

1904.
NEW ZEALAND.

EXTENSION OF COMMERCE COMMITTEE: CANDLE INDUSTRY OF NEW ZEALAND.

REPORT, TOGETHER WITH MINUTES OF EVIDENCE AND APPENDIX.

Brought up on the 4th November, 1904, and ordered to be printed.

ORDER OF REFERENCE.

Extract from the Journals of the House of Representatives.

THURSDAY, THE 30TH DAY OF JUNE, 1904.

Ordered, "That Standing Order No. 218 be suspended, and that a Committee be appointed, consisting of nineteen members, to inquire into and report as to the best means of promoting the commerce of the colony, and the sale of the colony's produce in markets other than those at present obtainable; the Committee to have power to call for persons and papers; three to be a quorum: the Committee to consist of Mr. Aitken, Mr. Barber, Mr. Bollard, Mr. Buchanan, Mr. Duthie, Mr. Field, Mr. Hanan, Mr. Hardy, Mr. Harding, Mr. Hogg, Mr. Houston, Mr. Laurensen, Mr. T. Mackenzie, Mr. McNab, Mr. Millar, Sir W. R. Russell, Mr. Rutherford, Mr. Witheford, and the mover."—(Hon. Sir J. G. WARD.)

REPORT.

YOUR Committee have the honour to report that, owing to the limited time at their disposal, they are unable to report this session on the state of the candle industry in New Zealand; but recommend that they be permitted to resume the inquiry next session.

A copy of the evidence taken thereon is attached herewith, and the Committee recommend the same to be printed.

THOS. MACKENZIE, Chairman.

4th November, 1904.

MINUTES OF EVIDENCE.

THURSDAY, 27TH OCTOBER, 1904.

NICHOLAS REID, Merchant, Wellington, examined.

1. *The Chairman.*] Would you like to make a statement, Mr. Reid, with regard to the candle trade of the colony, or would you prefer to answer questions?—I desire to say that I appear on behalf of the New Zealand Candle Company (Limited), but I also represent the other candle-manufacturers in New Zealand. I will put in a number of telegrams I have received from the various manufacturers on this subject. I might say that the candle industry is a very languishing one. The imports of candles for the years ended the 31st March, were—for 1900, 1,609,121 lb., of the value of £30,658; 1901, 2,258,177 lb., value £41,947; 1902, 2,268,914 lb., value £40,758; 1903, 3,042,053 lb., value £56,488. The year 1903 shows an increase of about 79 per cent. over the year 1900. The value of imports from America for the four years ended the 31st December was—for 1900, £7; 1901, £732; 1902, £1,312; 1903, £14,482, which shows an enormous increase over previous years. The colonial candles sold for the five years ending the 30th June were—for 1900, 3,317,409 lb.; 1901, 2,614,741 lb.; 1902, 2,792,351 lb.; 1903, 2,746,647 lb.; 1904, 2,246,001 lb.; while the capital invested in the four companies doing business in the colony is about £70,000. The Wellington company's sales for the five years ended the 30th June were—1900, 29,459 boxes; 1901, 15,366 boxes; 1902, 15,124 boxes; 1903, 17,978 boxes; 1904,

14,405 boxes: of which the following were pure stearine—1900, 8,775 boxes; 1901, 4,538 boxes; 1902, 3,806 boxes; 1903, 5,431 boxes. The four New Zealand companies have plants capable of turning out about 160,000 boxes per year, working ordinary time. The paraffin-wax imported by the New Zealand Candle Company and the amount of duty paid on the same during the five years ended the 30th June were as follows: 1900—167 tons; duty at 1½d., £2,335; 1901—109 tons; duty at ¾d., £764; 1902—121 tons; duty at ¾d., £846; 1903—90 tons; duty at ¾d., £634; 1904—102 tons; duty at ¾d., £704. There was in stock at this date 47 tons, and the consumption for 1904 may be put down at 70 tons. I might say that the laid-down cost of duty-paid American candles just now is less than the laid-down cost of paraffin-wax. The margin previously allowed the candle companies to exist, but when the duty was reduced in 1900 the unfortunate candle companies were left with a margin of ¾d. Since then they have been going from bad to worse, and I can assure you that the profit made by the local candle company is nil, while they have spent £10,000 upon their works. Fifty-nine pounds was the amount of profit earned for the year ending the 30th June last, but that does not allow anything for depreciation in the plant. That is practically the position of the candle companies to-day, and I am only expressing, as you will see from the telegrams I have produced, the opinions of the other candle companies of the colony.

