

SALES MANAGER'S REPORT.

The SALES MANAGER, State Coal-mines, to the UNDER-SECRETARY, Mines Department, Wellington.

SIR,— New Zealand State Coal-mines, Head Office, Wellington, 31st July, 1919.

I have the honour to present the annual report and balance-sheet of the New Zealand State Coal-mines for the year ending 31st March, 1919.

FINANCIAL.

The net profit for the year, after making full provision for interest, depreciation, war bonuses, bad and doubtful debts, and all annual charges, amounted to £30,607 1s. 4d., made up as follows:—

	£	s.	d.
Point Elizabeth Colliery	14,663	7	6
Liverpool Colliery	20,140	0	7
Seddonville Colliery (recovery)	646	16	5
Sale of hulk.. .. .	1,701	3	0
	37,151	7	6
Less losses—	£	s.	d.
Depots	6,451	1	1
Highway robbery	89	0	1
Briquette Account	4	5	0
	6,544	6	2
	£30,607	1	4

The net profit earned represents a return of 8·16 per cent. on the gross capital expenditure to date, and is equal to 10·47 per cent. on the total turnover for the year, which amounted to £292,238 9s. 9d. In comparison with the figures for last year there has been an increase of 1·36 per cent. in the profit earned, and 2·55 per cent. computed on the turnover.

Reviewing the financial results for the year it will be noted that the Point Elizabeth Colliery has made a profit of £14,663 7s. 6d., as against £23,572 0s. 3d. for last year, a decrease of £8,908 12s. 9d., due largely to the decreased output consequent upon the gradual exhaustion of the mine.

The Liverpool Colliery shows a net profit of £20,140 0s. 7d., as against £4,825 10s. 9d. for the previous year, an increase of £15,314 9s. 10d. on the year's working; but in this connection it must not be overlooked that in the accounts of this colliery for the year ended 31st March, 1918, £7,064 was written off as representing the book value of the bins and screening plant destroyed by a landslip in January of that year. It will thus be seen that the relative increase in the net earnings for the year under review would have amounted to £8,250 9s. 10d. when the £7,064 written off, as already mentioned, is taken into consideration.

As full information relative to the production and prospects of the State mines is set out in detail in the report of the Manager of the State Collieries it is sufficient for me to confine my remarks to the financial result obtained.

With regard to the depots, it will be seen that the operations for the year have resulted in an aggregate loss of £6,451 1s. 1d. In my two previous annual reports I directed special attention to this phase, and recommended that in view of increased shipping freights, general working-expenses, salaries, &c., the retail price of household coal should be increased in order to enable the depots to show a reasonable margin of profit over working-expenses, but so far nothing has been done in this connection, as it was considered inadvisable to increase the price of coal to householders during the period of the war.

In the case of the collieries, however, the increased cost of production and other increases have been met by a revision of the selling-prices f.o.b. Greymouth, so that they have been enabled to continue to show a reasonable return on the capital invested, while on the other hand the retail portion of the business has during the past three years been bearing large increases in transport, operating and overhead expenses, without passing any proportion of same on to household deliveries. It will be seen, therefore, that if the depots are to be worked at a profit the retail price of coal for domestic use must be substantially increased, and in this connection it may be mentioned that the retail prices of similar coal range from 15s. to 18s. per ton in excess of State coal prices.

The decreased output of the Point Elizabeth Colliery has resulted in reducing the allocation to the depots from 47,000 tons in 1917-18 to 27,000 tons for the past year, which illustrates the difficulties which have been experienced in endeavouring to cope with the increased demand occasioned largely by the low price of State coal in comparison with competing coals of the same class.

It will thus be seen that the retail portion of the State Coal Department has been bearing an undue proportion of the increased c.i.f. price charged by the collieries, and owing to no corresponding increase having been made in the retail selling-price through the depots, as recommended by me in the reports for the two previous years, it has not been possible to avoid showing increased losses in the working of the depots, which, moreover, will continue until steps are taken in the direction already indicated.

Owing to decreased and irregular supplies frequent stoppages have taken place in the taking of orders at the depots, as the demand for coal has always largely exceeded available supplies.