

1927.
NEW ZEALAND.

TARIFF COMMISSION.

Presented to both Houses of the General Assembly by Command of His Excellency.

APPOINTMENT OF CUSTOMS TARIFF COMMISSION, 1926-27.

CHARLES FERGUSSON, Governor-General.

To all to whom these presents shall come, and to GEORGE CRAIG, Esquire, Comptroller of Customs; GEORGE WILLIAM CLINKARD, Esquire, Advisory Officer of the Industries and Commerce Department; JAMES HENRY FORRESTER, Esquire, Technical Adviser and Inquiry Officer of the Customs Department; and THOMAS HENRY MUSGRAVE TANNER, Esquire, Examining Officer, Customs Department, Wellington: Greeting.

IN pursuance and exercise of the powers and authorities vested in me by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, I, General Sir Charles Fergusson, Baronet, Governor-General of the Dominion of New Zealand, acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby appoint you, the said—

GEORGE CRAIG,
GEORGE WILLIAM CLINKARD,
JAMES HENRY FORRESTER, and
THOMAS HENRY MUSGRAVE TANNER,

to be a Commission to inquire into and report upon the revision of the Customs Tariff of New Zealand.

And with the like advice and consent I do further appoint you, the said

GEORGE CRAIG,

to be the Chairman of the said Commission.

And you are hereby authorized to conduct any inquiries under these presents at such times and places as you deem expedient, with power to adjourn from time to time and place to place as you think fit, and to call before you and examine on oath (or otherwise) such persons as you think capable of affording you information as to the matters aforesaid, and to call for and examine all such documents as you deem likely to afford you information on any such matters.

And, using all due diligence, you are required to report to me, under your hands and seals, not later than the thirtieth day of June, one thousand nine hundred and twenty-seven, your opinion on the aforesaid matters.

And you are hereby strictly charged and directed that you shall not at any time publish or otherwise disclose, save to me in pursuance of these presents, or by my direction, the contents or purport of any report so made or to be made by you.

And it is hereby declared that these presents shall continue in force although the inquiry is not regularly continued from time to time or from place to place.

And, lastly, it is hereby further declared that these presents are issued under and subject to the provisions of the Commissions of Inquiry Act, 1908.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this 29th day of November, 1926.

WM. DOWNIE STEWART, Minister of Customs.

Approved in Council.

C. A. JEFFERY,
Acting Clerk of the Executive Council.

EXTENDING THE PERIOD WITHIN WHICH THE CUSTOMS TARIFF COMMISSION
SHALL REPORT.

CHARLES FERGUSSON, Governor-General.

To all to whom these presents shall come, and to GEORGE CRAIG, Esquire, Comptroller of Customs; GEORGE WILLIAM CLINKARD, Esquire, Advisory Officer of the Industries and Commerce Department; JAMES HENRY FORRESTER, Esquire, Technical Adviser and Inquiry Officer of the Customs Department; and THOMAS HENRY MUSGRAVE TANNER, Esquire, Examining Officer, Customs Department, Wellington: Greeting.

WHEREAS by a Warrant dated the twenty-ninth day of November, one thousand nine hundred and twenty-six, and issued under my hand and the Seal of the Dominion of New Zealand, you, the said George Craig, George William Clinkard, James Henry Forrester, and Thomas Henry Musgrave Tanner were appointed to be a Commission to inquire into and report upon the revision of the Customs Tariff of New Zealand:

And whereas by the said Warrant you were required to report to me under your hands and seals not later than the thirtieth day of June, one thousand nine hundred and twenty-seven, your opinion on the aforesaid matter:

And whereas it is expedient that the period within which you are required to report to me should be extended:

Now, therefore, in pursuance and exercise of the powers and authorities vested in me by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, I, General Sir Charles Fergusson, Baronet, Governor-General of the Dominion of New Zealand, acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby extend the period within which you are required to report to me, as by the said Commission provided, to the fifteenth day of August, one thousand nine hundred and twenty-seven:

And in further pursuance of the said powers and authorities, and with the like advice and consent, I do hereby confirm the said Commission except as altered by these presents.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this 27th day of June, 1927.

WM. DOWNIE STEWART, Minister of Customs.

Approved in Council.

F. D. THOMSON,
Clerk of the Executive Council.

REPORT.

To His Excellency the Right Honourable Sir Charles Fergusson, Baronet ; General on the Retired List and in the Reserve of Officers of His Majesty's Army ; Doctor of Laws ; Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George ; Knight Commander of the Most Honourable Order of the Bath ; Companion of the Distinguished Service Order ; Member of the Royal Victorian Order.