2. *Mr. Laurensen.*] There appears from your figures to be a heavy falling-off in the quantities of candles manufactured by the local companies, and a corresponding increase in the imported candles; but is not that large falling-off due to the fact that we reduced the duty on kerosene?—I think you will find that the consumption in New Zealand has been steadily decreasing.

3. In 1900 there were imported 1,609,121 lb., and the output of the colonial candles was 3,317,409 lb.?—Yes.

4. There is an increase in 1901 and 1902, and in 1903 there were imported 3,042,053 lb.?—Yes. I think I noticed the other day two shipments of candles, one by the “Burgomeister Hachmann,” and the other before that by the “Indian Monarch.” Together there were 170 tons of American candles on board.

5. Does the preferential tariff help to protect you against America? No; it seems to have increased the difficulties. America receives competition from Burmah wax. Considerable quantities come to New Zealand and Australia, and lately they have been turning out candles in Burmah, and that is very strong competition. In the face of this competition the Americans have gone further since the alteration in the preferential tariff. Burmah candles come in at 1d. per pound duty, and American at 1½d. I think the increase in American imports is on account of considerable quantities of Burmah wax being sold in New Zealand.

6. They are actually shipping at a loss, then, so as to drive Burmah out?—Yes.

7. Do you ask for an increased duty on imported candles, or a remission of the duty on wax?—If the duty on wax is ¾d. we would like the duty increased on candles and the wax left as it is. There would be a margin, if candles were made 1½d., of ¾d. I think that is a very modest request. Some of the candle companies want 1d. increase, but I think ¾d. would satisfy most manufacturers.

8. Do you find your output from the local factories of the finer grades of candles decreasing, or is the decrease on the common kind of candles?—We sell the better class of candles here. This will give you some idea of what we turn out—it is a letter from the Consolidated Goldfields (Limited): “Reefton, 27th November, 1903.—*Re* ‘Apollo’ candles: During the last three or four years we have used five thousand boxes of the ‘Apollo’ candles, manufactured by the New Zealand Candle Company, and it affords me much pleasure to state they have given satisfaction. As a mining candle they are very regular and uniform in regard to the length of time they last; they give a good light, and on the whole answer the purpose very well.—CONSOLIDATED GOLDFIELDS OF NEW ZEALAND (LIMITED), (E. W. SPENCER, Engineer).” Our great difficulty is to get the working-classes to consume colonial-made candles, because it has been breathed into the ear from mother to daughter that they should use none other than Price’s London sperm. We import, I should say, possibly close upon six thousand boxes of candles from London annually.

9. Do you find the falling-off in the common sort of candles or the better sorts?—The common sort. But in Dunedin they use a lower melting-point than they do here, on account of the colder climate. In Auckland, again, they sell a large quantity of high-melting-point candles. They sell considerable quantities to the mining companies; but they are beginning to be interfered with now by the large quantity of Rangoon candles which are coming in, and which are a very superior candle, far better than the American candle.

10. *Hon. Sir J. G. Ward.*] Who are the class of people that are importing such large quantities of candles as shown by you in the increased imports from America up to £14,482 in 1903, as against £1,312 in 1902? Is it the ordinary importers?—No; it is the Vacuum Oil Company—an American Company. Their head office is in Wellington.

11. Do they import for the whole of New Zealand?—Yes.

12. Do you know whether they are allowing a larger margin to those to whom they sell—that is, the storekeepers, for distribution—than was allowed originally by the candle company?—Yes; I think the price is about 5½d. I do not know whether that is net cash, but it is impossible for us to sell our best candles for anything like that price. They have only one quality.

13. What quality would you call that in comparison with your better class?—I should say, about 128° melting-point. It is a pure paraffin candle.

14. Can you tell me whether, as the outcome of the removal of the duty on kerosene, the consumption of kerosene has increased?—Yes, it has increased enormously; but I think the principal cause for the great increase is the large number of heaters which are used during the winter months, and the quantity of oil that is used for cooking-stoves during summer.

