

The effects of those duties and the relationship between the wheat-growing and milling industries are, however, not fully appreciated. In the first place it may be pointed out that the two industries are in New Zealand interdependent—wheat as such having only a limited use in the Dominion, and the milling industry, on the other hand, being dependent (without appreciable tariff protection) on an adequate supply of locally produced grain. It follows that the duties on flour and wheat must be so designed as to (a) provide adequate inducement for wheat-production, and (b) protect the milling industry from excessive competition from overseas.

Inasmuch as New Zealand millers are the main buyers of local wheat, the duty on flour, and consequently the price which millers can pay growers and yet maintain their competition with imported flour, is of vital importance to growers. A duty on wheat would therefore, without an adequate duty on flour, be of little benefit to growers, and would merely tend to increase the price to be paid for wheat used as such—*e.g.*, fowl-wheat. On the other hand, a duty on flour without an appropriate duty on wheat would tend to result in the importation of wheat for gristing locally, and consequently would depress local wheat-prices to the duty-free import parity. The question is therefore one of correct adjustment of the duties for the purpose of achieving the dual objective. The difficulty of the matter is, however, greatly increased by the fact that the tariff reasonably applicable to the South Island does not meet the position in the North Island, where a different level of prices must normally prevail, where virtually no wheat is produced, and where the local milling-capacity is not equal to the demand. Southern wheat and flour is normally transported to the North Island, and the value f.o.b. southern ports is therefore normally ruled by its value in competition with imported supplies brought directly into North Island ports. This latter fact tends to reduce the real value of the tariff protection given to wheat-growing by an amount equal to the cost of conveyance from South to North. In a year when New Zealand wheat-production is less than the national needs, either wheat or its products must be brought in. It will probably be agreed that it is preferable that the wheat should be imported and that it should be ground locally. There is, however, the objection that, so far as a large portion of the North Island demand is concerned, there is no milling-capacity available to do this gristing without incurring costs of transportation from the South Island.

These and many other matters give rise to considerable difficulty in laying down a policy satisfactory in all its aspects. At the present time, however, there is reason for believing that the duty on wheat, while mathematically equivalent to the duty on flour, is in actual effect too high in relation to the existing duty on flour. In other words, the import parity duty-paid of wheat as such is higher than the duty-paid import cost of a similar quantity of wheat in the form of flour. For this reason it may be said that the flour-milling industry has no tariff protection, and is in fact placed by the tariff under a handicap which it can overcome only so long as local wheat can be secured at a price, based upon flour import parity, which will allow local mills to compete with imports. The position is obscured from time to time by special circumstances arising from such factors as the admission of fowl-wheat duty-free, or the urgent need of mills to secure supplies even at non-payable prices.

REGULATIONS.

In addition to the Board of Trade Gas Amending Regulations (referred to elsewhere in this report), an Order in Council was issued in May, 1926, making regulations under section 26 of the Board of Trade Act relative to the control of motor-omnibuses. These regulations, which have been the subject of considerable discussion between interested parties, were drawn up by and issued through the Public Works Department, which is charged with the administration of the matter.

GAS REGULATIONS.

The Board of Trade regulations for control over the sale and supply of gas provide safeguards in regard to heating-value, purity, pressure, price, and measurement. The regulations are administered by this Department with a Board of Gas Referees, consisting of Dr. J. S. Maclaurin (Dominion Analyst) and Messrs. R. W. Holmes and A. Ford, the latter gentleman having been appointed to fill the vacancy caused by the resignation of Mr. R. Dougall.

Several officers have been appointed Gas Examiners under the regulations, and since September last the gas supplied in Auckland, Wellington, and Christchurch has been regularly tested and has been found to comply with the provisions regarding calorific value, purity, and pressure. The average calorific value in each of these cities was well above the declared calorific value, which is 450, 475, and 470 British thermal units per cubic foot in Auckland, Wellington, and Christchurch respectively. Official tests of the Dunedin gas-supply will be commenced as soon as the Government laboratory which is being established in that city is completed.

Investigations have been made relative to prices and costs in the four chief centres, and price-reductions have been found possible and made effective in Wellington and Christchurch.

To provide for certain necessary alterations in the original regulations, amending regulations were made and gazetted in March, 1926. Provision has been made for the collection of a levy from companies sufficient to pay the costs of administration, which will not, however, amount to a large sum.

The accurate measurement of gas passing through consumers' meters is of course a matter of material importance, and the regulations now make provision for the testing and stamping by official inspectors of all meters—either new or repaired—going into use.

Applications for positions of meter-inspectors will shortly be called.