

[i.e., the Merchants' Association], and they can frame whatever tariff they wish." In reply to a question, Mr. Wilson also stated that he was sure that the association artificially raised the prices of certain articles. Sinclair Peden, another Dunedin witness, stated that if he were allowed to deal directly with the producers in England he could buy and sell cheaper (see question 17, page 32). The following extract from this witness's evidence (page 33) also deals with this point:—

"33. *Mr. Fairbairn.*] The chief purpose of the Commission is to find out the causes that have led to the increased cost of living. Can you say that the operations of the Merchants' Association in regard to tariff lines has increased the cost of living on certain necessities of life?—Yes. As I have already stated, I think, in nearly every case of a line tarified by the merchants, the wholesale price has advanced, and the retail price has had to advance accordingly.

"34. Do you know of any single instance where the Merchants' Association have reduced the price of any line?—I am not aware of any."

Evidence corroborating these statements was also received from Messrs. H. B. Low (page 88), J. J. Westgarth (page 92), and C. Bowyer (page 145), of Christchurch; A. Bolton (page 377), and J. F. Turnbull (page 456), of Wellington; D. Reid (page 345), and T. B. McNab (page 341), of Auckland. Sworn statements of these witnesses, who are reputable men of some standing in the community, cannot be lightly brushed aside. Your Commissioners know of no other cause for this rise in price other than the operations of the Merchants' Association.

Another equally deplorable state of affairs is that certain favoured large retailers, able to buy many of the necessities of life on exactly the same terms as the wholesale merchants, instead of passing on the saving to the public, retail the goods at the same prices as the smallest of their competitors, who have in many instances to pay 15 per cent. more for the same goods through the Merchants' Association, and who are debarred the opportunity of buying from the same source in the same quantities as the favoured ones.

Hollow-ware.

5. It must not be assumed that these operations have been confined to one trade or one line of business. The ramifications are widespread. George L. Cull, wholesale hollow-ware manufacturer, of Christchurch, came before the Commission and stated that during the last three or four years a combination had been entered into between his firm and certain hardware-merchants in order to fix retail selling-rates, and that the effect generally had been to increase the prices to the retailer by 20 per cent., ensuring also a profit of 20 per cent. to the wholesaler. These hardware-merchants have retail departments, and are therefore buying galvanized hollow-ware at 20 per cent. less than their retail competitors. In order to carry out this arrangement the prices have been increased to the general public by 25 per cent.

SUGAR.

Sugar.

6. From investigations made by the Commission we find that the capital of the Colonial Sugar-refining Company in 1895 was £1,700,130; in 1896 it was £1,702,000; in 1906, £2,200,000; in 1908, £2,500,000; in 1909, £2,850,000; and in 1911, £3,000,000. As far as could be ascertained from the records we examined, this accretion to capital is due to transfers from profits. In order to ascertain definitely whether the company has been making excessive profits, the Commission endeavoured to obtain a statement of the profits for the last ten years, but was unable to procure it. But the profits for the six months ending 31st March, 1912, were in Australia £120,602; in Fiji and New Zealand, £105,000—a total of £225,602, out of which the company paid an interim dividend of 5 per cent. (equal to 10 per cent. per annum), and a bonus of 5s. per share, equal to $1\frac{1}{4}$ per cent., or $2\frac{1}{2}$ per cent. per annum, and carried forward £38,102 out of that half-year's profits. On this basis their profits for a year's trading would be equivalent to £451,204 per annum, or 15·04 per cent. per annum on the present capital.

The evidence before the Commission proves that the Sugar Company have accorded preferential buying conditions to the Merchants' Association, and to favoured retail firms who buy through them, by which the company gives a larger discount to members of this association than to independent traders who may buy in much larger quantities, but who will not join the association. The object is to stifle com-