

*Mr. Gresson.*] Nevertheless they are relevant to the general question as to what is the law applicable to general monopolies. That, at any rate, is my submission. I contend that even if that is the law in New Zealand at the present time, it is not applicable, for two reasons. The first reason is that it has not been shown that any important local industry has been crippled — not a single proprietary article, with, I think, perhaps the exception of that Crème de Menthe tooth-paste, has gone off the market; and I think I am putting it fairly when I state that, summed up, the maximum effect of price-cutting as detailed in the evidence has been that certain popular lines, notably Kolynos, have largely decreased—in one case I think by 50 per cent.—in their sales during the period of price-cutting. But even if it had been found that price-cutting was rife in New Zealand, and had reached a stage when some form of legislative control was necessary, I still stress the fact that you gentlemen have it in your power to recommend, if you choose, any amendment of the law which you think right, and that therefore you are not hampered by precedent at all. Frankly, why I am opening on this point is for this reason: that I want to get the inquiry into its proper limits. An inquiry such as this is apt to become diffuse and spread, and I want to recall the Committee to the point which I have referred to. I suggest that the sole inquiry is whether, in your opinion, it is true that in the present economic position of New Zealand it is desirable that the P.A.T.A. should function, or whether the existing laws should be amended to suppress it or whether it should be suppressed by Order in Council under the Board of Trade Act. These I suggest are the relative boundaries of the inquiry.

*The Chairman:* Do you suggest that under section 26?

*Mr. Gresson:* Yes, under section 26, for the economic welfare of New Zealand. Of course, it is idle for me to stress—and I do not intend to stress it beyond mentioning it—that one paramount factor to be borne in mind in approaching an inquiry such as this is that, for reasons which I am not competent to deal with, the cost of living in New Zealand is extraordinarily high, and any scheme which might tend to increase that cost of living would *prima facie* be detrimental to the public interest.

*The Chairman:* You are arguing that the operations of the association may increase the cost of living.

*Mr. Gresson:* That is one of the heads of my argument, and I would ask you to examine what is the scheme of the association. I admit at once that there are two alternative ways of looking at it. The first is the way my friend looks at it; the other is the way that I and my friends look at it. I will put the other side's aspect first. Under their view the manufacturer fixes his own wholesale and retail price. The association has nothing to do with that matter beyond simply deciding whether or not the prices are excessive—I mean, of course, the wholesale or retail prices. The association decides that point, and then stipulates that if the proprietor of the article is a member of the association his article shall not be sold under his fixed price. That is my friend's view. On that I have two comments to make. The first is the obvious one that, even if his view be correct, no member of the public has any say in the fixation of wholesale or retail prices. My second comment is an even stronger criticism, and that is that the control of the manufacturer's price by the association is a solemn farce. The association officials themselves admit that they do not require the manufacturer to produce to them his costs, and for the best of all reasons—that in a country like New Zealand, where our manufactured goods are almost entirely obtained from England, you could not get the cost price. Suppose that you as a Board of Trade were investigating this question of prices in respect of an article manufactured in England: how could you get at the costs? The association are perfectly candid about the matter, and they admit that they cannot get the manufacturer's costs and that they do not know them. Is it not, then, justifiable for me to say that it is a solemn farce for them to pretend that they exercise the slightest control over those prices. Ultimately the most important element in determining what is a fair price of an article to the consumer is the manufacturer's cost, and as to that the association and everybody else is ignorant, and yet they say they prevent an excessive price being charged. Those are the two criticisms I have to offer on the views of the operations of the association which are the views of my learned friend. I want now to put to the Committee a different view of the operations of the association—namely, the view held by myself and my learned friends associated with me. Under that view we say that the association is a combination of manufacturers, wholesalers, and retailers to fix prices, to control supplies, and to eliminate the competition of outside men and outside goods, to boycott traders who refuse to fall in with the scheme, to prevent reductions being passed on to the public, and, from an economic point of view, worst of all, to stereotype the present wasteful system of distribution. That, apart from the economic point of view, is its greatest evil. The Canadian report, which has been referred to several times, contains an interesting passage to which for a moment I would like to draw your attention. On page 9, in dealing with the question of the costs of distribution, the Registrar says:—

In his "Modern Economic Tendencies" (1921) Sidney A. Reeve observes that in 1850 the effort employed in selling and distributing goods represented about 20 cents of the consumer's dollar, the productive effort represented the 80 cents; whereas nowadays the consumer pays more like 50 cents for the article itself and 50 cents for the expense of selling and distributing it.

That is, for an article costing 100 cents half the cost of the article is eaten up in wasteful and, as we say, unnecessary methods of distribution. What the Committee will have to decide is which of the two conflicting views that I have put before you is the proper view in which to regard the association. If you examine my friend's view, I suggest that you will not be content with deciding on the matter by an examination of the scheme in its present condition. The real risk is, of course, in its potentialities. So long as it is dealing with a few twopenny-halfpenny articles like Cuticura soap and perfumes it will not have much effect on the public at all; but when you examine its potentialities it will be seen that