15. Can you tell us what the increase in importations of kerosene has been since the duty was reduced?—I can only speak for my own firm: our increase was 40,000 cases.

16. As against what?—Our sales last year were about 100,000 cases, and this year 140,000.

17. That is an increase of nearly 50 per cent.?—Yes; but that increase is not in our sales alone. We represent the Colonial Oil Company here, but we sell a large quantity of oil for the oil-engines. It is simply marvellous to note the increase there has been in the importation of oil for other than illuminating purposes.

18. Can you discriminate between the amount of kerosene used for illuminating purposes as against that used for machinery?—Well, previously to 1903 we never imported the lower-grade oil—that is, the 125° test.

19. What proportion of lower-grade oil do you import now?—I do not think we have had more than 15,000 cases. The consumption is gradually increasing.

20. Would that mean an increase of forty or fifty thousand cases of kerosene for illuminating purposes?—Fully.

21. What is the relative consumption for illuminating purposes of candles as against kerosene?—I have never calculated that.

22. We want to find out if the increased consumption of low-grade kerosene has had anything to do with the consumption of candles?—I do not think so. The lower grades of kerosene are not used for illuminating purposes at all. It is only the higher-test oil that is used for illuminating purposes.

23. You cannot give us any idea of the increase of kerosene used for illuminating purposes in order that we may see how it affects the output of candles?—I cannot do so. A large amount of the oil is used for cooking purposes, and also for heaters. These purposes have increased the sale of kerosene-oil enormously. There is another article in connection with oil which I may mention—benzine. Twelve years ago I dare say our sales were not more than a hundred cases a year; now they are more than five or six thousand cases a year.

24. Have your trade orders for kerosene increased in proportion to the decrease in the output of the candle companies?—I do not think so. We get through quite as large a number of candles as ever, but a larger quantity of imported candles is used than hitherto. There is no diminution in the sale of candles on account of the large quantity of kerosene-oil imported.

25. The position with regard to the sale of candles, both locally manufactured and imported, is that the two have increased?—The imported candles have increased enormously, but the locally manufactured have decreased more than the increase in the importations.

26. The capital invested in the candle companies of New Zealand is £70,000?—Yes.

27. Is that the written-down capital at the present day?—I think so.

28. How many people are employed in the candle industry of the colony?—I really could not say altogether. I can find out.

29. Can you inform the Committee what the increased duty would amount to of $\frac{3}{4}$ d. per pound that you suggest?—I have not calculated it at all.

30. Upon the imports up to 1904 I have worked it out: it would amount to £9,506?—Is that for the whole of New Zealand.

31. Yes, that is for last year?—There is also the duty on paraffin-wax.

32. You suggest that the duty should be removed from paraffin-wax?—Not necessarily, so long as the duty on candles stands at $1\frac{1}{2}$ d.

33. I understand that the local candle company only made £59 profit last year?—Yes.

34. I calculate that the duty you are asking for, taken upon the total output of the candle companies of the colony, would come to about 13 per cent. upon the capital invested. That is without any writing-down?—You must also take this into consideration: that if the increased duty is put on, the candle companies will possibly reduce the prices slightly. The candle companies' object is to prevent, if possible, the excessive importations. The margin they ask for now would not prevent the importation of candles, but would decrease the quantity imported. The candle companies are able to turn out, I think, 160,000 boxes of candles annually in the colony.

35. Assuming that the duty of $\frac{3}{4}$ d. per pound were put on candles, would that not give an opportunity to those who are controlling the kerosene business of the world to raise the price of kerosene for illuminating purposes?—I do not think it would have the slightest effect. The kerosene market is controlled entirely by companies in America and Europe. At the present time kerosene-oil is lower in price in New Zealand than in Victoria. Benzine is also lower in price here than in any other part of the world outside Europe and America.

36. How do you account for that?—I do not know. Some years ago, before the Colonial Oil Company opened up operations, we sold benzine at 1s. 3d. a gallon, and now we supply it at 8 $\frac{3}{4}$ d. We are at a loss to know the cause of the reduction. There has been no opposition.

37. There must be an oversupply from time to time?—The market fluctuates a great deal. We have had two cables in one day altering the price of turpentine. We cannot understand these movements at all. The people in the business will put the prices up and down most unexpectedly.

