costs is high.

122. Related to this matter is the question of industrial and trading estates, the establishment of which, although now well developed overseas in countries such as the United Kingdom and the United States, has not yet been introduced into New Zealand. The problem has, however, during the year received increasing attention by the Government, and the principle of the State acquiring, developing, and subsequently leasing land for industrial purposes has now been approved. An inter-departmental committee—Industrial Areas Committee—representative of the Ministry of Works, Lands and Survey Department, Treasury, Labour and National Employment Department, and this Department is being formed with the object of considering the administrative aspects relating to the setting-up of trading estates along the lines of those overseas, and other allied matters.

123. A complementary development which has been under examination by the Government during the year relates to the question of making available for industrial purposes surplus Government war stores. The overriding control in this matter has been vested in the Ministry of Works, but the intention is that this Department, through the machinery of the Industrial Areas Committee, will be concerned in the allocation of any stores which might become available for factory purposes.

SECTION 13.—NEW INDUSTRIAL PROJECTS

124. There has again been evident during the current year a sustained interest both in regard to the expansion of existing New Zealand industries and also concerning the introduction of new units or new types of manufacturing into this country. Proposals relating to the further development of industry in New Zealand have emanated both from local and overseas sources. There is increasing evidence that, for strategic or other reasons, a number of major British industries are to-day giving serious thought to a policy of decentralization of manufacturing operations to Empire countries such as Australia and New Zealand.

125. The apparent tendency towards an increasing degree of industrialization in this country, following closely as it does a trend that is evident to-day in Australia, is not regarded as an unnatural development, particularly in a period following a major war. The movement is also, in general, not inconsistent with the pattern of New Zealand's industrial growth throughout the past thirty years.

126. Notwithstanding, it is invariably the practice of this Department, particularly having regard to present-day conditions, to examine critically all proposals coming before it which involve the further expansion and development of New Zealand's secondary industries. In particular, regard is had to the immediate and potential effect of the project in relation to the availability of labour, building materials, and power requirements. Inevitably, in the case of major industries, a time-lag of some years is involved before projects in the discussion stages are finally brought to fruition.

127. It may be mentioned at this juncture that cases which have been examined by the Department during the past twelve months have embraced a wide range of manufacturing, including the spinning and weaving of woollen and cotton yarns, the production of salt, algin, food beverages, cocoa-butter, fish-liver oil, and insulin, and the manufacture of wall and corrugated container board, carpets, wool tops, ropes and twines, agricultural and earthmoving equipment, soft and metal toys, domestic and electrical appliances, plastics, and the insulation and drawing of wire.

128. A noteworthy development during the year has been the formation of a subsidiary of the Anglo-Iranian Oil Co., Ltd., London, to engage in the business of importation and distribution of petroleum products in New Zealand. The British Petroleum Co. of New Zealand, Limited, was registered on 19th December, 1946, with a capital of £2,500,000, of which the New Zealand Government holds 51 per cent. of the shares. There are three Government representatives on the Board of Directors.

SECTION 14.—FACTORY CONTROL

129. The functions and authority of the Factory Controller, who is responsible directly to the Minister of Industries and Commerce are defined in the Factory Emergency Regulations 1939, which provides the authority for control to be exercised over factory production and materials either by direction of the Factory Controller or pursuant to the issue of control notices in respect of particular materials or commodities.

130. During the war period some 47 control notices were in operation, together with a number of ungazetted controls, but with the cessation of hostilities a policy has been followed of revoking these notices and eliminating the other controls at the earliest possible opportunity. The majority have now been cancelled, and at the close of the year under review only four gazetted controls remained in force—these affecting tin-plate, cordage and fibre, paint, and the marking of clothing. In addition, the number of controls which still operate without gazetting (which in effect is public notice of the control) have been reduced, only a few controls covering such items as tobacco and cigarettes, container board, and paraffin wax now being current.

131. The Factory Emergency Regulations do, however, give the Controller power to exercise his direction over any materials or commodities, and whilst, as stated above, it is the general policy to remove all controls as soon as practicable, it has been deemed advisable to retain the general authority for such time as shortages in essential commodities persist. The present Factory Controller is Mr. D. W. Woodward, Assistant Director of the Industries Division of the Department of Industries and Commerce.

PART III.—COMMERCE DIVISION

SECTION 1.—INTRODUCTORY

132. The Commerce Division has, throughout the past year, been fully engaged in the preparatory and developmental work associated with the furtherance of the basic objective for which it was established in 1945—namely, the promotion and expansion of New Zealand's overseas trade.

133. Through the effective linking-up of the Trade Commissioner service with the Commerce Division, an organization has been created which is now in a position to provide an efficient service to the commercial and business community in New Zealand on any matter in the sphere of overseas trade and commerce. This service can be of considerable value to both the manufacturing and importing interests.

134. In broad terms, this assistance consists in the arranging of contacts between New Zealand and overseas traders, surveying potential overseas markets, attending to trade inquiries, disseminating commercial intelligence, locating overseas sources of supplies for industry, facilitating the release and shipment of goods to New Zealand, and assisting exporters to meet problems connected with the entry of New Zealand goods into other countries.

SECTION 2.—COMMERCIAL POLICY

135. New Zealand is a member of the Preparatory Committee of the International Conference on Trade and Employment, and this Department, in conjunction with other Government Departments, has been directly concerned with the negotiations which arose out of the proposals published by the U.S.A. in December, 1945, for the establishment of an international trade organization. The first session of the Preparatory Committee which was convened by resolution of the Economic and Social Council of the United Nations was held in London in October–November, 1946. Prior to the commencement of this session British Commonwealth countries discussed the general implications of the proposals in relation to Imperial preference and the Ottawa Agreements. The later discussions of the Preparatory Committee, consisting of some seventeen nations, centred mainly on the proposed Charter as presented by the U.S.A. and on procedural matters connected with future discussions on tariffs. The Charter, as redrafted at London, was referred to a Drafting Committee (which included New Zealand) and which met in New York in January and February, 1947.

136. The second session of the Preparatory Committee, which commenced at Geneva in April, 1947, was preceded by British Commonwealth discussions at London in March. The Geneva session will be concerned with three main phases: (a) negotiation of multilateral tariff reductions among the countries who are members of the Preparatory Committee; (b) discussions on the Charter as redrafted by the Drafting Committee at New York in January–February; (c) provided the two preceding phases are successfully completed, the Preparatory Committee will decide on the date and place of the World Conference on Trade and Employment, to which it is proposed to invite all members of UNO.

137. The work of the Commerce Division has included the co-ordination and preparation data on trade and industry for the use of the delegation to the second session of the Preparatory Committee at Geneva, and three officers of the Department were members of this delegation.

