

1904.
NEW ZEALAND.

EXTENSION OF COMMERCE COMMITTEE: TOBACCO INDUSTRY OF NEW ZEALAND.

REPORT, TOGETHER WITH MINUTES OF EVIDENCE.

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. Laurenson, 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 report that they have taken evidence from the representatives of three tobacco companies, and also endeavoured to procure evidence from retailers, but found difficulty in obtaining evidence from them. The Committee, therefore, are unable to submit a final report this session, and recommend that the investigation be prosecuted next session.

A copy of the evidence taken in connection therewith is attached, and the Committee recommend that the same be printed.

4th November, 1904.

THOS. MACKENZIE, Chairman.

MINUTES OF EVIDENCE.

WEDNESDAY, 14TH SEPTEMBER, 1904.

AUSTIN WALSH examined. (No. 1.)

1. *The Chairman.*] What are you, Mr. Walsh?—I am head of the company known as “Austin Walsh and Co. (Limited),” of Auckland.

2. Do you wish to make a statement?—Yes. I have prepared a statement to put before the Committee, giving particulars with regard to the industry from its initiation in 1883. The manufacture of cigars, cigarettes, and tobacco was started in Auckland in 1883 by the Auckland Tobacco Company, and for the following ten years the output of the factory was gradually increasing until in 1893 some seventy to seventy-five hands were employed in the various departments. The advent of the American Tobacco Company of New York into New Zealand in 1894, however, soon put a stop to the increasing business, their well-known methods of obtaining trade in opposition to local manufacturers being introduced into Auckland. A cigarette and cigar factory (the Dominion) was taken over by the “tobacco trust,” and immediately prices in these articles were cut down, making it impossible for the older-established factory to compete, resulting in the proprietors having to sell the cigarette business to the trust after suffering considerable loss of capital. Arrangements were mutually entered into by which the purchasers undertook to keep the cigarette industry going and to supply the vendors with locally made cigarettes required to carry on their business as tobacco and cigar manufacturers. After the transfer of the cigarette department the American Tobacco Company closed down this industry, and have refrained from manufacturing in New Zealand—drawing for several years their supplies from their American factories under various brands. Having now practically control of the trade, the A.M.T. Co. increased the price of these articles to the merchants, and instituted a system of so termed “distributors,” merchants not included in their list being debarred from purchasing their manufactures “first-hand,” necessitating their paying £5 per case, or 2s. per thousand extra over their more-favoured competitors. The increased price to the distributors was from 2s. 6d. to 3s. per thousand, all of which went into the pocket of the American Tobacco Company. The consumption in New Zealand about 1894 was somewhere about 40,000,000, the Auckland factory manufacturing fully one-fifth of the cigarettes smoked at this time. The increased prices charged by the A.M.T. Co. immediately resulted in large profits being made by their business, amply compensating them for the small outlay they incurred in purchasing the cigarette business of the local factory. Though in possession of two of the finest cigarette-machines invented, and able to command the services of expert operators, several of whom had spent many years at the trade, the A.M.T. Co. ceased cigarette-making, and the employees were thrown out of work, whereas had they continued the industry the largest proportion of the cigarettes consumed in New Zealand could and should have been manufactured locally, as is being done in Australia at present, the local-made article there having supplanted the imported article. At that time the Auckland company were manufacturing cigarettes, and smokers obtained a packet of cigarettes containing ten for 3d., these cigarettes being fully equal to, if not better than, the imported article, as was proved by the demands at the time. Since the American company monopolized the trade smokers have had to pay 6d. for a packet of ten in New Zealand, whilst in Australia the consumer has only been paying 3d. a packet for the same brands—Vanity Fair, Old Judge, Guinea Gold, &c.—the cigarettes manufactured in Australia being equal in all respects to those manufactured in and imported from America into New Zealand. The “trust,” or monopoly, now controls fully 90 to 95 per cent. of the trade in sixpenny packets in New Zealand. The question naturally arises, why should the smoker in New Zealand be mulcted to such an enormous extent as 3d. on each packet, and why should he be deprived from having the article at the same prices as his neighbours in Australia, simply owing to the monopoly preferring to import in lieu of manufacturing locally, thus keeping thousands of employees out of work here and favouring workers in America and England? In further pursuance of their “grab-all” policy, the A.M.T. Co. of New Zealand broke the arrangements made with the proprietors of the only local factory as to mutual prices being charged for cigarette tobacco, originally agreed upon as not to be less than 5s. 2d. per pound net. Even in the face of the increased duty on leaf tobacco of 6d. per pound the prices were cut from time to time down to 4s. 4½d. per pound—of course, only to their distributors—resulting in severe loss of capital to the local factory in their efforts to keep the tobacco industry from being extinguished. The A.M.T. Co. entered into contracts with their distributors at these low prices, thus practically precluding those merchants not on their list from purchasing from the Auckland factory, who could not sell the article at the price quoted, and to whom the trade could not pay more in competition with the A.M.T. Co.’s product. Ten years ago about 80,000 lb. weight of tobacco passed through the Auckland factories in one year: now only about one-tenth of this quantity is used. Several of the largest customers of the Auckland factory have been put on the A.M.T. Co.’s list, thus practically closing the factory’s output. The trust now dictates to its distributors, and forbids them dealing in the locally made article or any imported article not manufactured by members of the tobacco trust. It regulates the price to be charged to the retailer, and is constantly raising the prices of its products to the wholesaler and retailer. This will undoubtedly result that in New Zealand, as has proved to be the case in England and elsewhere, the retailer will be deprived of any legitimate profit, and only those retailers vending the manufactures of the trust solely will be allowed to

gain a precarious profit, the trust thus monopolizing the whole of New Zealand. As showing the profits made by the tobacco trust in New Zealand, a cigarette under the brand of the "Atlas" cigarette was imported into New Zealand, and, with a view of prejudicing the locally made article, was absolutely given away to the distributors, who had only to pay the import duty—17s. 6d. per thousand—and were expected to dispose of the goods to retailers at a price that would allow the package of ten cigarettes being sold at 3d. per packet, the A.M.T. Co. obtaining nothing for the cigarettes. The same brand of cigarettes was sold to a firm—Henry Marks and Co.—in Suva, Fiji, at 5s. per thousand in bond. The package contains, besides the ten cigarettes, holders and pictures—in fact, to all appearances is equal in every respect to the "Old Judge" brand of cigarettes, for which the distributors are paying 15s. per thousand in bond in New Zealand. Several American manufacturers outside of the trust offer similar cigarettes at from \$1.50 to \$1.75 per thousand c.i.f.e. New Zealand—i.e., 6s. 3d. to 7s. 3d. per thousand—but owing to the trust's boycott they are unsaleable in this country. The contention of the trust as regards their not manufacturing their supplies locally is that the New Zealand Government have placed a prohibitory tariff on cigarette-manufacturing, precluding the trust manufacturing at a profit. Let us see how the matter stands. All cigarettes made by machinery are liable to 2s. 6d. per pound excise duty after paying 2s. per pound import duty on the leaf tobacco—i.e., the average-made cigarette at 2½ lb. per thousand pays 11s. 3d. per thousand duty, against 17s. 6d. per thousand charged on the imported cigarette of similar weight : 6s. 3d. per thousand differential rate is therefore considered as an unpayable profit by the American Tobacco Company. The cost of manufacturing in bond in New Zealand should not exceed 5s. 6d. to 6s. per thousand. This proves that the A.M.T. Co. could produce a packet of ten cigarettes locally to be retailed at 3d. per packet, as is done elsewhere—cost, 16s. 6d. to 17s., to sell at £1, as against £1 12s. 6d. imported. The profits on their brands of cut tobacco are also enormous, and, including their brands of plug tobacco and cigars, the colony is being exploited to the tune of thousands and tens of thousands of pounds for the benefit of the American Tobacco Company in New York. In the United States the tobacco manufacturers and growers are protected as shown in the following table, which also shows the duties imposed in New Zealand :—

	United States Duties, per Pound.	New Zealand Duties, per Pound.		
		Import.	Excise.	Total.
	\$ s. d.	s. d.	s. d.	s. d.
Leaf tobacco suitable for cigar-wrappers, unstemmed	1.85 = 7 8½	2 0	1 6	3 6
Ditto, stemmed	2.50 = 10 6	2 0	1 6	3 6
Other leaf tobacco, stemmed	0.50 = 2 1	2 0	1 0	3 0
Ditto, unstemmed	0.35 = 1 5½	2 0	1 0	3 0
Cigars, cigarettes, and cheroots of all kinds	4.50*	..	..	18 9*

* And 25 per cent. *ad valorem*.