38. Will you supply us with particulars concerning the number of people engaged in the candle business in New Zealand?—Yes. I might say that the question of labour is an important factor. For Rangoon candles they get the labour for 9d. per day, while we have to pay 8s., and other charges are in proportion. The candle-boxes are made locally, and the printing is done locally, while we also have to pay a duty on the paper we import, and then there is the higher cost of money. I think the margin of $\frac{3}{4}$ d. on wax and $1\frac{1}{2}$ d. on candles is a very reasonable one to ask for.

Memorandum by Mr. N. Reid re Candle Industry. (Supplementary to evidence given before Parliamentary Committee.)

The hands employed in the candle department of the four companies total over a hundred (exclusive of carters). A large number of the men have spent their lives in this industry, and have become expert workmen holding responsible positions and receiving good wages. If the industry is starved out of existence these men will be robbed of their trade, or will have to seek fresh fields.

The manufacturing-capacity of the four companies is estimated to be about 160,000 boxes (4,000,000 lb. weight) per annum. If working to this maximum fully double the number of hands would be employed, whilst the following material, &c., would be required, all of which would be obtained from the sawmillers, boxmakers, and papermakers, &c., of this colony: 160,000 boxes, 4,000,000 packets, 4,000,000 labels, 1,500 tons tallow; in addition to an increased consumption of coal, chemicals, &c.

Price's Candle Company, Palmer and Co., and other makers quote $\frac{1}{4}$ d. per pound less for export to New Zealand than they quote to their English customers, thus proving that this colony is being used as a dumping-ground for surplus stocks.

A very general argument against protection for the candle industry is that we have an advantage over the English maker in that we can buy tallow about £5 per ton cheaper, but this advantage is more than equalised by the fact that the English maker obtains a very much higher price than the New Zealand maker for his by-products—viz., crude glycerine and olein oil, as the cost of shipping these products to London is about £7 per ton. Loss through leakage is also considerable. Any advantage which might accrue from the above applies only to pure stearine candles, and I doubt if 1 per cent. of the candles imported are pure stearine. If the importation of paraffin candles could be prohibited, then I think we could compete with all comers in stearine candles.

Wellington, 31st October, 1904.

N. REID.

APPENDIX.

Nicholas Reid, Wellington.

Auckland, 27th October, 1904.

My board requests you to present our case before parliamentary Committee. Candle industry almost ruined by the importations from Rangoon and America. In this district Rangoon competition most severe. Unless protected by increase of duty on candles or reduction import duty on wax, cannot hope for business to revive.

THOMAS BELL,

Manager, Union Oil, Soap, and Candle Company (Limited).

N. Reid (W. and G. Turnbull and Co., Wellington).

Dunedin, 27th October, 1904.

PLEASE represent us at meeting to-day. We are strongly of opinion that to enable candle-manufacturers to hold their own against imported candles duty should be restored to 2d. per pound. If we are compelled to reduce present prices the result will undoubtedly be disastrous to candle-manufacturers. In further proof of the present condition, we have stopped manufacturing candles since the 1st instant.

E. HERBERT,

Chairman, McLeod Bros. (Limited).

N. Reid (Turnbull and Co., Wellington).

Lyttelton, 26th October, 1904.

KINDLY represent Zealandia Candle Company at meeting to-morrow. Unless something done by Parliament industry doomed.

F. BEVERLEY,

Chairman, Zealandia Candle Company.

N. Reid (W. and G. Turnbull and Co., Wellington).

Dunedin, 27th October, 1904.

WE have forty-four hands in our candle department.

MCLEOD BROS.

N. Reid (Turnbull and Co., Wellington).

Lyttelton, 27th October, 1904.

EIGHT hands employed candle department, without carters.

BEVERLEY.

Nicholas Reid, Wellington.

Auckland, 28th October, 1904.

FIFTY-SIX hands employed at factory, of whom candle department employs about half, add to these town staff (three) employed in distribution, &c. Company paid Government railage last year, eleven hundred twenty-eight pounds; used local coal, five hundred seventy-four pounds; timber for packages, sixteen hundred ninety-two pounds.

UNION OIL, SOAP, AND CANDLE COMPANY.

Approximate Cost of Paper.—Preparation, not given; printing (1,250 copies), £2 8s.

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