138. The outcome of the proposals for the establishment of an international trade organization will be of considerable importance to New Zealand. All agreements entered into at Geneva will, of course, be subject to ratification by the New Zealand Parliament.

SECTION 3.—TRADE COMMISSIONER SERVICE

139. The reorganization and strengthening of the Trade Commissioner Service has proceeded during the year. The New Zealand Supply Missions in U.S.A. and Canada have given place to Trade Commissioner offices, and these, as with our other overseas

establishments, have reverted substantially to their peacetime work of trade development. The present overseas representatives of the Department are as follows:—

New Zealand Trade Commissioner in U.S.A.	..	..	..	Washington.
New Zealand Trade Commissioner in Canada	..	..	..	Montreal.
New Zealand Senior Trade Commissioner in Australia	..	..	..	Sydney.
Acting New Zealand Trade Commissioner	..	..	..	Melbourne.
United Kingdom Representative	..	..	..	London.
Acting New Zealand Supply Liaison Officer in India	..	..	..	Bombay.
Temporary New Zealand Trade Representative in Japan	..	..	..	Tokio.

140. The duties of the recently appointed Trade Representative in Japan include reparations as well as trade matters and liaison with the occupation authorities. In trade matters he advises the Department on the availability of goods from Japan, on the prospects of sales of New Zealand products to Japan, and on trading procedure. When private trading with Japan is resumed, the Trade Representative will be in a position to give more direct assistance to New Zealand trading firms and to any New Zealand businessmen who may visit Japan.

SECTION 4.—COMMERCIAL INTELLIGENCE

141. All information received from Trade Commissioners overseas which is of interest to other Government Departments, or to trading firms or organizations, is passed on to them. It is hoped, eventually, to create some regular medium for communicating information of general interest to the commercial community, either in the form of a cyclostyled bulletin or a printed journal.

142. On the other hand, a monthly *Commerce Bulletin* has kept the Department's overseas officers informed on matters of use and interest to them, such as those relating to New Zealand's industrial development and export possibilities.

143. The large number of trade inquiries dealt with by the Commerce Division and by Trade Commissioners, as to the availability of New Zealand goods and for contacts with New Zealand exporters, has indicated the strong demand which exists in the world to-day. All these inquiries receive a considered reply, and they are also referred to the firms most likely to be interested. In this connection full advantage is taken of the co-operation offered by the Associated Chambers of Commerce, the New Zealand Manufacturers' Federation, and other trade organizations, as well as by other Government Departments.

144. In the past year little assistance has been required in the marketing of our primary products, but an efficient Trade Commissioner Service is considered essential to the retention of existing markets and the development of new outlets, in order that New Zealand may be assured of her share in the world's markets when more normal conditions bring greater competition. With the stimulus given to production by World War II, many New Zealand secondary industries are at present equipped to produce an increasing range and volume of manufactured goods for export. Development along these lines is favourably regarded by the Department, since it would tend both to increase the volume and to further diversify the character of our export trade with resultant benefits in the form of greater overseas purchasing-power, a general strengthening of New Zealand's economy, and lower production costs through increased output.

145. Thus the Department is willing to give all possible assistance to manufacturers in finding sound export outlets for their actual or potential surpluses, and already the services of Trade Commissioners have proved valuable in investigating market possibilities for particular commodities. It is considered that many of the new overseas markets which are at present offering can, if properly developed, be retained in the face of future competition, and the Department is anxious to assist New Zealand exporters to take advantage of present opportunities. In addition, where exporters have been confronted with difficulties concerning regulations and procedures relating to imports into the country of destination, the services of Trade Commissioners, and of the Department, have been made available to assist in overcoming these problems.

SECTION 5.—REPARATIONS

(a) GERMANY

146. The responsibility for determining the nature and value of German assets available for reparations, and the time at which they are to be made available for allocation, has been finally vested in the Allied Control Authority in Germany. In order to implement this policy, the Inter-Allied Reparations Agency (IARA) composed of the delegates of the eighteen allied nations, including New Zealand, was established at Brussels early in 1946.

147. Each claimant nation was allocated a proportion of the total German reparations based on the loss suffered or war effort expended by each nation. Under category A, which is the basic group of those reparations not included in category B, New Zealand's share is 0.4 per cent. Under category B, which covers industrial and other capital equipment, merchant ships, and inland water transport, the share of New Zealand has been fixed at 0.6 per cent. New Zealand has been allocated one merchant ship of approximately 1,418 tons under category B. The allocation of machine tools under category A has been very small to date, and some delays in this direction can be expected. No allocations of consumer goods and materials will be available as reparations.

148. The internal distribution of reparations machinery and tools is handled by the War Assets Realization Board through the Mechanical Plant Advisory Committee, and manufacturing and trade interests in New Zealand have been kept informed of all developments.

(b) JAPAN

149. Certain aspects of Japanese reparations are under consideration by the Commerce Division, in conjunction with the Department of External Affairs. It is currently proposed that the Far Eastern Commission should determine the categories of Japanese assets available for reparations, but that the selection of available industrial facilities and equipment should be the responsibility of the Supreme Commander of the Allied Powers, who should also provide all claimant countries with inventories and valuations, with the opportunity to inspect that equipment in which they are interested, and with facilities to lodge claims in respect of specific plants and equipment.

150. The New Zealand Government Trade Representative in Japan is acting also as Reparations Representative, and will provide information and undertake any inquiries regarding reparations. He is provided with general information as to New Zealand's possible requirements by way of reparations, and, as inventories of available plants and equipment are received, he will be advised of particular requirements, so that inspection may be undertaken and a full technical report obtained before a decision is made to lodge claims for any particular items.

SECTION 6.—MISCELLANEOUS

(a) CONTROL OF EXPORTS

151. While it is an important function of the Department to develop and encourage export trade, there is also a responsibility to New Zealand consumers, including the industrial users of raw materials, to ensure that the local supply position is not prejudiced by the export of goods required locally. In making recommendations to the Customs Department on applications for permits to export goods under the Export Prohibition Emergency Regulations, the Department has endeavoured to maintain a fair balance between the objective of maximizing export trade and the necessity of safeguarding the local supply position. In this connection consideration has also to be given to New Zealand's obligations to the International Emergency Food Council (IEFC) and to our commitments for the supply of products to the United Kingdom.

152. With regard to the IEFC the Commerce Division also co-ordinates the information required by the Council as to New Zealand's requirements and production of those foodstuffs and materials which are subject to IEFC allocations. This is supplied through the External Affairs Department to the New Zealand member of the Council (the New Zealand Trade Commissioner, Washington).