You can see, therefore, how the Americans protect their industry. Any leaf sent to the United States from our Fiji plantations would be taxed 7s. 8½d. per pound. We tax American and other cigars only 7s. per pound. Cigarettes made in New Zealand and exported to the United States at the average weight of 2½ lb. per thousand would be charged £2 7s. 4½d. per thousand, besides *ad valorem* duty of 25 per cent. We charge only 17s. 6d. per thousand on American cigarettes. The trust practically averages 10s. per thousand profit on 75,000,000, or £37,500 on cigarettes alone. Their profits on the tobaccos average 6d. per pound—on 1,750,000 lb., say, £43,750. Roughly, £80,000 per annum is taken out of the colony by the trust. The New Zealand Government gets about £295,000 for tobacco, £27,000 for cigars and snuff, and £78,000 for cigarettes ; a total of £400,000. If they had a State monopoly they should make fully £500,000 per annum. A State monopoly would encourage the cultivation and sale of tobacco-leaf in New Zealand. The A.M.T. Co. has never spent one penny in this direction, whereas the Auckland factory purchased considerable quantities of New-Zealand-grown leaf, and would now were suitable leaf procurable. The proprietors of the Auckland factory have expended considerable sums of money on their plantations in Fiji (a British colony) in their endeavours to produce a good marketable cigar leaf, and have been highly successful in this undertaking, as evidenced by the cigars made entirely from the Fijian leaf at their Auckland factory. Unfortunately, the severe competition of the American trust having practically ruined their business in New Zealand, operations have had to be suspended in Fiji, and the proprietors are being compelled to close down the Auckland factory owing to the unprofitable nature of their undertaking through loss of trade from above-mentioned causes. At present it would be a trifling cost to the New Zealand Government to take over the local tobacco-factory and manufacture on its own behalf. Further funds would of necessity be required to enlarge the operations to meet smokers' requirements. Fifty thousand pounds should, however, equip the suggested State factory with all necessary plant and appliances, easily repayable within a short period out of profits. The smokers should be able to obtain a cheaper article and still leave a large margin of profit.

3. *Mr. Bollard.*] Can you suggest any other remedy for the state of things you have described than the State taking over the colonial manufacture of tobacco ?—I am afraid I am rather at sea in suggesting any other remedy, but pretty well all the nations of the world are admitting that something should be done against the American tobacco trust. You may have noticed a cable message in to-day's paper stating that the united capital of the trust is going to be £72,000,000. It seems to me that an

increased duty would not help matters much, because they have such a demand for the goods now in the trust that if the duty were doubled they would still make the tobaccoists take them. They would not allow their cigarettes to be sold at over 6d. a packet, so that extra duty would only come out of the pockets of the tobaccoists. A concession might be made in the duty on the raw material, which would enable the cigarettes to be made in the colony. We have to pay now 3s. per pound for the raw material, while the American and English cut tobaccos made up in fancy tins pay only 3s. 6d. per pound. There is a difference of only 6d. per pound to pay for the cutting-up, tinning, and labelling.

4. What is your opinion about the quality of the tobacco grown in New Zealand?—There has been none grown for a few years. I used a lot of it years ago, but when we were getting on well the Government increased the excise and import duties.

5. Do you think that tobacco could not be grown in the colony to perfection?—For blending purposes it could. All over the world tobacco is blended, so that we should be only following the example of other countries.

6. What reason has the grower given for giving up the cultivation of the tobacco-plant?—I think it was because he considered it did not pay him to grow it. Those who went in for it had rather exalted ideas as to the value of the product as compared with those of other countries.

7. How would decreasing the duty on the raw material affect the industry?—It would allow us to compete better against the imported goods. It would allow us to go into competition with the trade here. If the trust had factories here we should not trouble the Committee.

8. Do you think, if the duty on the raw material were decreased, they might be induced to set up factories here?—They might do so. My complaint is that they will not allow us to manufacture and do not manufacture here themselves.

9. You think the only remedy is for the State to interfere?—I think so. I have several cuttings from newspapers showing what is being done in other parts of the world, and also that nations are up in arms against the trust.

10. Is this country suitable for the cultivation of tobacco?—Yes, as far as the North Island is concerned.

11. *Mr. Houston.*] Do I understand that the tobacco trust has put a sort of embargo upon the merchants not to sell certain tobaccos, and if they do the trust will not supply them with its own tobaccos?—Yes. I am told everywhere I go that they are debarred from handling our stuff. To-day I cannot sell a packet of cigarettes. I should like to give you full particulars and the names of these people, but they are frightened to give any information that might injure them with the trust.

12. *Mr. Laurenson.*] You suggest that the New Zealand Government should take over the local factory and convert the tobacco business into a State monopoly?—That is my suggestion.

13. If we increased the duty on imported tobaccos and cigarettes it would give you a sort of preferential tariff, so to speak?—I suggested, in reply to a question by Mr. Bollard, that a decreased duty on the imported leaf would assist the manufacturers here, but that would not meet the operations of the trust, because any increased charge on the imported goods would only come out of the pockets of the tobaccoists and smokers. There is a huge margin of profit on their cigarettes, and if you doubled the duty it would not rob them of their profit. I am also speaking on behalf of the English manufacturers who are outside the trust. I am told of an instance where the A.M.T. Co. gave one firm practically only twenty-four hours' notice to clear an English-made cigarette out of their place, but I wish to avoid giving names.

14. *Mr. Rutherford.*] Who established the factory in Auckland?—It was established twenty years ago.

15. By whom?—A little local syndicate called the "Auckland Tobacco Company."

16. Did you join them?—I joined them in 1884.

17. How many times has the company been reconstructed?—Three or four times.

18. Because it did not pay?—It did pay at one time. I ran it myself and made it pay, but I could not stand against the trust. When the trust got control we went back, and have been going back since.

19. You say that the profits of the American trust are very great?—Yes.

20. You mentioned that cigarettes ought to be charged 3d. for a packet of ten: how is it you cannot compete if they charge 6d.?—We cannot get anybody to take our goods.

21. Because they are inferior?—I will not admit that, and I do not think any of the smokers will.

22. It seems to me an extraordinary thing that the public will not buy your goods?—They are debarred from doing so by the trust.

23. You suggested that the State should buy your company out?—Our company is in liquidation, but I say the State should undertake the monopoly of the growth and manufacture of tobacco.

24. I take it that you cannot successfully undertake the growth of tobacco without black labour. Men have found it was not profitable here with white labour, and in Australia and in Fiji considerable quantities have been grown by Chinese and coloured labour. I suggest to you that it is not possible to grow tobacco profitably with white labour?—There are one or two farmers who used to grow tobacco and it paid them well, but they did not go on with it.

25. You said the State would make an enormous amount of money if it set up a monopoly?—Yes, including the present duty.

26. It seems to me that the cost is due to the large duty. The wholesale price of negro-head is only 10½d. per pound. The average price of tobacco for all qualities in New Zealand should be about 1s. 7d.?—I suppose it would be something like that.

27. Would 10½d. a pound for negro-head be about the price?—I do not think you could import it at that price. You would have to give another 2d.

28. The high duty is the cause of tobacco being so dear in this country ?—Yes.

29. Is the profit made by the retailer not a remarkably small one, and may it not be compared with the profit made by grocers on sugar ?—I will admit that it is small, but I do not think any manufacturer can control that. It is due to the cutting system carried on by the grocers.

30. But if a State monopoly were created would not the grocers supply the tobacco at a very small profit ?—We have tobaccos that can be sold at 8d. a stick.

31. The point, after all, is this : Would not the grocers and other people selling tobacco at little profit continue to do so for the sake of attracting customers for other goods if tobacco were made a State monopoly ?—I assume they would. One of the things the legitimate tobaccoists want is a license issued in order to avoid the cutting of prices by the grocers.

32. Speaking as one of the public, I should say we want as much cutting as possible so that we may get our tobacco cheaper ?—Well, tobacco would not be up to much at 10½d. a pound.

33. Take the relative cost of tobacco : is it not a fact that it is sold at a very low margin of profit ?—Yes.

34. If a shopkeeper depended on the sale of tobacco he would hardly flourish; would he ?—There are people in this town who have made money by selling tobacco.

35. Is the American company here the same company which has increased its capital, according to the newspaper report this morning, to £72,000,000 ?—This is the New Zealand branch of it.

36. It is a branch of it ?—It is connected with it.

37. You are quite clear on that point ?—Yes.

38. Does the company here get its tobacco from that company ?—Yes.

39. *Mr. Hanan.*] Before the boycott by the American trust in respect to New Zealand goods how did your business fare ?—For some years I was doing pretty well, and I had to pay income-tax.

40. Up to when ?—About four years ago.

41. When was this boycott adopted ?—It was started by the company only about a couple of years ago, but they began cutting prices against us about four years ago.

