

64. And, I suppose, again that had to be made up by the public in the way of increased prices for other articles?—Yes.

65. Let us take another illustration in regard to this—what we say is false economy. Do you know the ——— in Auckland?—Yes.

66. Is that a company which cuts prices?—It makes a specialty of doing so.

67. And what has happened to that concern?—It is common knowledge that within the last eighteen months its ordinary shares have had to be written down from £1 to 6s., and their other shares proportionately.

68. Is it a co-operative concern?—Oh, no; anybody can buy from them.

69. With regard to the question of substitution, do you know an article called Nazol?—Yes.

70. Where is that made?—In Auckland, by Sharland's.

71. I think the cutters have been at work on that?—Nazol has been sold at lower prices by cutting people. It has led to other articles being brought in by chemists here who were selling Nazol fairly freely at the ordinary price of 1s. 6d. They had to do it to compete against the cutters.

72. I think a result of that cutting was that some of the other retailers instituted an opposition line?—Yes. There was one called Nazal Drops, and there have been others.

73. I think this is a letter that you have recently received from your Auckland office, dated 27th January, 1927?—Yes; I will read it. It is as follows:—

DEAR SIR,—

We have to acknowledge yours of the 14th, and regret we overlooked replying to yours of December 2nd, 1926. Ever since Nazol was placed on the New Zealand market it has been our endeavour to control and see that the retail price was observed by all dealers. Generally speaking we have been very successful in doing this, as we consider that the maintenance of the retail selling-price arranged by the manufacturer is in the interests not only of the manufacturer but the retailer as well. If the fixed selling-rate is cut, and the fair profit on the line brought down, it compels the retailer to lose interest in the line and to become antagonistic to it. As an illustration of this, we have in mind a number of chemists in an inland town where Nazol was being cut rather badly, who decided to combine and put up a similar line, under a special name; and further they took steps to discourage the sale of Nazol when specially asked for by customers, notwithstanding the fact that Nazol was a largely advertised line. Fortunately the proprietors of Nazol were able to induce the above cutters to fall in with their wishes, and the antagonism of the chemists was removed and the normal interest in it was restored. We are quite sure that where cutting of proprietary articles takes place it is inimical to the interests of both the general retailer and the manufacturer.

Yours truly,
NAZOL, LTD.

74. That letter was sent to the secretary of the P.A.T.A., I believe?—Yes.

75. So that was your experience in regard to one of your own lines?—Yes.

76. And, apparently, your own fixation of prices—that is, the manufacturer's fixation—without further assistance was not sufficient to prevent price-cutting or to prevent substitution?—That is so.

77. I think that distribution charges of late years—that is, since 1914—have increased?—Yes, the cost of doing business has increased.

78. Why is that?—There has been a general increase, including wages, travelling-expenses, accommodation expenses, and in other directions.

79. And how has that affected the prices at which you had sold your goods?—It has affected them adversely. Previous to the war trading-conditions, or margins allowed to wholesalers by manufacturers, were in the main 20 per cent. Now 15 per cent. may be said to be usual. There are some who are still allowed 20 per cent. But the margin is less now and the cost of doing business has increased.

80. And have prices to the retailer and the public increased proportionately?—No. It is not the policy of the manufacturer, when he puts a proprietary article on the market, to disturb the price at which it sells to the public. Take Baxter's lung-preserver or Bonnington's Irish Moss: Those lines have been advertised at 1s. 6d. at all times. It has been the endeavour of the proprietors to sell at 1s. 6d. Similarly with Lane's emulsion: That was put on the market years ago at 2s. 6d. and 4s. 6d. It is still advertised at those prices. Lane has been forced by circumstances to reduce his margin to the wholesaler, but the public have not been called upon to pay any more. That applies to a number of articles.

81. That is to say that the manufacturer does not increase his price to the public unless the increase in cost is so large as to compel it, but he shortens the profit to the wholesaler?—Yes.

82. And, possibly, to the retailer?—Yes.

83. Notwithstanding the fact, as you say, that the manufacturer of Baxter's lung-preserver and the manufacturer of Lane's emulsion have had to pay more for the cost of manufacturing their goods, and have not charged the public any more, have those articles been made cut lines by some of the retailers?—Yes, very strongly.

84. You have said that your company, as the manufacturer of Nazol, was unable by its own efforts—although it fixed the price to the wholesaler and retailer—to maintain those prices, and that notwithstanding that fixation the line was cut, and that substitutes were sold for it?—Yes.

85. You have also told us that Lane's emulsion is a line which is cut?—Yes, very much.

86. I want you to look at this invoice, which is one you yourselves received from Lane's?—Yes, I see it: it is dated 5th December, 1926.

87. This is a sample of the invoice which has been used by Lane's for a considerable time?—Yes, from the inception.

88. And on the invoice occurs these words—"These goods are supplied on the conditions that they are to be sold as hereunder, any breach of which will stop supplies"—and then follow the prices at which they are to be sold?—Yes.

89. Apparently, from what you say, although Lane's have imposed these conditions and have fixed their prices, they are not able merely by their own efforts to maintain their prices?—That is so; they cannot maintain them.