(b) UNRRA

153. With the termination of UNRRA contracts, the work of the Department in connection with the purchase of relief supplies is rapidly diminishing. During the year the Department has been concerned with extensive administrative details relating to the procurement of supplies, payments to suppliers, and supervision of shipping arrangements on behalf of UNRRA. The supplies obtained included canned eels, canned whalemeat, and canned and pickled horse-meat, none of which had previously been produced in New Zealand. Although every endeavour was made to supply all the goods and services required, it was not possible to do so to the full extent of New Zealand's contribution to UNRRA. The total contribution amounted to £5,200,000, and this was met in goods and services to the value of £4,800,000, the balance being paid in cash.

154. The following are the total values of the more important items which were supplied to UNRRA as part of New Zealand's contribution :—

Item.	Value £(N.Z.)
Raw wool	2,869,000
Clothing	406,000
Agricultural implements and machinery	211,000
New surplus ships	200,000
Canned meats	193,000

(c) GOVERNMENT PROCUREMENT

155. The purchase of overseas supplies, particularly in North America and Australia, was during the war largely on a Government-to-Government basis and was performed by New Zealand Supply Missions. While procurement has now almost entirely reverted to commercial channels, the Department has still maintained, through its overseas offices, a service for the purchase of goods required by certain Government Departments, and, in exceptional cases, commodities required by industry which are in short supply and which cannot be obtained through normal channels.

(d) ENEMY TRADING EMERGENCY REGULATIONS 1939

156. Although peace treaties have not yet been concluded with all former belligerent countries, it has been possible to revoke the Enemy Trading Emergency Regulations in respect of those countries whose return to peace conditions has been reasonably advanced. The lead taken by the United Kingdom has been followed in this matter, and trading has now been restored with Austria, Finland, Hungary, and Italy. In addition, all lists containing the names of persons, firms, and companies residing in neutral countries, with whom trading was illegal during the war years, were revoked by a notice in the *Gazette* of 25th July, 1946.

157. Apart from permission to despatch parcels by post to Germany, the Enemy Trading Regulations 1939, and amendments, remain in force in regard to trading with Bulgaria, Germany, Japan, and Rumania.

(e) PUBLIC RELATIONS

158. With a view to providing a service for the benefit of overseas industrialists and businessmen who visit New Zealand, a Public Relations Officer has been appointed to the Commerce Division. During the year this officer has met many overseas visitors and has assisted them by making the original contacts they required, facilitating accommodation and travelling arrangements, and supplying helpful information. New Zealand also benefits from this service, as a favourable first impression of the country, plus a spirit of goodwill, facilitates the development of business relations. As an incidental result, it has been found that the saving of time through assistance with their routine arrangements has enabled several businessmen and their wives to visit our tourist resorts and to cover wider areas in the limited time at their disposal.

PART IV.—OTHER DEPARTMENTAL ACTIVITIES

SECTION 1.—ACCOUNTS SECTION, INCLUDING MINISTRY OF SUPPLY, STOCK DISPOSALS, AND DEPARTMENTAL ACCOUNTING

159. Following the separation of the Department of Industries and Commerce from the Department of Tourist and Health Resorts, the Accounts Section has been reorganized in keeping with the reconstitution of the Department. During the past year the Section has been responsible for the accounting procedure of both the Ministry of Supply and of the Department of Industries and Commerce.

160. The work of both these branches is dealt with separately hereunder :—

(a) MINISTRY OF SUPPLY

(i) *Accounting*

161. A total of 146 vessels carrying materials ordered by the Ministry of Supply arrived in New Zealand during the year under review, and this entailed the costing and charging out of some four thousand lines. Expenditure on Ministry of Supply procurement aggregated slightly over £9,000,000. Cash receipts over the same period totalled £9,040,124, and sundry debtors were reduced from £3,451,029 as at 1st April, 1946, to £861,487 as at 31st March, 1947.

162. As is usually the case, delay in the receipt of expenditure vouchers from our overseas offices resulted in a time-lag in finally bringing to charge in the accounts the costs of goods purchased overseas, including procurements both for cash and under lend-lease, and Canadian mutual aid. Goods obtained under these schemes were charged out to the recipients upon receipt, mainly in previous years, but the final accounting entries were not completed in the records of the Ministry of Supply until the 1946–47 financial year. The debits under these headings included expenditure for the year on U.S. lend-lease, £1,654,554, and Canadian mutual aid, £55,765, a total of £1,710,319.

163. In addition to the normal duties of handling and procurement under indent and reserve stock items, other specific purchasing activities have included transactions on behalf of UNRRA, Netherlands East Indies Government, and British Military Government in Far Eastern Territories. In all cases the expenditure incurred was charged originally to the War Expenses Account and has been recovered and credited to that account.

164. The Stock Disposal Section has been engaged in winding up contracts let during the war period for the supply of textile equipment for the armed Services. Expenditure under this activity has amounted to £812,145 for the year under review, whilst the recoveries from the Service Departments for the same period have totalled £874,765.

(ii) *Stock Disposals Section*

165. During the past year the number of stores under the control of the Department have been reduced from twelve to five, representing a reduction in the area occupied from 370,000 square feet to 163,000 square feet. Every effort is being made to effect the speedy liquidation of the remaining Ministry of Supply stocks, and it is anticipated that further clearances should enable the Department to confine its storage requirements to a minimum of space in Wellington and Auckland.

166. Stocks have been reduced during the year as follows :—

		Value of Stocks as at—		
		31st March, 1946.	31st March, 1947.	Reduction in Value of Stocks held.
		£	£	£
General stocks	.. ..	845,931	279,462	566,469
Textile stocks	.. ..	1,167,322	478,435	688,887
		2,013,253	757,897	1,255,356

167. A close liaison has been maintained with the War Assets Realization Board in all matters affecting stock disposals.

(iii) *Munitions Section*

168. The Munition Controller's Office ceased to function as a separate organization at the end of the year under review, and the few remaining activities of the Munitions Controller have now been taken over by the Department.

(iv) *Commodity Prices Committee*

169. The Commodity Prices Committee which was constituted in 1943 consists of two members from the Treasury Department and two members from this Department.

The duties of the Committee have been to make recommendations to the Commissioner of Supply, subject to approval where necessary of the Price Tribunal and the Stabilization Commission, in connection with arranging and adjusting prices, and adjudicating in any dispute on matters in which the Ministry of Supply has become involved arising out of the trading operations of the Department.

170. Since the cessation of lend lease and mutual aid procurement the duties of the Committee have been substantially curtailed, although the policy of having all orders placed overseas by the Department scrutinized by the Committee was adhered to. In addition, the prices at which the remaining Ministry of Supply reserve stocks were sold were approved by the Committee.