42. But the falling-off in your business was not altogether attributable to this boycott ?—I put it that way, because the firms who for years had dealt with me were induced by the company to withdraw their orders from us on the ground that they could not stop buying Old Judge and Vanity Fair cigarettes controlled by the A.M.T. Co. Those who did stick to us were told that they would get special prices conceded so as to bring them to below cost.

43. If the boycott were removed, could you then compete ?—I think so.

44. Notwithstanding the continued cutting of prices ?—That is a question I could not answer.

45. With the cutting of prices that began four years ago could you have competed against the company ?—Not if they resorted to the cutting again. When they got me out of the distributors' hands they put their prices up again, and I assume that when all the factories are closed they will put the prices up higher.

46. Do you not think it probable that with their great capital they can continue to cut prices and run you out of the market altogether ?—Yes.

47. How many growers of tobacco are there in the North Island ?—There are one or two experimenting—they are not growing tobacco for manufacture.

48. How many have there been during the last five years ?—None.

49. How do you account for that if New Zealand is suitable for growing tobacco ?—In 1895, I think it was, an Act was past increasing the excise duty. I stocked 30,000 lb. or 40,000 lb. weight of colonial leaf at one time, but when an Act like that was hanging over one's head one could not tell what the duty might be to-morrow.

50. The same might be said of any other industry ?—It does not affect any other agricultural industry in that way.

51. Have you not found a great difference in the cost of growth and production of tobacco manufactured in New Zealand ?—Yes, but we were supposed to get a concession.

52. Would not the protection you require mean a considerable increase in the cost of tobacco to smokers ?—No; the protection is there now. If the New Zealand leaf were grown there is a protection of 2s. a pound.

53. What protective duty do you think should be put on ?—I suggest that 6d. per pound should be taken off the imported leaf, to allow a larger proportion of blending with the American leaf, and 6d. per pound increased duty on imported cut tobaccos. We have not yet grown a leaf that every one will smoke.

54. Even with that protection could you compete against the American trust ?—I do not know that we could.

55. Do you not think that capital would win every time ?—I am afraid it would.

56. What is the paid-up capital of your company ?—Fourteen thousand pounds.

57. How long have you been in existence ?—Twelve years—about nineteen months as a limited company.

58. Have you paid any dividend ?—No, and we are now in liquidation.

59. If the State took the industry over could it compete against the tobacco trust ?—It could not help doing so, but we do not want the trade to be confined to New Zealand tobacco.

60. Does not any remedial measure mean increasing the cost of tobacco to the consumer ?—No. The Government could give a cheaper article. If the Government found employment for the people and retained the present profits from the duty that is all that is required.

61. Why do you think people would now go into the growth of tobacco ?—For the last few years we have been getting a different class of settlers up north, and they are prepared to go into any new thing. Twenty years ago it was a common thing to see people growing the plant.

62. Are there any persons in New Zealand interested in the tobacco trust?—There are some, I think I am right in saying. The trust controls $87\frac{1}{2}$ per cent. of the local trade. I produce samples of Auckland-made goods.

63. *Mr. Hardy.*] What is your Nimrod manufactured from?—All American leaf.

64. For which you paid a duty of what?—Two shillings, and 1s. excise.

65. How many sticks go to the pound?—Eight. That is the size we sell.

66. Is this sold to the diggers [Sample referred to]?—That is twist.

67. At what price do you supply this?—Our trade has fallen into the hands of the retailers, and we have to charge 5s. a pound for it. We cannot sell in bond.

68. What is the tobacco generally sold in the North Island?—Derby, at 5s. $3\frac{1}{2}$ d.

69. And in bond?—1s. $7\frac{1}{2}$ d. to 1s. 9d.

70. Do you know of any manufactured tobacco that is sold in New Zealand at under 1s. a pound?—I have only heard of that mentioned by Mr. Rutherford this morning.

71. What is the price of Juno?—That has been raised 3d. a pound by the tobacco trust.

72. Is it not within your knowledge that one-case lots have been put up 1d. per pound and ten-case lots $\frac{1}{2}$ d. per pound?—I understand it has been put up 3d. per pound.

73. Is that in the North Island?—They do not sell it there; they sell Derby there.

74. Is it within your knowledge that with some tobaccos instead of putting the prices up they have reduced the weights?—They have done both.

75. Instead of the customer having to pay a higher price for his tobacco he is satisfied with a smaller weight?—He does not know it.

CHARLES BEAUCHAMP RUSSELL examined. (No. 2.)

76. *The Chairman.*] I understand you are managing the tobacco trust here?—No, sir, I do not know it.

77. Will you kindly say what you are?—I am managing director of the American Tobacco Company of New Zealand (Limited), a company formed ten years ago in New Zealand.

78. Would you prefer to make a statement, or would you rather reply to questions?—I do not quite know what I am here for. I was rung up by telephone message from Mr. Aitken and asked to come up here.

79. *Mr. Hardy.*] Certain charges have been made against the American or New Zealand Tobacco Company, and these charges seem to some members of the Committee to be exceedingly serious, and you have been called to give you an opportunity to go into the matter?—All that I know of them is that I have seen certain statements made in the newspapers, and all I can say is that they are absolutely false.

80. Have you or your company tried to control the tobacco business in New Zealand?—No.

81. What tobaccos do you handle?—We handle a number of tobaccos. To put the whole thing in a nutshell, I may state that, taking the financial year ending the 31st March, our trade in tobacco alone amounted to only 12 per cent. of the entire tobacco trade of New Zealand, and the amount of business reached 2,000,000 lb. weight. Our proportion of that was 12 per cent.

82. What is your proportion now?—We have not got the financial returns since March, but it is a little more. We can only check it from the financial returns.

83. Do you control Derby and Juno?—We do not handle or control Derby tobacco.

84. Do you control Juno tobacco?—We have an agency for Juno and certain other brands from the same factory. There are other brands for which Partridge and Co. is one agent, and Kronheimer and Co., of Melbourne, is another. That is to say, the manufacturer splits up his brands among a group of agents.

85. Have you at any time brought pressure to bear upon retailers to prevent them selling or stocking other brands of tobacco than those you represent?—I am pleased that you have raised that question. If I may take the liberty of mentioning the fact, that statement was made by Mr. Seddon in his recent speech at Newtown. After he made that speech I wrote to him drawing his attention to certain matters which he seemed to be under a misapprehension about, and he replied stating that he would give me an interview as soon as he could. Not having had the interview I wrote him further, stating that I had a few figures prepared in connection with the subject, and I have those figures with me now. They were prepared solely for Mr. Seddon, because in a sense it gives an insight into our business, and I wish to have the whole matter ventilated. The nature of our business is that we do not do any business with the retail trade in the colony. We do not come into contact with the retailers. We have no retail tariffs. The retailers—the tobacconists and grocers—form themselves into associations, and are masters of the situation, because they fix their own prices. We would be no parties to any retail tariff. We do not fix the prices, nor dictate to retailers in any shape or form what they should or should not buy.

86. Do the wholesale agents fix the prices for the retailers?—They do not fix the prices at which the retailers shall sell, but fix a tariff at which they shall sell to the retailer.

87. Has it come to your knowledge that one of your agents has issued a circular stating that Juno tobacco has been reduced in weight, and that the retail price in future shall be 9d. a stick?—No, I never heard of it.

88. If such an instruction were placed before the Committee would you call the agent to account for having issued it?—I cannot say what I would do until I had the facts before me.

89. What is the weight of Juno?— $4\frac{1}{2}$ s, 7s, $7\frac{1}{2}$ s, to 8s. There are other sizes on the market.

90. It is not within your knowledge that one of your agents stated that in future your company would not sell 7s?—It is a peculiarity of the trade that the size that runs down in Dunedin does not run in Auckland, and the size taken in the Wairarapa does not suit Wellington.

91. Do you know anything about your agents charging even weights for tobacco in bulk : instead of purchasing tobacco as it comes from the Customs it is fixed for the customer ?—No ; they sell by the pound, or caddy, if it is not sold by the Customs weights.

92. Has it not come within your knowledge during the last three months that the merchants have issued a circular or instruction stating that in future the weights of tobacco shall be even ?—I think what is leading up to your question is this : In Dunedin our agents are Neill and Co. (Limited). A statement was made in the *Otago Daily Times* to that effect, and Mr. Rankin, of Neill and Co. (Limited), interviewed the Press people and traced the statement to a traveller. The newspaper people then offered to publish the correction and a statement with it. A lot of misleading statements have been made in the newspapers which have not been contradicted.

