or O.B. qualities and this price range has in recent years tended to increase mainly by definite advances in the list prices of heart lines and, more recently, by reductions in the prices of O.B. Conversely the South Island classification, though making provision for the sale of heart as such for limited special requirements (joinery and figured or finishing timbers), has a price range by no means so wide as in the North. An appreciable price distinction is of course drawn between clean or dressable timber and the lower grades but this does not carry the prices of the clean timber, which is a large proportion of the whole (apparently over 50 per cent.), to the same high figures as are charged for the better quality heart lines listed in the North. (The proportion of heart rimu produced in the North is apparently, in the average, about 25 per cent. of the total and of this the rough or defective grades are sold at prices little above O.B.)

These fundamentally different marketing conditions, which clearly arise out of the difference in building standards and by-laws, have enabled imported timbers to compete in the North much more keenly than in the South and more especially for those purposes in respect of which heart is stipulated in northern centres.

The main feature of the increase in importations to the North Island has been the advance of cedar and redwood as competitors of heart, and even though an ample margin of profit is made by distributors of these imported woods they are easily able to undersell the indigenous heart timbers offering for such purposes as weatherboarding. This disparity in price at Auckland and Wellington is approximately 10s. per 100 ft.

It is remarkable that despite this strong competition with heart, millers in the North Island have almost unanimously agreed that they have experienced no difficulty in selling their heart timbers though some mention has been made of slackness in the demand for lower grades of heart. It cannot be said, however, that this proves that the importation of cedar and redwood has not affected the milling industry. On the contrary, it is claimed that the reasonably ready sale for heart qualities has been due to the general reduction in the output of timber during the past year. It is further claimed that the competition of importations has forced the delivery by millers of better grades of timber than are usually regarded as fulfilling the requirements of the grades ordered. A further contention is that the competition of imported timbers with heart lines affects the ability of millers to make their heart sales "carry" a reasonable proportion of the lower-grade lines, and these lines are consequently left in stock. All these claims appear to have some element of justification which cannot of course be measured statistically.

No duty which could justifiably be imposed would overcome the price disparity which exists in the main North Island centres between cedar or redwood and heart rimu and matai as sold for exterior building construction. Any increase in duty would, however, tend to limit the field over which the imported timbers can successfully compete, and should tend also, both directly and indirectly, to assist the sale of local O.B. timbers.

Millers have stated—and the statistical evidence confirms—that the great difficulty has been to find markets for O.B. lines of local production. So far as importation affects this, the competition comes mainly from Douglas fir and hemlock. The former is a timber of wide utility, and in both North and South Islands (and particularly in the North Island) finds fairly extensive sale for framing, concrete boxing, scaffolding, and interior finishings. It is also popularly used for the manufacture of joinery and, more particularly, doors. Douglas fir dressed is also sold in quantity, especially in the South Island and in Wellington, as flooring and lining. This latter competition is partly against local heart and partly against O.B. timbers. Douglas fir is also marketed extensively for heavy constructional work for which no supply of local timber is available except at specially high prices. Hemlock is by no means so important a competitor for building purposes and while it has been used in some quantity for lining its use in building is negligible and is in fact declining. Hemlock, for price reasons, has mainly been imported as a case-timber, when it competes both with low-grade local timbers, but more especially with white-pine.

Ordinary building grades have also been displaced by wall-board, and, as above mentioned, have been affected indirectly by the competition in heart qualities.

It is this competition with our medium and lower grade timbers (and these, of course, form the great bulk of the Dominion's output) which calls for special attention. It has been freely stated in evidence, and appears to be fully confirmed, that when sales of O.B. are slow the degree of wastage of timber increases—inferior trees are discarded, and mill operations are so adjusted as to reduce the production of inferior qualities. So far as white-pine is concerned, the use of imported timber may for land settlement reasons have the effect of total destruction and wastage of what would otherwise be millable timber. It is understood that this principle in relation to white-pine has been recognized in the matter of export restriction, and to prevent economic waste permits for export of this timber have for years been freely granted.

It will be recognized that the State, both as owner of large areas of forest lands and as a carrier of timber by rail, is directly interested in the prosperity of this industry. The State owns approximately 65 per cent. of the remaining standing timber in New Zealand, and (apart from existing contracts) is in a position to adjust royalties in respect of State owned timber according to market selling-prices. This principle is at present in active operation through the State Forest Service. Timber represents one of the main traffic items in railway haulage, and here also the State is interested in the maintenance of the timber industry on a satisfactory footing.

It is important that consideration should be given to the question whether prices charged by millers have in the past been reasonable. It is well recognized that associations of producers, both by districts and nationally, have been in a position to exercise a considerable influence upon prices. These associations can no doubt claim to have done a great deal of beneficial work in relation to such matters as uniform classification and selling conditions, and their formation and continuance has