(b) DEPARTMENT OF INDUSTRIES AND COMMERCE

171. The past year was the first complete period during which the expenditure and revenue of the Department of Industries and Commerce was separately recorded, and for that reason comparable figures of expenditure and revenue for previous years are not available.

172. The following is a summary of the figures for the financial year ended 31st March, 1947 :

<i>Expenditure</i>			
Salaries—		£	£
General .. .. .	.. .. .	185,533	
Standards Institute .. .. .	.. .. .	16,743	
			202,276
General maintenance (consolidated) .. .. .	.. .. .		77,954
Food Control : total expenditure, including salaries .. .. .	.. .. .		110,538
Price Tribunal : total expenditure, including salaries .. .. .	.. .. .		72,460
Flax industry : Moutoa Estate .. .. .	.. .. .		42,689
Standards Institute : total expenditure other than salaries .. .. .	.. .. .		7,157
Total .. .. .	.. .. .		£513,074
<i>Revenue</i>			
From all sources : Total .. .. .	.. .. .		£18,243

SECTION 2.—LIBRARY AND INFORMATION SERVICE

(a) LIBRARY

173. During the past year the departmental library has been extensively used as a source of reference and assistance to officers of the Department, manufacturers, educational institutions and research students. The technical service provided by the Department, in conjunction with the Department of Scientific and Industrial Research, has been of increasing value to manufacturers, and many new enterprises have been assisted in improving production technique. The *Industrial Bulletin* as a source of

technical information has continued to provide valuable service to commercial interests, and approximately two thousand inquiries regarding subjects covered in the *Bulletin* have been received from industrial interests. In addition, over two hundred special reports have been provided on subjects not covered in the *Bulletin*.

174. Arising out of the Bagnall Report on Departmental Libraries, which was issued during the year, plans have been formulated for closer integration in the development of departmental libraries. In addition, centralization of book ordering will eliminate unnecessary duplication.

175. Liaison and co-operation with public libraries have been developed and extended during the year, and full use has been made of the inter-library loan scheme.

(b) EXHIBITIONS AND INDUSTRIAL FAIRS

176. An Inter-departmental Committee has been formed to co-ordinate the work of Departments wishing to exhibit at industrial fairs and exhibitions, and the main administrative functions of the Committee are handled by this Department. A Government Court was provided for the New Zealand Industries Fair at Christchurch in August, 1946, and eleven Departments were represented. The fair was an outstanding success, and the combined display of the Government Departments attracted favourable attention. A New Zealand display was also arranged as part of the British Empire Exhibition at the Royal Agricultural Society's Show in Sydney.

177. Plans are also being made for New Zealand to be represented at the Canadian National Exhibition at Toronto in August, 1947, and at the Otago Provincial Centenary in February and March, 1948.

SECTION 3.—MOTION-PICTURE INDUSTRY

178. The Department administers the Cinematograph Film Regulations 1937, issued under the Board of Trade Act, and carries out investigations when applications are received for competitive locations. Few applications have been received under these regulations in the past year, as lack of materials have prevented the erection of a number of theatres. In addition, the Department is represented in the Film Industry Board, which comprises representatives of the film-exchanges, chain theatre exhibition groups, independent theatres, and the Chief Inspector of Films under the Cinematograph Films Act.

179. The following are the main statistics of the motion-picture industry for the year ended 31st March, 1946:—

Paid admissions to theatres	36,965,771
Gross receipts	£2,817,646
Average charge for admission	18.3d.

The number of theatres showing films increased by seventeen over the previous year.

180. Renovations and new constructional work is overdue in many theatres, but present indications are that materials and labour will not be available for this work for some time to come.

PART V.—ORGANIZATIONS ASSOCIATED WITH THE DEPARTMENT

SECTION 1.—PRICE TRIBUNAL

181. The following report on price control during the past year covers the operations of the Price Tribunal :—

(a) GENERAL

182. The Tribunal has continued to safeguard the interests of consumers by maintaining a strict control over prices of goods and services. This past year, the first complete year of price control since the cessation of hostilities, has presented the Tribunal with innumerable difficulties. The reconversion of industry from wartime to peacetime production, the rehabilitation of returned servicemen into the commercial world, and the shortages of supplies from United Kingdom and elsewhere have all brought their particular problems. The Tribunal has, however, by rigidly adhering to the principle of price control, as laid down by the Government, endeavoured to ensure that the consumer is protected from exploitation and that the worker on the lower income receives his full share of the available goods and services.

(b) BASIC PRINCIPLES

183. Briefly, the basic principles on which price control has been administered in New Zealand may be stated as follows :—

- (i) Only proven and allowable increases in cost are permitted to be passed on in prices.
- (ii) As far as practicable, a profit is not allowed on such increases in cost.
- (iii) Applicants are required to absorb the whole or part of increased costs when, on examination of their financial accounts, it is considered fair and reasonable that they should do so.
- (iv) Replacement costs are not recognized.

184. Where, for convenience and to meet trade practice, percentages covering overhead and profits are used, every endeavour is made to ensure that such percentages do not provide to the traders concerned any greater monetary amount of profit than that obtained in 1939. Where percentages are used, frequent revision of these is necessary and, where costs rise, the percentage is reduced accordingly.

(c) PRICE ORDERS

185. During the year ended 31st March, 1947, 162 Price Orders were issued, bringing the cumulative total of such Orders issued to 669. These Orders, which are not necessarily new Orders, but include amendments to existing Orders, covered a wide range of commodities, but mainly affected foodstuffs and articles of clothing. The past year also saw an extension of the goods affected by Prohibition of Sale Notices. The new goods in this category include furniture, upholstery, underwear of all kinds, leather and electrical goods, farm and commercial tractors, motor cars and trucks (chassis only), farm machinery and implements.

186. These notices give a more effective control of prices by making it obligatory for approval of prices to be obtained before sale in all cases, whereas goods not prohibited require approval of prices only when the prices exceed those ruling in 1939.

187. The remission of sales tax announced in the Budget presented in August last involved the Tribunal in a considerable amount of work in ensuring that the benefit of such taxation remission was passed on to the consumer.

(d) ENFORCEMENT

188. The enforcement of the prices approved has not been neglected, and Inspectors are constantly covering both town and country districts with a view to ensuring that traders do not sell at unauthorized prices. Although Inspectors endeavour to be helpful and co-operative with traders in all cases, it is still found necessary for prosecutions to be taken in a considerable number of cases. During the year ended 31st March, 1947, 221 convictions for breaches of the Price Control Regulations were entered, and 9 cases were dismissed. The number of traders affected was 147. The total fines imposed now total £10,744 15s., of which the sum of £828 was in respect of the past year.