93. Is it outside your knowledge that such transactions have taken place ?—What transactions ?

94. That your agents have stated that in future tobacco shall not be sent out at even weights --at 22s ?—I am not aware of it. There cannot be 22s if they are marked 21½s ; 7½s will not make 22s to the caddy.

95. Supposing it has been the custom to sell 7s at 9d. in the piece, and your agents now compel the shopkeepers to sell 7½s at 9d. ?—Our agents have not fixed the retail price.

96. If I produce a circular to that effect will you say it was outside your knowledge ?—Yes. We do not come into contact with the retail trade at all.

97. But your agents—such as Messrs. Neill and Co. (Limited), or other firms representing you—are people who might do what you do not do ?—Quite so.

98. And really the price of the tobacco is raised to the consumer ?—It depends upon the size they buy.

99. Supposing a man wants Juno tobacco, which he used to buy at 9d. a stick for 7s, he is now called upon by your agents through the retailer to pay 9d. for 7½s ?—He can still buy 7s. As a matter of fact, 7s are going out altogether. The weights are continually fluctuating—that is the difficulty.

100. *Mr. Millar.*] Are the shareholders of your company American or colonial ?—Our shares are held by both New Zealand and Australian shareholders, and the balance of the shares are held by a British company in London. There are no American shareholders.

101. Have you any connection at all with the American Tobacco Company ?—We do not know them. We have no transactions whatever with them.

102. I understand you to say that all you did was to fix the prices for your wholesale agents ?—That is so.

103. Have you refused to supply a wholesale merchant ?—We have in this sense : The bulk of our goods consists of cigarettes, and quick distribution is required for these, because they may become spotted and useless. We therefore look to the leading houses of the colony which have a big distributing-power to act as our agents. Many of the small houses have asked to be placed on our list as agents, but their powers of distribution are too small.

104. *The Chairman.*] You have refused some of the houses ?—Yes ; because their distributing-power is not large enough.

105. *Mr. Millar.*] Have you ever refused to supply them because they stocked other people's goods ?—Oh, not at all.

106. That has never been given as a reason ?—There has never been such a reason given. One of our agents said he desired to retain an agency for other cigarettes he was running, and we said we did not think it was quite right that he should represent an opposition brand. His firm then considered the question whether it was good enough to drop the goods and continue our agency, and decided to do so.

107. You are only acting on ordinary business lines : you notified them that if they were going to represent another brand they would not get yours ?—That was for only one brand of cigarettes.

108. Supposing you had a sub-agent who took up another agency and then resigned the agency for your goods and you gave it to somebody else, would your wholesale agents decline to supply that man if he gave an order for cash ?—Not at all ; because the wholesale agents are only too anxious to do business.

109. You say that, so far as the general retailer of this colony is concerned, he can purchase your goods from any wholesale agent for cash and stock anything he likes ?—Yes, certainly.

110. Your real objection to supply goods is where you have a reasonable doubt as to receiving payment for them ?—Pure and simple.

111. *Mr. Hogg.*] Have you any agreement or bond to which your agents must subscribe ?—The only agreement we ask our agents to subscribe to is that they will not ship our goods out of the colony. Our reason for that is that we are only agents for New Zealand, and if we supplied people here who shipped the goods either to Tasmania or Australia we should be under a penalty. We had a case of that kind in this city where we were brought under a penalty of £135, but the agents in Australia waived their claim, and we waived our claim against the company here.

112. Have you any objection to supply the Committee with a copy of the agreement ?—No, I will do so with pleasure. I will send it to you when I get back to the office.

113. *Hon. Sir J. G. Ward.*] What was the statement you saw in the Press with regard to Mr. Seddon's speech to which you took exception ?—It was in regard to what Mr. Hardy has questioned me about, to the effect that we dictated to the retail trade what they should or should not sell.

114. Do I understand that any firms here who are representing you in the wholesale line are able to represent any other brand of tobacco or cigarettes ?—Certainly they can.

115. I have heard that they cannot do so ?—You can see from the status of the firms whose names appear in the list produced that we could not make any such proposition to them.

116. *Mr. Laurenson.*] Have you made any suggestion that they should not stock other brands?—There are thirty-two firms, besides the German, Manila, Mexican, and other European manufacturers, doing business in this colony outside of the brands which we handle. That shows, therefore, the trade is thoroughly protected in every shape and form from unfair competition.

117. *Mr. Hardy.*] Was it in consequence of the rise in the price of leaf in America that your company increased the price of some of the tobaccos you handle?—In connection with the prices of tobacco, I have some figures here that I shall be pleased to put before you. The leading brands to-day are the same in price as they have been for years. In only one instance—in a minor brand which has been sold absolutely under cost—has there been an advance. Since we took over the Juno brand there has been no advance. We opened out the agency for it as soon as we took over T. C. Williams's goods. We gave better terms, and the tobacco was sold at the same price.

118. Juno, you say, is 7½s?—Yes; that is the size which is becoming general.

119. What is the reason for introducing 7½s instead of 7s?—The reason is this: that the trade is changing from the old-fashioned size.

120. What is the price now for ten-case lots of Juno 7s?—1s. 3d., less 2½ per cent. in thirty days.

121. Has the agent in Christchurch put up the price for ten-case lots of Juno?—I believe he has.

122. Under your instructions?—No; he fixes his own price. He was making absolutely nothing out of the tobacco before.

123. Is it within your knowledge that he has put up the prices?—The situation is this: that up to December of last year, and early this year, the merchants were making nothing out of their tobacco. They were buying it at 1s. 3d. and selling it at 1s. 3½d., and had to pay the receiving charges and bonding and interest on their money, which meant an absolute loss on their tobacco. If you permit me to make a statement I will say this: that any merchant under these conditions who entered into the flat-tobacco trade of this colony with a capital of £25,000 would be in the Bankruptcy Court before nine months were out, because the margin of profit would not pay his working-expenses, far less give a return of interest on the capital invested. Unfortunately, it has been the condition of the tobacco trade for years—and it is to be presumed it will be so in the future—that tobacco has been used as a leader in the grocery trade, and that is the reason why the tobacconist suffers. You can go into the grocery-shops in this town, or in other towns in New Zealand, and find that they are selling Derby and Juno tobaccos at less than what they cost them.

124. Then, how is it that the agency for Juno was sought after by every merchant in Christchurch?—Because they gained a prestige in connection with their other lines of trade. It is a leader.

125. *Mr. Witheford.*] Is it a fact that you cut down the price of cigarettes in Auckland, and even gave them away practically, until the local factories were compelled to close down, when you again raised the price to 6d. per packet?—I flatly contradict that.

126. Is it a fact that your agent now dictates to the distributors and forbids them dealing with the locally made articles?—Not at all. I produce a statement of the prices of tobaccos sold to wholesale merchants and the profits made on them, also the prices of tobaccos sold to retailers and their profits upon them. There are seven brands and eleven sizes. The average profit made by the merchants on all the lines is 16.75 per cent., but he has certain charges to meet against that. The retailer's profit upon the same number of tobaccos and sizes is an average of 35.25 per cent. The merchants average buying-price from the manufacturer is 1s. 7d. per pound, and that 1s. 7d. comprises the leading aromatic brands of the T. C. Williams Company which are sold here. Taking the fair trade average price at 1s. 7d. per pound, the duty at 3s. 6d. per pound comes to 233½ per cent., and if you take such tobaccos as twists, which are sold to miners mostly, and which cost only 11d. per pound, the duty is 385 per cent.

127. *The Chairman.*] Your estimate of the retailer's profit is altogether out?—It is correct—I stand or fall by that.

128. How does that correspond with your statement that the retailers are selling their tobaccos at less than cost?—I was referring to the cutters.

129. Who fixes the retail price here?—The tobacconists of Wellington.

130. Does that extend to the grocers?—Yes; but there is always cutting going on. Unfortunately, we have the Chinese shops to consider, which are a very considerable factor so far as price is concerned. Coming to what are called the packet tobaccos—Old Judge, Vanity Fair, Old Gold, Golden Long Cut, and Melrose—there is an average profit to the merchant of 23 per cent., and an average profit to the retailer of 44 per cent. The merchant's average buying-price of these tobaccos is 2s. 7d. per pound, and the duty is 135 per cent. on the buying-price. Coming to the tinned tobaccos, such as Capstan, the merchant's average profit is 20.45 per cent., the duty 135 per cent. on the buying-price, and the retailer's profit is 29 per cent.

131. *Mr. Laurenson.*] Is that the price of the tobacco in bond? You are not putting the merchant's profit on the value of the tobacco when the duty is paid?—I am only dealing with the net invoice cost in bond.

