cases of this kind is shown to be such as to necessitate a relatively high rate of duty, it seems clear that the industry is not one which should be established in New Zealand as a result of tariff assistance.

We are of the opinion that the essential distinction which may be drawn between industries using imported and those using locally produced raw materials arises from the beneficial effects of the latter class of industry in increasing other forms of local production.

One of the main claims which has been made in favour of protection for local industries has been based upon the fact that employment is afforded to persons in New Zealand and that wage rates paid result in a cost of production high in relation to that of most other countries. Insofar as employment in appreciable measure is afforded by such industries, the Commission considers that, under our accepted national tariff policy, this fact constitutes a valid reason for the granting of protection.

We have noted from the evidence that in a comparatively few instances only are wages in the manufacturing industries paid otherwise than on a time basis. Manufacturers have stated that, for various reasons, they have found it impossible to adopt systems of payment according to output and have claimed that if this method of industrial remuneration could be brought into effect production costs and consequently the need for protection, could be appreciably reduced. It has also been claimed that this result could be achieved with higher payments to employees, and that even though no reduction were secured in the labour cost per unit of output, a definite reduction in the total unit cost would result from the spreading of overhead expenses over an increased output. Statistical evidence was, in certain cases, produced in support of these claims and the Commission can see no reason to doubt the accuracy of the statements made.

Another aspect which we have taken into consideration in respect of the claims made has been the beneficial effect of certain manufacturing industries upon the operations of other New Zealand industries both farming and manufacturing. Where it can be shown that the development of a particular manufacturing operation has, or is likely to have, an appreciable and definitely advantageous effect upon other forms of production, this factor has been given due weight.

A matter to which the Commission attaches considerable importance is the effect which a protective duty may have upon the output of local industries, and the resulting reduction in the unit cost of production. It has been shown quite conclusively that output is a most important factor in influencing the manufactured cost of goods made in the Dominion and the claim has consequently been put forward that the imposition of Customs duties, by diverting the demand to local production, would enable costs (and hence selling prices) to be reduced.

This reduction in unit costs, consequent upon increased output, is, as already mentioned, particularly evident in relation to overhead.

The fact that increased production would reduce costs has led manufacturers to undertake that given increased protection they will not (other factors remaining unchanged) increase their selling-prices, and that in some instances they will find it possible to reduce prices.

While subscribing fully to the claim that increased output would reduce production cost the Commission does not consider it practicable to make it a condition of increased protection that prices shall not rise. Changes in ownership of industrial enterprises, changes in manufacturing methods and organization and the alterations which inevitably take place in the various items constituting total cost make it impossible to determine with a sufficient degree of accuracy the relative importance of the reasons which might be given for any variation in selling prices.

In connection with the foregoing matter it may be said that the advantages claimed for a policy designed to increase output are those recognized as resulting from what is commonly called "mass-production." This term is somewhat loosely used and is often intended to refer to "quantity production." The possibility of obtaining the fullest advantages of large scale production must depend essentially upon the nature of the goods produced and the extent of the market available and although it may not be possible in the Dominion, at present or in the near future, to secure the full benefits of quantity production in anything but a very few