189. The Tribunal has continued to co-operate with all Government Departments whose work in any way can be of assistance to the effectiveness of price control. In this connection the Standards Institute, Customs Department (on sales tax), and the Supply Sections of Industries and Commerce have been consulted in an increased measure.

(e) SUBSIDIES

190. Although various subsidies were abolished following the presentation of the Budget in August of last year, the Tribunal is still responsible for the administration of several subsidies, particularly those relating to farm products, foodstuffs, and other stabilized goods.

SECTION 2.—FOOD AND RATIONING CONTROL

(a) RATIONING

191. During the year 1946–47 there has been no major change in rationing levels and procedure and little change in the world supply position of the commodities concerned. Routine activities during the year with the various commodities were as follows :—

(i) *Sugar*

192. In spite of the failure of the Queensland sugar crop through drought conditions, the full quota allocated for the calendar year 1946 was landed before 31st December, 1946. The International Emergency Food Council, which in 1946 succeeded the Combined Food Board as the allocating authority, has approved increases in Pacific quotas, subject to availability, which means that New Zealand may receive a greater quantity during 1947 than in any of the preceding three years. Supply prospects are thus a little brighter. Local manufacturers' allocations were revised in September, 1946, and a minimum of 75 per cent. of 1941 consumption was fixed as the basic quota for all manufacturers except brewers, who still remain on 50 per cent. of 1941 usage. Additional allocations were approved for such essential lines as jams, lemon-peel, and coffee essence, where increased public demand might have necessitated importation. The domestic consumer ration remained at 12 oz. per week throughout the year. Difficulties in distribution prevented the release of additional quantities of sugar for domestic jam-making, and the normal release of 9 lb. per ration book was made.

(ii) *Tea*

193. The system of allocation under the Empire Tea Scheme was in operation during the whole of the year under review and did not lapse until 31st March, 1947. The allocation for the year for New Zealand was sufficient to maintain the ration level at 8 oz. per person every four weeks and to enable an allowance of 1 lb. every three months to be made to all people of seventy years of age and over. This supplementary allowance was commenced in August, 1946, and has been fully drawn by those eligible. The reinstatement of auction sales of tea in Ceylon and India, which became effective on 1st January, 1947, makes the forward supply position obscure. Shipments which arrived during the year went into consumption as soon as received, and even if New

Zealand is able to purchase its full requirements in the open market it will still be necessary for traders' stocks to be built up substantially and for labour and packaging problems to be overcome before any relaxation of rationing could be considered. Mr. L. M. Wright, Tea Adviser to the Office, left New Zealand for Calcutta and Colombo in February, 1947, to make arrangements for our future tea procurement.

(iii) *Butter*

194. The rationing of butter continues in New Zealand for the purpose of providing a greater volume of export to the United Kingdom. The ration scale has remained constant at 6 oz. per week, except for the bonus of 8 oz. made in December, 1946, as a Christmas concession. During the year, in an endeavour to facilitate the orderly disposal of small-scale production, the coupon value of dairy butter was fixed at half the coupon value of factory butter. Butter consumers are still required to register with retailers.

195. Approximately 13,000 tons of butter were conserved during the year as a result of rationing.

(iv) *Meat*

196. There has been no change in the rationing system operating since March, 1943. The ration scale remained static at 1s. 6d. value per person per week, with half-rations for children under the age of five years. The only additional grant was that of 6d. per head at Christmas time. During the year approximately 29,000 tons of meat were withdrawn from civilian consumption and diverted to the United Kingdom. This tonnage compares more than favourably with the preceding year, when 26,000 tons were conserved by rationing. The improvement indicates that the coupon-replacement system is working satisfactorily and that the control is effective. The total payments made to butchers by way of meat subsidy for the period ended 31st March, 1947, amounted to £931,495.

(v) *Bacon and Ham*

197. These commodities are still subject to control at the source, on the basis of licensed quotas. During the year subsidy amounting to £188,642 was paid to bacon curers.

(vi) *Eggs*

198. Supplies in the main centres of population deteriorated still further in 1946 with the result that the priority system of egg rationing proved most valuable. During the year all priorities were met in the eighteen towns where the scheme operates.

(vii) *Clothing*

199. The year under review was one of the most difficult for supplies of materials and made-up garments. Stocks were insufficient to cover coupons in the hands of consumers, and it is evident that an accumulation of clothing coupons has occurred. The prospects of an early improvement in availability are not good. Coupons issued were twenty-six in June, 1946, and twenty-six in December, 1946.

(viii) *Hosiery*

200. The local production of women's fully fashioned hosiery has remained steady at approximately 600,000 pairs per annum, but imports have considerably increased. The forward position is much brighter with women's hosiery than with other clothing.

(ix) *Rehabilitation*

201. Assistance by way of special allocations of rationed goods reached its peak during the year. A fair proportion of the applicants for assistance are in a position to establish permanent businesses, and particular attention and special assistance has been afforded in such cases. A great number of applicants are, however, taking advantage of temporary shortages, and this is particularly noticeable in the pastrycooking industry, into which a very great number of returned servicemen have been rehabilitated.

(x) *Prosecutions*

202. During the year ended 31st March, 1947, a considerable number of breaches of the rationing regulations was reported, and, as in the past, the most serious breaches were committed in respect of meat. Allegations that "black marketing" in meat was rampant throughout New Zealand have not been confirmed, although such activities are very difficult to detect. No evidence has been forthcoming to show that there are any but trifling offences of this nature. Instructions to prosecute offenders in respect of all the rationed commodities were issued in 128 cases, resulting in convictions being entered in 88 cases. There were 13 withdrawals, 3 dismissals, and 24 cases have either not yet been heard or decisions have not yet been announced. Fines totalling £1,925 were imposed, but in no case was imprisonment ordered.

(b) *FOOD CONTROL*(i) *Supply Position*

203. Supplies of imported foodstuffs have been difficult during the year, but reasonably satisfactory quantities have been obtained in most cases. The allocations made to us by the International Emergency Food Council in Washington have been most reasonable in view of world shortages. Equitable distribution has proved difficult, but merchants and retailers have co-operated with the Office to the fullest extent. The needs of rehabilitated ex-servicemen, hospitals, and public-works camps were given special attention in all cases.

(ii) *Availability of Supplies in 1947*

204. Many commodities have now been removed from the controlled list by the International Emergency Food Council, and it is hoped that New Zealand will be able to import increased quantities during 1947. Particulars of some of the commodities which were in short supply are as follows:—

205. *Dried Vine Fruits* (1946 allocation, 5,000 tons; source of supply, Australia).—This allocation compared favourably with pre-war imports, but was not sufficient to meet our increased demands.