132. *The Chairman.*] You ought to have given us the profit on the net cost of the tobacco to the public. 3s. 6d. per pound is the duty, and the manufacturer's price is about 1s. 6d., making together 5s. You have given us what I take to be the cost of bond tobacco?—Quite so. We only sell in bond.

133. What is the profit on the 5s.?—On plug tobacco the merchant's profit is 16.75 per cent., and he has all his charges against that, such as receiving and bond charges, and interest on his capital.

134. In round figures, 5s. 6d. would be about what the retailer pays for it?—The retailer pays 4s. 10½d. per pound net, and he sells it at 6s. 3d., which gives him a profit of 27½ per cent.

135. What is the wholesale price of Juno tobacco?—1s. 2½d. net. I have brought a similar analysis of cigarettes. The merchant's average profit on the in-bond price is 27.06 per cent. on all lines, and the

average duty is 142½ per cent. If you take the cheaper grades of cigarettes sold, the duty runs from 180, 185, to 255½ per cent. Coming to the retailer and taking all the leading brands, his average profit is 62 per cent. upon the duty-paid price. In this city Capstan tobacco, in 1 oz. tins, has always sold at 6d., but the retailers have lately made it 8d. per tin. That tobacco has been sold by the wholesale houses at the same price for about twelve years.

136. *Mr. Witheford.*] Is it not a fact that Old Judge cigarettes were sold in Auckland at 3d. a packet of ten, and are manufactured and sold in Australia at 3d., but that after the Auckland factory was closed down the price was raised to 6d. ?—Not at all. Old Judge cigarettes have never been manufactured in New Zealand. In connection with Messrs. Austin Walsh and Co. (Limited) and the statements which have been made in the Press regarding my company, I would like to read a statement I have prepared. It is only fair that we should be heard on the subject. The promoters of Austin Walsh and Co. (Limited) have been making mendacious statements reflecting upon the American Tobacco Company of New Zealand (Limited). I have made very careful inquiries and find the true facts are briefly these: that the American Tobacco Company of New Zealand (Limited) bought from Mr. Walsh some ten years ago his trade-marks and rights for manufacturing cigarettes in New Zealand, and also the machinery for same, for which they gave him a large sum of money. He also entered into an agreement with the company that he would not be directly or indirectly engaged or concerned in the business of manufacturing cigarettes, or permit the name of the firm of Austin Walsh and Co. to be used or employed in carrying on, or in connection with, the manufacture of cigarettes at any place within the Colony of New Zealand for a term of fifteen years—and that term has yet about five years to run—he having the right to continue to manufacture all grades of tobacco, cigars, and leaf-wrapped cigarettes, with the exception of cigarettes wrapped in paper; and he continued to carry on business for a number of years, and the American Tobacco Company of New Zealand (Limited) supplied him with their goods. The American Tobacco Company of New Zealand (Limited) continued to supply their goods to Austin Walsh and Co. (Limited) until their credit was openly discussed in Auckland, and then the company declined to supply them. Now, coming to a very important point, as already stated, Mr. Walsh received a large sum of money from the American Tobacco Company of New Zealand (Limited), and entered into an agreement with them as explained, and in face of that agreement he becomes a party to the flotation of Austin Walsh and Co. (Limited), and started the manufacture of paper-wrapped cigarettes. The American Tobacco Company of New Zealand (Limited) called upon him to explain his action in this matter, and asked him to refund the money he had received, as he had broken his contract. This money has never been returned to the American Tobacco Company of New Zealand (Limited). I submit a list of the distributing agents of the American Tobacco Company of New Zealand (Limited), which comprises seventy-four of the leading mercantile houses throughout New Zealand. The American Tobacco Company of New Zealand (Limited)'s relations with their clients are of a most cordial business character, and the company has been doing business all these years in the colony, with shareholders both in New Zealand and Australia, and the English shareholders are a British company.

137. *Mr. Hardy.*] I notice from your return that Juno 7½s cost the retailer 4s. 10½d. per pound and realise 6s. 3d. net: how can you make that out when it is selling at 9d. a stick ?—It is selling at 10d., except in Dunedin, I think. They are cutting there.

138. Its average price at Ashburton and Christchurch is 9d. a stick ?—At Christchurch it is selling for 10d.

139. *The Chairman.*] Are the retailers who buy from the merchants bound to sell it at that price ?—No. The retailer is a free-lance. The retailers arrange their own tariff and are masters of the situation.

140. With regard to locally made goods, why could they not be manufactured at 100 per cent. less than the imported article quite as well as in Australia ?—Because the business is all centered in Melbourne and Sydney, which contain half the population in each colony. The ready distribution and larger consumption there reduce the cost of the output as compared with the scattered population of New Zealand and the heavy charges caused by the goods having to be shipped to so many different ports. In Victoria and New South Wales the complete railway system from Melbourne and Sydney reduces the cost of distribution.

Packet Tobacco (Duty, 3s. 6d. per Pound).

Brand.	Merchant drawing Supplies from the American Tobacco Company of New Zealand (Limited).					Retailer drawing Supplies from the Merchant.				
	Buys Case Lots at per Pound in Bond (Net).	Sells Broken Packages at per Pound in Bond (Net).	Profit per Pound in Bond.	Percentage of Profit per Pound in Bond.	Average Profit of Merchant on all Lines.	Buys Broken Packages at per Pound, Duty paid (Net).	Sells at per Packet, realising per Pound, Duty paid (Net).	Profit per Pound.	Percentage of Profit per Pound.	Average Profit of Retailer on all Lines.
	s. d.	s. d.	s. d.	Per Cent.	Per Cent.	s. d.	s. d.	s. d.	Per Cent.	Per Cent.
Old Judge, 2 oz. ..	3 2	3 8	0 6	15	23	7 2	10 0	2 10	40	44
Vanity Fair, 2 oz. ..	3 0	3 8	0 8	22½		7 2	10 0	2 10	40	
Old Gold, 2 oz. ..	2 2½	2 7	0 4½	17½		6 1	8 0	1 11	32½	
Golden Long Cut, 2 oz. ..	2 2½	2 7	0 4½	17½		6 1	10 0	3 11	65	
Melrose ..	2 5	3 5	1 0	42½		6 11	10 0	3 1	42½	

Merchant's average buying-price, 2s. 7d. per pound; duty, 3s. 6d. per pound = 135 per cent. on buying-price.

Tinned Tobacco (Duty, 3s. 6d. per Pound).

Brand.	Merchant drawing Supplies from the American Tobacco Company of New Zealand (Limited).					Retailer drawing Supplies from the Merchant.				
	Buys Case Lots at per Pound in Bond (Net).	Sells Broken Packages at per Pound in Bond (Net).	Profit per Pound in Bond.	Percentage of Profit per Pound.	Average Profit of Merchant on all Lines.	Buys Broken Packages at per Pound, Duty paid (Net).	Sells at per Tin, realising per Pound, Duty paid (Net).	Profit per Pound.	Percentage of Profit per Pound.	Average Profit of Retailer on all Lines.
Capstan, 1 oz. ..	s. d. 2 8	s. d. 3 2	s. d. 0 6	Per Cent. 18½	20.45	s. d. 6 8	s. d. 10 8	s. d. 4 0	Per Cent. 60	29
" 2 oz. ..	2 7	3 2	0 7	22½		6 8	8 0	1 4	20	
" 4 oz. ..	2 4	2 11	0 7	25½		6 5	8 0	1 7	25	
Havelock, 2 oz. ..	2 8	3 2	0 6	18		6 8	8 0	1 4	20	
" 4 oz. ..	2 8	3 2	0 6	18		6 8	8 0	1 4	20	

Merchant's average buying-price, 2s. 7d. per pound; duty, 3s. 6d. per pound = 135 per cent. on buying-price.

Cigarettes sold in New Zealand (Duty, 17s. 6d. per Mille).

