5 per cent., 10 per cent., 15 per cent., and 30 per cent. are levied. In many cases, of course, the extra duties on goods of foreign origin are imposed for the purpose, and have the effect of giving protection to local producers and manufacturers as well as of granting preference to British industries over those of foreign countries.

In some instances, duties which have apparently been imposed for revenue purposes only have, by reason of the establishment of local manufacture, become, in part at least, protective. In a few cases it would appear that industries established under these conditions some years ago are of such a nature that protection would not be granted if they were new industries seeking the imposition of protective duties. The Commission feels, however, that in view of the facts that such industries are now well established, that plant has been laid down, that organization has been developed, and that employees have been engaged, it cannot as a general rule, and particularly at the present time, be recommended that the protection enjoyed by these industries should be removed. Some of the industries which have developed under what were originally revenue duties are not, of course, subject to the above criticism.

Speaking generally, effect has, in the past, been given to the tariff policy of imposing duties on an *ad valorem* basis. In some instances the circumstances are such as to render it inadvisable to adhere to this rule, and specific duties have been provided for. In a limited number of cases also alternative rates are inserted. On this matter Gregory in his " Tariffs: A Study in Method," after a full discussion of the varying objectives and difficulties, says:—

> " It cannot be said with absolute certainty which system is best adapted to meet all the demands which can be made in the search for the best possible tariff. The explanation of the remarkable success of the specific duty in ousting the *ad valorem* duty must be sought for chiefly in the difficulties which the administration of a complicated tariff based on *ad valorem* values brings with it."

The Commission considers that the objectives sought to be achieved by the New Zealand tariff, and the relative administrative difficulties of operating the two systems of duties under conditions existing in relation to imports into the Dominion are such that, on broad grounds, *ad valorem* duties are to be preferred for the following reasons:—

(*a*) Duties on this basis vary in actual amount directly in relation to changes in price-levels and according to the quality of the particular goods imported.

(*b*) In consequence, the measure of protection and the amount of revenue derived from the Tariff tend to fluctuate in a proper relation with general economic conditions.

We have accordingly endeavoured to convert to an *ad valorem* basis some of the specific duties now provided by the Tariff, while in a few cases, for special reasons, the reverse action has been recommended.

A consideration of the present Tariff shows that protection has been afforded in in the past both to farming and to manufacturing industries and that no fundamental distinction exists in regard to the policy of affording protection to the several classes of industry. For special reasons protection is not provided in the case of certain industries both primary and manufacturing. Effective tariff protection is not, of course, possible in relation to those farm products of which New Zealand has consistently a large exportable surplus.

In considering the industries which should, under New Zealand's policy of moderate protection, receive tariff assistance, and in determining the measure of such assistance, the Commission is of opinion that special regard should be had to the use of locally produced raw material, the extent of employment afforded by the industry, the relationship of that industry to other industries in the Dominion, and the prospect of tariff protection resulting in increased local output and consequent lower costs of production.

In our view, the use of imported material is not, in itself, a valid objection to the granting of protection, but where the material so imported constitutes a relatively high proportion of the value of the finished product, protection should be given only under very special circumstances. Where the competitive position in