Supply Prospects: The allocation approved for 1947 is smaller than last year's, and unless an increase can be arranged it may be necessary to supplement from other sources.

206. *Dried Apricots* (1946 allocation, 100 tons; source of supply, Australia).—This quantity was insufficient for general distribution, and the total quantity was imported by this Office and allocated to hospitals.

Future Supplies: Reasonable quantities will be imported from Australia, Iran, and South Africa during 1947, and shipments are expected at an early date. Supplies will also be imported from U.S.A. late in the year.

207. *Rice*.—New Zealand's allocation of rice was again approved for supply to Asiatics and for ship's stores and hospitals only. Present indications are that there will be no domestic distribution during 1947. The total allocation was imported by this Office, and the distribution was arranged through the New Zealand Wholesale Merchants' Federation.

208. *Canned Fruit* (1946 allocation, 50,000 cases; source of supply, Australia).—As the allocation was insufficient for general distribution the full quantity allocated was imported by this Office, and a Christmas distribution was arranged.

Future Supplies: The 1947 allocation has not been announced, but indications are that more substantial quantities will be available.

209. *Salt*.—The maintenance of supplies for industrial purposes during the year was most difficult, due to harvest failures and lack of transport. A substantial shipment was received ex the Middle East in late 1946 and the position was eased. The future supply position for this item appears reasonably good.

210. *Canned Fish*.—An allocation of 600 tons of canned fish was made to New Zealand towards the end of 1946, and shipments are at present arriving. The allocation comprised mainly Canadian herrings. The future supply position appears to be reasonably bright, as quantities will be imported from Canada, the United Kingdom, and Norway. In addition, this Office has finalized the purchase of useful quantities of salmon, sardines, and herrings from surplus Admiralty stocks.

(iii) *Local Purchasing for Government Departments and Institutions*

211. During the year the Office continued to function as the foodstuffs purchasing authority for Government Departments and the Defence Services. In the main, arrangements were made for direct imports from overseas and for direct purchases from local manufacturers. Contracts were arranged for most institutions for meat, bread, fish, &c. The main Army camps continued to draw supplies of meat direct from the freezing-works. Arrangements were made for the regular inspection of meat killed at the mental hospital at Te Mawhai, and a contract was made for the supply of inspected and graded meat to His Majesty's prison at Auckland and to the mental hospital at Raventhorpe.

(c) GENERAL

(i) *Procurement*

212. The following items were purchased by the Office on a Government-to-Government basis, for distribution through normal trade channels :—

Item.	Approximate Annual Value.			
	£			
Coffee beans	..	..	..	75,000
Peanuts	..	..	..	50,000
Canned fruit	..	..	..	100,000
Rice	..	..	..	50,000
Desiccated coconut	..	..	..	90,000
Tea	..	..	..	1,750,000
Canned fish	..	..	..	100,000
Sundries	..	..	..	50,000

(ii) *Imperial Government Contracts*

213. Production on one contract only—viz., oatmeal—proceeded during the year, and the total value of contract goods in store was reduced to approximately £75,000 as at 31st March, 1947. A contract for a further 2,000 tons of oatmeal for delivery during the calendar year ended 31st December, 1947, was negotiated on behalf of the British War Office; approximate value, £100,000. Production on this contract is proceeding. Imperial Government goods were shipped during the year by the Marketing Department, Export Division. The Office continued to act as the agent of the War Assets Realization Board for disposal of surplus Service foodstuffs.

(iii) *Appreciation*

214. The usual cordial relations between this Office and trade groups throughout the year, and it is desired to record appreciation for the advice and assistance on food matters which was always so readily available.

SECTION 3.—WHEAT, FLOUR AND BREAD INDUSTRIES

215. The following is a summary of the main features of the Wheat and Flour Controller's report for the year ended 31st January, 1947 :—

(a) GENERAL REVIEW

216. In many respects the year 1946 has proved more difficult than any year during the World War II. With famine conditions threatening many parts of the world, New Zealand co-operated with other countries in reducing her usage of wheat. The adoption in May, 1946, of an extraction rate of 80 per cent. for flour, the diversion of the restricted supplies of bran and pollard to the manufacturers of the standard mash for the poultry industry, and the limitation of supplies of wheat to poultry-keepers to no more than the previous year's level of supply, combined with publicity through official channels and the work of Famine Emergency Relief Committees, all assisted the conservation of wheat. On the present restricted scale, our annual requirements of wheat may be stated at 11,500,000 bushels, used as under in 1946 :—

	Bushels.
For flour for human consumption	7,200,000
For animal feedstuffs (poultry industry)	3,500,000
For seed	500,000
For other non-feed purposes	300,000
	11,500,000

217. Our pre-war annual consumption was about 9,500,000 bushels, but because of a lack of other grains and feedstuffs, such as maize, oats, barley, bran, and pollard, which were formerly obtainable from Australia, wheat has been called on to accept the burden. Were it not for the shortage of the items mentioned, our consumption of wheat would to-day be very much less than it is.

(b) NEW ZEALAND CROP

218. The New Zealand crop totalled 5,439,041 bushels from 161,049 acres. This was less than for many years, and the reduced acreage was, to a large measure, directly attributable to the unseasonable weather conditions which prevailed in many parts of New Zealand in the main sowing months. In addition, some spelling of land became necessary, and this factor is likewise reflected in the reduced acreage.

219. The price paid to the grower for the harvest of 1945-46 was 7s. 1d. per bushel f.o.b. grower's nearest port, March Tuscan basis. This compared with 6s. 6d. per bushel paid in the previous year. For the harvest of 1946-47 the price was fixed at 7s. 4d., and the same price will apply to the harvest of 1947-48, subject to the proviso that adjustment will be made in the 1947-48 price for further cost increases, should such increases eventuate.

(c) QUALITY

220. On the whole, the quality of flour has been of a high standard throughout the year, although certain initial difficulties became apparent and were connected entirely with the high extraction rate of flour. Through the co-operation of millers and bakers and the assistance of the Wheat Research Institute, matters settled down very quickly, and the public have accepted the 80 per cent. extraction flour with very little complaint.

(d) WHEATGROWERS' COMPENSATION SCHEME

221. Insurance payments totalled £4,630, spread over forty-four claims. As 1,256 acres were involved, the average compensation paid per acre was £3 13s. 9d. At the close of the financial year £26,142 stood to the credit of the Fund.