Brand.	Merchant drawing Supplies from the American Tobacco Company of New Zealand (Limited).					Retailer drawing Supplies from the Merchant.				
	Buys Case Lots at per 1,000 in Bond (Net).	Sells Broken Parcels of (A) 1,000, (B) 5,000, (C) 10,000, (D) 50,000, at per Mille in Bond (Net).	Profit per Mille in Bond.	Percentage of Profit per Mille in Bond.	Average Percentage of Profit of Merchant on all Lines.	Buys Broken Parcels of (A) 1,000, (B) 5,000, (C) 10,000, (D) 50,000, at per Mille, Duty paid (Net).	Sells per Packet per Tin, realising per Mille, Duty paid (Net).	Profit per Mille, Duty paid.	Percentage of Profit per Mille, Duty paid.	Average Percentage of Profit of Retailer.
Old Judge ..	s. d. 14 7½	(A) 19 0 (B) 18 0½ (C) 17 6½ (D) 16 7	s. d. 4 4½ 3 5 2 11 1 11½	Per Cent. 30 23½ 20 13½	27.06	£ s. d. 1 16 1 1 15 7 1 15 0½ 1 14 1	£ s. d. 2 10 0 2 10 0 2 10 0 2 10 0	£ s. d. 0 13 11 0 14 5 0 14 11½ 0 15 11	Per Cent. 38½ 40½ 42½ 45	62
Cameo ..	14 7½	(A) 19 0 (B) 18 0½ (C) 17 6½ (D) 16 7	4 4½ 3 5 2 11 1 11½	30 23½ 20 13½		1 16 1 1 15 7 1 15 0½ 1 14 1	2 10 0 2 10 0 2 10 0 2 10 0	0 13 11 0 14 5 0 14 11½ 0 15 11	38½ 40½ 42½ 45	
Vanity Fair ..	12 8	(A) 18 0 (B) 17 1 (C) 16 1 (D) 14 7½	5 4 4 5 3 5 1 11½	42½ 35 27 15		1 15 1 1 14 7 1 13 7 1 12 1½	2 10 0 2 10 0 2 10 0 2 10 0	0 14 11 0 15 5 0 16 5 0 17 10½	42½ 45 50 56	
Three Castles, oval packets	12 8	(A) 18 0 (B) 17 1 (C) 16 1 (D) 14 7½	5 4 4 5 3 5 1 11½	42½ 35 27 15		1 15 1 1 14 7 1 13 7 1 12 11½	2 10 0 2 10 0 2 10 0 2 10 0	0 14 11 0 15 5 0 16 5 0 17 10½	42½ 45 50 56	
Three Castles, cartons	14 7½	(A) 19 0 (B) 18 0½ (C) 17 6½ (D) 16 7	4 4½ 3 5 2 11 1 11½	30 23½ 20 13½	27.06	1 16 1 1 15 7 1 15 0½ 1 14 1	2 10 0 2 10 0 2 10 0 2 10 0	0 13 11 0 14 5 0 14 11½ 0 15 11	38½ 40½ 42½ 45	62
Three Castles, tins ..	17 4	(A) 21 0 (B) 20 6 (C) 20 0 (D) 19 3	3 8 3 2 2 8 1 11	21½ 17½ 15 11		1 18 1 1 17 7 1 17 6 1 16 9	3 15 0 3 15 0 3 15 0 3 15 0	1 16 11 1 17 5 1 17 6 1 18 3	97½ 92½ 100 105	
Capstan, tins ..	13 2	(A) 16 6 (B) 17 6½ (C) 16 7 (D) 15 1	5 4 4 4½ 3 5 1 11	40 33 26 15		1 15 7 1 14 7 1 14 1 1 12 7	3 15 0 3 15 0 3 15 0 3 15 0	1 19 6 2 0 5 2 0 11 2 2 5	110 117 122½ 130	
Old Gold ..	9 9	(A) 15 2 (B) 14 2 (C) 13 2 (D) 11 8½	5 5 4 5 3 5 1 11½	55 45 33 20		1 11 10 1 10 10 1 10 3 1 9 2½	2 10 0 2 10 0 2 10 0 2 10 0	0 18 2 0 19 2 0 19 9 1 0 4½	57½ 62½ 65 70	
Scissors ..	6 10	9 3	2 5	36		1 6 0	2 10 0	1 4 0	92½	
Tabs ..	9 6	14 11	5 2	52½		1 7 0	2 10 0	1 3 0	87½	

Merchant's average buying-price, 12s. 6-9d. per mille. Duty, 17s. 6d. per mille = 142½ per cent.

Examples.—Old Gold Cigarette: Cost, 9s. 9d.; duty, 17s. 6d. per mille = 180 per cent. Tabs Cigarette: Cost, 9s. 6d.; duty, 17s. 6d. per mille = 185 per cent. Scissors Cigarette: Cost, 6s. 10d.; duty, 17s. 6d. per mille = 255½ per cent.

Retailer's average buying-price, £1 14s. per mille, duty paid; average selling-price, £2 15s. per mille: profit, £1 1s. per mille = 62 per cent.

Plug Tobacco sold in New Zealand (Duty, 3s. 6d. per Pound).

Brand.	Merchant drawing Supplies from the American Tobacco Company of New Zealand (Limited).					Retailer drawing Supplies from the Merchant.				
	Buys under Tariff at per Pound in Bond (Net).	Sells Assorted Packages at per Pound: (A) Case Lots, (B) Caddy Lots, In Bond (Net).	Profit per Pound in Bond.	Percentage of Profit per Pound in Bond.	Average Profit of Merchant on all Lines.	Buys at per Pound: (A) Case Lots, (B) Caddy Lots, Duty paid (Net).	Sells by the Single Plug and realises per Pound, Duty paid (Net).	Profit per Pound, Duty paid.	Percentage of Profit per Pound, Duty paid.	Average Profit of Retailer on all Lines.
	s. d.	s. d.	s. d.	Per Cent.	Per Cent.	s. d.	s. d.	s. d.	Per Cent.	Per Cent.
Juno, 7½s ..	1 2½	{ (A) 1 4½ (B) 1 5½	0 2 0 3	13 20	16·75	4 10½ 4 11½	6 3 6 3	1 4½ 1 3½	27½ 25	35·25
" 4½s ..	1 2½	{ (A) 1 4½ (B) 1 5½	0 2 0 3	13 20		4 10½ 4 11½	6 9 6 9	1 10½ 1 9½	40½ 35½	
Victory, 7½s ..	1 8½	{ (A) 1 10½ (B) 2 0½	0 2 0 4	10 20		5 4½ 5 6½	7 6 7 6	2 1½ 1 11½	40½ 36½	
" 4½s ..	1 8½	{ (A) 1 10½ (B) 2 0½	0 2 0 4	10 20		5 4½ 5 6½	6 9 6 9	1 4½ 2 2½	26½ 22½	
Havelock, dark, 7½s	1 6½	{ (A) 1 8½ (B) 1 9½	0 2 0 3	11 17½		5 2½ 5 3½	7 6 7 6	2 3½ 2 2½	45 42½	
" 4½s	1 6½	{ (A) 1 8½ (B) 1 9½	0 2 0 3	11 17½		5 2½ 5 3½	6 9 6 9	1 6½ 1 5½	30 27½	
Welcome Nugget, 7½s, 4½s	2 2	{ (A) 2 5 (B) 2 6	0 3 0 4	12 15		5 11 6 0	9 5 7 10	3 6 1 10	57½ 30½	
Imperial Ruby, 5s ..	2 2	(A) 2 5	0 3	12		5 11	8 9	2 10	47½	
" 6s ..	2 2	(B) 2 6	0 4	15		6 0	9 0	3 0	50	
Venus, 8s ..	1 1½	{ (A) 1 4 (B) 1 6	0 2½ 0 4½	20 33½		4 8½ 4 9½	6 8 6 8	1 11½ 1 10½	42½ 40	
Twist, 7s, 22s	0 11	{ (A) 1 1 (B) 1 2	0 2 0 3	17½ 27½		4 7 4 8	5 6 5 6	0 11 0 10	20 17½	

Merchant's average buying price, 1s. 7d. per pound. Duty, 3s. 6d. per pound = 233½ per cent.; duty on such brands as twists which cost 11d. per pound = 385 per cent.

Retailer's average buying-price, 5s. 3·4d. per pound, duty paid; average selling-price, 7s. 3·3d. per pound; average profit, 1s. 11·9d. per pound = 35·25 per cent.

The retail profits are based upon the Wellington Tobacconists' Association retail price-list, July, 1904.

THURSDAY, 27TH OCTOBER, 1904.

HENRY H. MIRAMS examined. (No. 3.)

1. *The Chairman.*] You have come here, Mr. Mirams, to give us some enlightenment in connection with the tobacco trade?—Yes. I am the New Zealand representative of Messrs. Kronheimer (Limited), of Melbourne, and they are sole agents for Derby and Golden Eagle tobaccos, and have been for many years.

2. Would you like to make a general statement with regard to the tobacco trade?—I shall be very pleased to answer questions generally, and perhaps add a little myself.

3. The object of our investigation is to endeavour to find out whether the trade is carried on on fair and square lines, or whether an unjust monopoly is being attempted by the American Tobacco Company by which it can compel people to confine themselves to its tobaccos alone, or some other tobaccos which it will approve of, for the purposes of control?—As far as my firm personally is concerned, we do not in any way dictate to any retailer or merchant as to what goods they shall stock. All we ask of them is to buy our goods, and that they do.

4. First of all, let me ask you if you have any connection whatever with the American Tobacco Company?—No, absolutely none. We are an Australian company.