(e) IMPORTATIONS

222. For the year ended 31st January, 1947, a total of 2,879,782 bushels (mostly of Australian wheat) were imported, in comparison with 5,061,191 bushels imported from Canada in the previous year. At the same time 9,019 tons of Australian flour were imported, in comparison with 15,359 tons in the previous year. This flour was, for the most part, mixed with New Zealand flour at the mills. Of the 2,879,782 bushels of wheat imported, some 2,391,997 bushels were landed in the North Island and 487,785 bushels went to South Island ports. During the year 1,299,232 bushels of imported wheat were distributed to the poultry industry, and 1,580,550 bushels went to the mills.

223. A much larger quantity of Australian wheat would have been imported but for the fact that inland transport difficulties developed in Australia towards the close of the year, preventing the movement of the wheat to the ports of shipment. During that period, as a consequence, supply problems in New Zealand increased, and the mills which had, during the war years, carried substantial stocks of wheat were compelled to use these stocks. During that period, too, we accepted 2,069 tons of Australian flour in lieu of wheat. Notwithstanding the difficulties, the requirements of the Dominion in the matter of wheat, flour, and bread continued to be met, except that in December, 1946, some barley had to be borrowed from brewers to augment fowl-wheat supplies in the North Island.

224. Towards the end of 1945 the late Hon. D. G. Sullivan, Minister of Supply and Munitions, on behalf of the New Zealand Government, entered into an arrangement with the Australian Government for the supply to New Zealand of a total quantity of 18,000,000 bushels for the seasons 1945–46 to 1949–50. During the year under review delivery was taken of portion of the first 4,500,000 bushels at an agreed upon rate of 9s. 6d. per bushel bulk basis f.o.b. Australian ports. When the contract was first entered into it was agreed that the price for the remaining 13,500,000 bushels was to be negotiated but was not to exceed 5s. 9d. per bushel, and, more recently, this price of 5s. 9d. per bushel has been confirmed by the respective Governments as the price which will be charged for the balance of the contract.

(f) TRADING RESULTS

225. The main features of the trading results of the Wheat Committee for the year ending 31st January, 1947, are as follows:—

<i>Turnover, by Weight</i>					
					Bushels.
Wheat*	..	..	..	..	7,373,423
				Tons.	Tons.
White flour†	..	..	..	159,056	
Australian flour as such	..	..	..	2,069	
Wholemeal	..	..	..	9,895	
				—————	171,020
Bran	..	..	..	..	17,401
Pollard	..	..	..	..	22,130
Stockmeal gristed locally	..	..	..	..	1,074

* This does not include New Zealand wheat which goes into consumption on farms where it is produced. Only the quantity bought and sold by the Wheat Committee is included. The Committee handled 4,493,641 bushels only of New Zealand wheat, whereas the total production was 5,439,041 bushels.

† The 159,056 tons of white flour sold include some 7,040 tons of Australian flour mixed in at New Zealand flour-mills. This quantity, together with the quantity of 2,069 tons of Australian flour sold as such, totalled 9,109 tons of Australian flour in all.

226. Wheat turnover was 3,386,689 bushels less than the previous year's figure of 10,760,112 bushels. Including sales of Australian flour, the flour trade showed a slight decrease on last year's figure of 171,122 tons. Because of the advent of 80 per cent. extraction flour during the course of the year, sales of bran and pollard each showed a recession on the previous year, when sales were: bran, 21,272 tons, and pollard, 29,824 tons. Stockmeal gristed locally increased slightly on the previous year's figure of 995 tons. The cash turnover was:—

			£
Wheat Section	..	..	3,548,276
Flour Section	..	..	2,624,261
			£6,172,537

227. The above represented a recession on the previous year's figure by £388,530. The wheat figures are based on landed cost of Australian wheat and grower's price of New Zealand wheat.

(g) ADMINISTRATION

228. Administration costs show an increase over all of £4,759 on last year because of restored services, salary increases, and the inauguration of a staff superannuation scheme. The numerical strength of the present staff is nine less than before the war.

229. The Flour Section administration costs, which cover all the charges arising from collecting orders, ordering out from mills, invoicing, collecting accounts, paying proceeds to mills, *del credere* risk, &c., amounted to 1.328 per cent., in comparison with 1.205 per cent. last year. Millers pay the Wheat Committee $1\frac{1}{4}$ per cent. commission for this work.

(h) 80 PER CENT. EXTRACTION FLOUR

230. By virtue of the Flour Extraction Control Notice 1946, gazetted in May, 1946, the extraction rate of flour was compulsorily raised to 80 per cent. as a means of conserving supplies of wheat. Formerly the extraction rate varied, but was generally about 73 per cent. The attainment of the required extraction was not achieved without much effort on the part of the millers and bakers. The mills co-operated fully in their usual manner, and it is to their credit, as well as to the credit of the bakers, that the change-over to the high-extraction flour was accomplished smoothly, under the general guidance of the Wheat Research Institute. This measure enables a saving of over 750,000 bushels per annum to be made.

(i) STANDARD POULTRY MASH

231. During the course of the year certain of the Wheat and Flour Controller's powers in regard to pollard and bran for the feeding of poultry or other stock were delegated to the Primary Industries Controller. This enabled the Primary Industries Controller to license manufacturers and to prescribe a standard poultry mash, with the object of making the restricted supplies of bran and pollard go as far as possible to meet the needs of the poultry industry.

(j) BREAD-BAKING INDUSTRY

232. The Breadmaking Industry Control Revocation Notice was gazetted on 4th April, 1946, and bread bakeries may now be operated by any person wherever desired. Control became effective on 27th June, 1940, as a war measure, and resulted in the closing of 170 redundant and unhygienic units. This assisted materially with tire and petrol conservation during the war period. Control Orders dealing with the weights and shapes of loaves, however, are still in force. On 31st January, 1947, there were 560 bread-baking units, a decrease of 7 during the year under review. This is due to a number of bakers concentrating solely on the manufacture of pastrycook lines and acting as bread resellers.

(k) BREAD-BAKERS' FLOUR CONSUMPTION

233. For the twelve months ended 31st January, 1947, the quantity of flour used by bread bakers and bread-pastrycooks increased by 2,257 tons. Figures covering a period of four years exhibit a large trade expansion, as follows :—

			Tons.
Year ended 31st January, 1944	..	..	101,120
Year ended 31st January, 1945	..	..	103,877
Year ended 31st January, 1946	..	..	107,716
Year ended 31st January, 1947	..	..	109,973

Flour consumption for the period from 1944 to 1947 has therefore shown an increase of 8,853 tons per annum. Since June, 1946, the bakers have used 80 per cent. extraction flour, but with increased output, as shown by the following figures :—

	Eight Months ended 31st January (Tons).		Increase (Tons).
	1946.	1947.	
Flour consumption for bread-baking ..	72,733	72,814	81

(l) APPRECIATION

234. Thanks are again extended to all sections—wheatgrowers, flour-millers, bakers, grain-merchants, and poultry-keepers—for the excellent measure of co-operation which has been received from them.