5. Have you found the American Tobacco people interfering with your customers in any way?—Absolutely no.

6. Then, you are working in harmony with the American Tobacco Company?—Well, as far as trade competition will allow we are working in harmony with them. We do not say to any merchant, "You shall not stock any other goods than ours," and neither does the American Tobacco Company of New Zealand (Limited), to my knowledge, say so.

7. You have no tacit arrangements with them?—Absolutely none.

8. *Mr. Aitken.*] Of course, you have an idea as to the quantity of tobacco imported into the colony?—Yes.

9. What proportion of the tobacco trade of the colony do you say your principals do—that is, Messrs. Kronheimer (Limited)?—We deal mostly in plug tobaccos, which, as most smokers are aware, are the leading tobaccos used in New Zealand. We have more than 50 per cent. of the plug-tobacco trade of the colony.

10. You do the whole of the New Zealand trade?—I personally do the whole trade from one end of the colony to the other.

11. Do you sell fancy tobaccos at all?—To some small extent—as cut tobaccos, not fancy tobaccos.

12. Then, you do not claim to have any large proportion of the fancy-tobacco trade, but at least 50 per cent. of the plug trade?—Yes, at least 50 per cent., if not more.

13. *Mr. Witheford.*] Have you any complaints from retail tradesmen who say that they are prevented from selling particular brands of well-known cigarettes?—I have heard complaints, but my inquiries have shown me that the complaints were unfounded. In fact, several large retailers have assured me that there is nothing to complain about at all. Any grievance that exists is owing to the retailers cutting prices against each other.

14. You say there is no truth in the statement that retail tobacconists have been interfered with?—My own inquiries lead me to say there is no truth in the statement—absolutely none.

15. *Mr. Barber.*] You said that the American tobacco trust did not prevent shops keeping other lines?—I said that my firm did not, and that, so far as I am aware, the American Tobacco Company of New Zealand (Limited) did not.

16. Wherever I go I never go into a tobacconist's shop without hearing of some complaint?—I heard that statement made, but when I inquired into the matter I found it was absolutely untrue. We never dictate ourselves, and I believe that it is really not the case, for if you walk along the streets you will see numerous brands of tobaccos in the tobacconists' shop-windows.

17. The statement has been made to me more than once, but the tradesman who made it declined to come and give evidence before the Committee because he thought he was under the control of the tobacco trust?—Well, he would be a good man to call; but I think you could disprove it. In the first place, I presume he would buy all his goods from the merchants, because neither myself nor the American Tobacco Company of New Zealand (Limited) supply direct to the retailers. We wholesale agents sell to the merchants only, and consequently there could not be this grievance against the American Tobacco Company, but it might be against the merchant. The American Tobacco Company, so far as I know, does not supply to the retailer.

18. *Mr. Aitken.*] It supplies the merchant?—Yes.

19. *Mr. Hardy.*] You know something about the reports over which there has been friction?—Yes.

20. Do you know, then, the cause?—No; my inquiries lead me to think there is none.

21. "I regret to say I will be unable to appear before the Committee. I prefer to have nothing to say on the subject named in your letter": would you think that man is afraid to come before the Committee?—I should say he has not the time or ability to put what he thinks of the subject into plain language.

22. Do you not think he would say in that case, "I have not the time"? Another man says, "I cannot attend before the Committee, and with all proper respect I submit that this is a question which should be dealt with solely by the wholesale tobacco-merchants throughout the colony." This is written in good English, and consequently if the man is able to write in good English and had a reasonable excuse he would have given it?—He should have.

23. So that there may be reasonable friction?—There may be some friction.

24. Do you think there is cause for friction according to that letter?—No. I should say that man felt that, owing to the absurd rumours, and letters published in the newspapers, in time the so-called trust might do what was stated, and he felt it might be necessary to get some protection.

25. He goes on to say that he considers "it is the clear duty of the merchants to protect the interests of the retailers"?—I think I have covered that already. He is apparently looking to the future, and thinks there might be a combine and wishes, with the assistance of the merchants, to protect himself against it.

26. *The Chairman.*] Have you any idea of the wholesale profits made?—Yes; the merchants make on an average 1½d. per pound on our Derby and Golden Eagle tobaccos.

27. What is the average net profit of the retailers?—I doubt if the retailer makes 6 per cent. net profit. In some cases he makes 10 per cent., but, generally speaking, I should say the net profit would be about 6 per cent. I cannot speak with certainty as to what he does make, because the retailers cut so much against each other that no man really knows what each man is making.

28. What would you consider the average cost of managing these places—about 25 per cent.? What would the gross profit be?—I should think it would be on an average from 15 per cent. to 20 per cent. Fifteen per cent. would probably be nearer the mark than 20 per cent.

29. So that if they average 6 per cent. that would be beyond the mark?—I should say that would be above the mark, although I have no retail experience to guide me.

30. Can you tell me how much tobacco in weight you sell in the colony?—About five thousand cases—that is per year. Multiplied by 160 that would give 800,000 lb.

31. Then, in cigarettes, can you tell me the weight of those?—We sell practically no cigarettes, our cigarettes being of too high a grade for the public to buy.

32. Can you give us at all a reason why the retailers as a body will not come here to give evidence? Do you not think it arises from the fear that if they come and give evidence it may affect them afterwards in the treatment they will receive directly or indirectly from this tobacco company?—I do not, simply because they buy from the merchants, and not from the American Tobacco Company of New Zealand (Limited), and the merchants themselves would not refuse to supply any retailer who requires goods and is able to pay for them; and the merchants would take care to protect any of their clients in such instances.

33. You have heard probably of documents having been sent out by the American Tobacco Company binding their people to do no business in any tobaccos outside of their own?—I have only heard of one case, and I have not proved that it is true.

34. You have not heard of anything of this sort: "As agents for the American Tobacco Company

of New Zealand (Limited), we hereby agree not to sell in bond or otherwise for export out of New Zealand any of the brands of cigarettes and tobaccos which we buy from you for home consumption in this colony"?—I have not heard of that. That means that they cannot send to Australia or outside the colony any goods.

35. You are not familiar with any papers that have been sent out?—No, except in a general way of what has been made public property.

36. *Mr. Hardy.*] How much profit do you say the wholesale people make out of plug tobacco?—I said, on my firm's brands I thought about 1½d. per pound gross.

37. That would be equal to about 10 per cent.?—Yes; out of which the merchant has to pay bond charges, &c. The tobacco is often held in bond several months before it is sold, and the bond-charges, &c., have to be paid out of that. That is the gross profit.

38. Do you know anything about the quantity of tobacco carried in caddies?—It is bought in that form by the small retailer.

39. There is considerable consumption?—Yes.

40. They are sent out in special weights?—Yes; at what they are marked—generally 20 lb. weight.

41. Is there not a little profit to the wholesaler in those?—So far as I am personally concerned, there is none.

42. When the wholesale man sells those boxes of Juno who makes the profit on the light cases?—I understand they are sold at Customs weights. I am not positive on that point, but I have been told so.

43. The Customs people weigh the case. Do you know that boxes of Juno tobacco will sometimes weigh 168 lb. and sometimes 164: who gets the profit on the light cases?—If a case was invoiced at 168 lb. and the Customs weighed it at 164 lb., I think the merchant would sell that at 164 lb. to the retailer.

44. Do you think he does in boxes?—A single box he sells at 20 lb. weight. If he sells at 20 lb. weight he makes a slight profit on it.

45. When he is selling his tobacco does he not charge the assumed weight of the box?—Yes; but in other cases he sells at Customs weights.

46. Is it not contrary to trade custom?—I believe it is contrary to sell at anything under the marked weight of the box, but I believe it is often done. Of course, merchants when cutting against each other like to get a point when they can.

47. *The Chairman.*] Are you aware that the total manufactured tobacco imported last year was 2,136,000 lb. and 53,000 lb. unmanufactured?—Yes.

48. Your trade is rather more than half the value of that?—No; I said only the plug trade. I said it was a little more than half the plug trade of the colony.

EDWIN CHARLES BATKIN examined. (No. 4.)

49. *The Chairman.*] You are a retail tobacconist residing in Wellington?—Yes.

50. We just want to get some evidence from you in connection with the tobacco trade. Various representations have been made as to the manner in which retailers are bound to one company and have not the liberty that many of them would desire to deal with brands of tobacco manufactured by other companies. The result of the agitation has been that the matter has been brought under the notice of Parliament and referred to our Committee for investigation, and we want to find out, if possible, if there is anything in the representations which have been made, or whether the trade is run on right and proper lines. Perhaps you will be able to give us some evidence to throw light on the matter. Would you prefer to make a statement or answer questions?—I do not know that I can make a statement, but my evidence will be practically of a negative character. I will begin answering questions by asking one myself. What is the authority for the statement that the tobacconists are bound to any company—who says the tobacconists are bound to anybody?

51. We have had the matter brought up in Parliament, and I suppose it has been represented by some of the retailers to members that such is the case, and the result is that we are appointed to investigate and find out, if possible, if there is any truth in the statement?—I can only speak from my own experience as a retail tobacconist. I have been sixteen years in the business, and up to the present time have had no difficulty in buying what I wanted in the open market. I have had no pressure brought to bear on me as to whom I should deal with or anything of that kind. I am prepared to admit that some prices have gone up lately in some of the leading articles in our list of goods, but the increase has been but a small one, and not sufficiently large in the majority of cases to cause an increase in the retail price. That is with regard to the retail trade. With regard to what has come under my immediate notice in the wholesale trade, as to the restrictions on the sale of goods, I presume you are referring to the Imperial Tobacco Company?

52. Yes?—Those are the people you have before your eye all the time. I only know of one case in Wellington where a man has been dictated to as to what he should sell and what he should not sell.

53. *Mr. Aitken.*] You said that some of the prices of tobacco have gone up: can you tell the Committee whether that was in fancy or plug tobaccos?—Not entirely in plug tobacco, but in tinned tobacco there has been one advance.

54. Who owned the tobacco which has been raised in price?—The trust control it.

55. Can you inform me if the retail price at which you sell to the consumer has increased because of the higher price charged to the retailer?—I may say, practically in no instance.

56. No attempt has ever been made to dictate to you as to what tobaccos you shall sell or shall not sell?—No, I would not brook such dictation.

57. *Mr. Hardy.*] I presume you sell nearly all kinds of tobacco?—Practically all the tobaccos that sell in the colonial market.

58. Do you know anything about Juno?—Yes.

59. Do you know anything about the weights of Juno?—A little.

60. What price is Juno sold at at the present time supposing you were selling a stick?—Ninepence.

61. Do you know anything about the weights being altered?—I received a circular some time ago from the local distributing agent that after the date of the circular the number of plugs of Juno would be larger than they had been—in other words, that a plug would be lighter.

62. How long has Juno been on the market?—A great many years.

63. And the assumed weights hitherto have been what?—I gathered from their circular that from the date of the circular the plugs of Juno would be put up lighter than they had been, and would run more to the pound.

64. In the assumed weights in the past how many went to the pound?—From seven to seven and a half: nominally seven.

65. What now is the assumed weight?—We are still selling the same tobacco at 9d. per plug.

66. It is the count-out to the pound: did the circular say anything about seven and a half or seven?—I do not know as to that. I did not bring the circular with me.

67. You have already admitted that Juno has been reduced in weight?—Yes, each plug.

68. Who then makes the profit in the reduced weight?—The retailer.

69. Consequently it is better for the retailer and worse for the consumer?—Quite so.

70. *The Chairman.*] Have you any idea of the extent of the tobacco trade which the American trust controls here?—I have no means of knowing exactly, but I should say it was roughly from 80 per cent. to 90 per cent. of the trade in the colony. I have not worked it out.

71. Do you buy pipes from the trust as well?—No.

72. *Mr. Witherford.*] Who is the tobacconist you refer to as being intimidated in regard to the sale of tobacco? You said you only knew of one who had been dictated to?—What I said was that one wholesale merchant in Wellington had been told that he must either drop selling one line—that is, give up the agency for an outside line—or give up the agency for the American company's goods. That was actually done.

73. *Mr. Hardy.*] It was a distributing firm?—It was one of the American company's distributing agents.

74. And they were told they must either cease selling the other tobacco or give up the agency?—They were given an alternative. They were either to stop stocking a certain line of cigarettes or give up the agency for the American Tobacco Company.

EXHIBITS.

A.

[Handed in by AUSTIN WALSH, first witness.]

IMPORTATION OF TOBACCO.

RETURN showing the Quantities and Values of Tobacco, Cigars, Cigarettes, and Snuff imported into the Colony of New Zealand during the Year ended the 31st March, 1904; also the Quantity of each cleared for Home Consumption during the same Period.

Whence.	Tobacco : Raw.		Tobacco : Manufactured.		Cigars.		Cigarettes.*		Snuff.	
	lb.	£	lb.	£	lb.	£	lb.	£	lb.	£
United Kingdom ..	..	..	241,051	28,531	10,337	5,202	44,382	13,138	1,220	124
Victoria ..	7,038	357	281,492	23,115	3,624	1,528	80	31	..	..
New South Wales ..	..	..	10,549	979	32,086	8,559	7,996	2,454	..	..
Fiji ..	6,451	289	..	..	59	19	..	..	..	..
Hongkong ..	..	..	85	5	759	221	..	..	..	..
Bengal ..	..	..	..	..	575	218	..	..	..	..
Bombay ..	..	..	..	..	196	49	..	..	..	..
Madras ..	..	..	..	..	337	44	..	..	..	..
Ceylon ..	..	..	..	..	44	23	..	..	..	..
British Columbia ..	..	..	..	..	64	21	5	10	..	..
Malta ..	..	..	..	..	..	..	229	71	..	..
France ..	..	..	..	..	915	233	..	..	..	..
Austria ..	..	..	..	..	120	34	..	..	..	..
Switzerland ..	..	..	136	43	4,893	1,454	..	..	..	..
Germany ..	764	108	169	12	12,384	4,146	1,377	34	..	..
Belgium ..	..	..	..	..	818	200	..	..	..	..
Holland ..	..	..	..	..	82	30	..	..	..	..
Tripoli ..	..	..	9	1	..	..	..	..	..	..
Turkey ..	..	..	62	15	..	..	258	120	..	..
United States of America—	..	..	..	..	..	..	..	..	..	..
East Coast ..	39,204	1,762	1,603,257	124,310	6,285	3,853	188,088	45,851	..	..
West Coast ..	..	..	2	1	158	80	..	..	..	..
Egypt ..	..	..	..	..	..	..	562	414	..	..
West Indies ..	..	..	..	..	1,903	1,468	..	..	..	..
Argentina ..	..	..	..	..	..	..	12	3	..	..
Philippines ..	..	..	..	..	4,831	1,102	..	..	..	..
Friendly Islands ..	..	..	6	1	..	..	..	..	..	..
Total importations ..	53,457	2,516	2,136,818	177,013	80,470	28,484	242,939	62,126	1,220	124
Quantity cleared ..	36,568	..	1,885,764	..	76,022	..	†94,199	..	1,387	..

* Cigarettes, overweight: Importations included in "Cigarettes"; quantity cleared, 13,646 oz. † Thousands.

W. T. GLASGOW,

Secretary and Inspector.

Department of Trade and Customs, Wellington, 26th July, 1904.

B.

[Handed in by AUSTIN WALSH, first witness.]

Ottawa, Canada, 15th July, 1904.

MR. BORDEN, the leader of the Opposition in the Canadian Parliament, has given notice of an important amendment to the Inland Revenue Act, which is designed to repress anything in the nature of a combine on the part of tobacco, cigar, and cigarette manufacturers.

It provides that any license authorised by the Act may be cancelled in any case where a person who, being a manufacturer of any class of goods subject to excise duty, either directly or indirectly,—

- (a.) Makes a sale of any such goods to a person who sells or intends to sell goods of that class in connection with his own business subject to the condition that the purchaser should not sell or deal in goods of a like kind produced by or obtained, or to be obtained, from any other manufacturer or dealer; or
- (b.) Makes such sale upon such terms as would in their application deprive the purchaser of any profit upon the sale of such goods, if he should so sell or deal; or
- (c.) Consigns any such goods to another person, for sale upon commission, upon such terms that the consignee can profit by such sale only if he does not sell or deal in goods of a like kind manufactured by or obtained, or to be obtained, by any other manufacturer or dealer.

7th August, 1904.

The Canadian House of Commons has passed a Bill the primary aim of which is to prevent the American tobacco trust from restricting dealers to the sale of its products.

C.

[Handed in by CHARLES RUSSELL, American Tobacco Company of New Zealand (Limited).]

The American Tobacco Company of New Zealand (Limited),
(Registered Office, Hunter Street),

Wellington, 17th September, 1903.

As agents for the American Tobacco Company of New Zealand (Limited), we hereby agree not to sell in bond or otherwise for export out of New Zealand any of the brands of cigarettes and tobaccos which we buy from you for home consumption in this colony.

Name of Agents :

Address :

Date :

Approximate Cost of Paper.—Preparation, not given; printing (1,250 copies), £9 19s. 6d.

By Authority: JOHN MACKAY, Government Printer, Wellington.—1904.

Price 6d.]