SECTION 4.—TOBACCO BOARD

235. The following is a summary of the report of the Tobacco Board for the period under review :—

(a) GROWTH OF INDUSTRY

236. In the Board's ten years of administration crop production has increased by slightly more than 340 per cent.—namely, from 1,197,161 lb. in 1936 to 4,080,135 lb. in 1946, with no fewer than seven record-breaking totals. The year under review (1946 harvest) exceeded the previous record (1945) by 21 per cent. This steady increase in production is in accordance with the policy of the Government and the Board.

(b) 1945-46 CROP

237. Climatic conditions during the 1945-46 season were most variable. Commencing with rather unfavourable weather conditions, the season concluded with the best late summer and autumn experienced for many years. The early summer was very dry, and from planting-time onwards there was an unusual prevalence of cold south-west winds, which were hard on the plants, and which further depleted the already limited supply of soil moisture. Although some day temperatures were high, night temperatures were low, bordering on frosts on several occasions; some districts actually recording a frost on 28th December. Good rain fell in March, and from then onwards a long spell of fine frost-free weather was experienced, enabling harvesting to be carried out to an unusually late date.

238. The crop was a heavy one. With good late summer and autumn conditions prevailing, the crop finished out unusually well, a maximum development of upper leaf being obtained, with less loss in the field than usual. The leaf was of good quality, and, although not quite as bright as usual, was of good body and texture and sound. There was less loss in grading than in previous years.

239. The tendency to mechanize the industry wherever possible is more evident than ever. Each season sees additional planting-machines and mechanical hoers coming into the district, and there is a marked swing towards the use of oil fuel for heating kilns. There are two main motives behind this—to make the work easier, and to make more efficient use of the limited labour available.

(c) PRICES

240. The basic average prices fixed for growers for the 1946 harvest were 2s. 2d. per pound for flue-cured and 1s. 11d. per pound for air-dried leaf. These prices were given effect to by the issue of a Price Order by the Price Tribunal and were 1½d. per pound in excess of those which operated during the preceding year.

241. The minimum price below which leaf cannot be sold—namely, 1s. 2d. per pound—has remained unaltered for eight years. This minimum price is fixed by regulations under the Board of Trade Act, 1919.

(d) PROPORTION OF NEW ZEALAND LEAF

242. During the year under review the minimum percentage of domestic leaf which all factories were required to use in their total manufacture was 30 per cent., and it was decided to retain this percentage for the period 1st August, 1946, until 31st July, 1947. The reason that no increase was effected was to enable manufacturers to mature sufficient leaf to comply with the present requirements as well as future increases.

(e) RESEARCH

243. Contributions totalling £8,076 have been made by the Board towards the cost of maintaining the Tobacco Research Station. The amount contributed during the year covered by this report was £1,228 6s. 7d.

(f) INSURANCE

244. The previous annual report recorded the establishment of the Tobacco-growers' Crop Insurance Reserve for the purpose of compensating tobacco-growers for loss of leaf occasioned by the incidence of frost, hail, and flood. After meeting claims to the extent of £1,251 6s. 5d. in respect of the 1945 harvest, and after transferring a further £1,500 from the General Fund, the Reserve stood at £2,748 on the 31st July, 1946, with a number of outstanding claims to be settled at the close of the season.

245. A total of nineteen claims was received from growers during 1946, the second season the fund was in operation. Of these claims, fourteen qualified in terms of the regulations. The poundage covered by compensation was 16,249 lb. and the aggregate payout was £355 8s. 10d. Of the total amount compensated for, 15,943 lb. was on account of frost and 306 lb. was destroyed by hail.

(g) MEMBERS OF THE TOBACCO BOARD

246. The Industry is controlled by the Tobacco Board, the members of which are:—

Chairman and Government representative: Mr. L. J. Schmitt.

Representative of manufacturers: Mr. E. M. Hunt, Mr. T. P. Husheer, Mr. W. R. Olliver, and Mr. C. M. Paynter.

Representative of growers: Mr. F. A. Hamilton, Mr. N. Rowling, Mr. R. W. S. Stevens, and Mr. M. H. Thorn.

Mr. E. J. Fawcett, Director-General of Agriculture, represents that Department in an advisory capacity at meetings of the Board.

Secretary: Mr. H. L. Wise.

Assistant Secretary: Mr. L. G. Rimmer.

(h) TOBACCO-GROWING STATISTICS

247. The following is a comparison between the season under review and the preceding years :—

Season.	Number of Growers.	Contract Acreage.	Amended Contract Acreage.	Production (lb.).
1935-36	499	1,969	*	1,197,161
1936-37	508	2,770	*	1,609,493
1937-38	442	2,563	*	2,067,827
1938-39	342	2,225	*	1,423,610
1939-40	339	2,570	*	2,217,040
1940-41	381	2,963	*	3,143,355
1941-42	381	3,063	2,875	2,721,539
1942-43	360	2,960	2,907	3,185,183
1943-44	414	3,106	3,066	3,083,094
1944-45	487	3,383	3,303	3,286,067
1945-46	553	3,577	3,405	4,080,135

* Not available.

248. The above production figures represent the weight of leaf purchased from growers before redrying. Flue-cured leaf accounted for 93·2 per cent. and air-dried leaf for 6·8 per cent. of the 1945-46 crop.

SECTION 5.—NEW ZEALAND LINEN FLAX CORPORATION

249. The Corporation assumed control of the Industry on 1st April, 1946, and took over the fixed assets of the six factories at Geraldine, Fairlie, Washdyke, Methven, Makihiki, and Winton. The purchase-price was £162,675, and the Corporation undertook to liquidate the remaining fixed assets and the current assets formerly held by the Linen Flax Section of the Department of Industries and Commerce.

250. The first financial period of the Corporation ended on 31st December, 1946, the balance date having been altered from 31st March to 31st December to facilitate the valuation of works in progress. The accounts for the nine months ended 31st December, 1946, now presented disclose a net loss of £1,536, which has been transferred to the liquidation account. The first crop sown by the Corporation was not harvested till early in 1947, and the loss experienced in the nine months ended 31st December, 1946—namely, £1,536—was confined to the completion of the processing of works in progress on hand at 31st March, 1946—that is, the processing of earlier sown crops, many of which had been held for many years and were of very poor quality. This is amply demonstrated by the costing records, which show that, while the 1945-46 crops processed during the nine months yielded profits aggregating £8,500, the remnants of the 1944-45 and earlier crops were processed at a loss of £10,036. By an extension of the costing records of the 1945-46 crop to 30th April, 1947, the profit is shown to have increased from £8,500 to £11,000.

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