MAY IT PLEASE YOUR EXCELLENCY,—

Your Excellency's Commission, dated the 29th day of November, 1926, directed us to inquire into and report upon the revision of the Customs tariff of New Zealand.

Your Excellency's further Warrant dated the 27th day of June, 1927, extended the time within which we were required to furnish our report to the 15th August, 1927.

We have the honour to report as follows :—

NOTIFICATION OF SITTINGS AND OF PROCEDURE.

In order that the public and all persons interested might have an opportunity of tendering evidence, advertisements were inserted in the daily newspapers of the Dominion and in the *New Zealand Gazette* setting forth the dates upon which the Commission would sit at the various centres visited.

By advertisement in the *Gazette* the public were also advised as to the course of procedure to be adopted by persons desiring to give evidence.

From time to time lists were gazetted of articles with respect to which the Commission had been asked or proposed to take evidence. It was made clear that we did not bind ourselves to take evidence concerning or to consider only the articles mentioned in those lists.

The *Gazette* notices above referred to are set out in Appendix A to this Report.

SITTINGS HELD.

Sittings at which evidence was taken were held in the following cities and towns of the Dominion and in the order named : Auckland, Ohakune, Christchurch, Dunedin, Invercargill, and Wellington. These sittings occupied the attention of the Commission almost continuously from the 18th January to the 31st May, 1927.

WITNESSES HEARD AND EXAMINED.

Witnesses to the number of 578 appeared before the Commission and gave valuable evidence in relation to the production, manufacture, importation and sale of a large variety of goods. Information on many subjects has also been obtained from official sources, and by investigation and inquiry made by Departmental officers.

MANUFACTURING ESTABLISHMENTS VISITED.

With a view to obtaining a better appreciation of certain of the evidence tendered the Commission took the opportunity whenever possible of visiting some of the more important manufacturing establishments and considers that this course of action was of much assistance in the consideration of questions arising for decision.

FORM OF REPORT.

It is considered advisable that in addition to this General Report there should be submitted Special Reports dealing in some detail with particular industries or commodities, and these Special Reports appear as Appendix B hereto.* It will be recognized that the Commission cannot, in the time at its disposal, prepare such reports in relation to more than a comparatively few of the many trades or articles which have necessarily been under review.

The recommendation which the Commission has to make in regard to the form of the Tariff and the rates of duties to be imposed is set out in Appendix C hereto.†

GENERAL REPORT.

The New Zealand Customs Tariff has three main objectives:—

- (a) The collection of revenue.
- (b) The protection of local industries, both farming and manufacturing.
- (c) The granting of preferential tariff treatment to goods of British Empire origin.

These three objectives are inter-related, and are, in general, not clearly separable.

The duties levied on many commodities produce simultaneously, in some measure, two or more of these effects. The tariff also necessarily indicates the goods which are free of duty from all countries.

During the calendar year 1926 goods to the value of £49,889,563 were imported into the Dominion. Under the provisions of the existing tariff 24 per cent. (representing £12,156,315) was admitted free from all sources; 25 per cent. (or £12,471,669 in value) was of a class admissible free of duty only when produced or manufactured in British countries; the balance—namely, 51 per cent. (of a value of £25,261,579)—was liable to duty irrespective of origin.

REVENUE.

In his "Public Finance," Professor Bastable says:—

"The influence of Adam Smith's teaching on administrators, and the need of revenue in consequence of increasing outlay, have led to at least a partial recognition of the financial aims of import taxation. Even in countries that adhere to a rigid system of protection, some of the duties are solely productive of revenue, and in all, the financial aim crosses and modifies the political one. A great deal of the modern protectionist revival is really due to the need of revenue to meet growing expenditure. The general adoption of a purely financial Customs system with complete exclusion of all other aims may be long deferred, but State requirements will always secure that the gaining of funds shall be one of the ends sought. . . . For the immediate future the Customs system must remain as a necessary element in the taxation of commodities that the heavy outlay of modern States makes indispensable."

The amount of Customs and Excise revenue (including duty on tires credited to Main Highways Account) collected in the Dominion during the financial year 1926–27 was £9,016,863, made up as follows:—

	£
Customs duty	8,286,783
Excise duty, viz.—	
On beer	621,813
On tobacco, cigars, and cigarettes	87,930
Other	20,337
Total	£9,016,863

* Portion of Appendix B, being confidential, has not been printed.

† Appendix C, being confidential, has not been printed.

From the fact that this revenue represented approximately 52 per cent. of the total net taxation revenue of the Dominion for that year, it will be seen that under present conditions the Dominion relies very largely upon this source of revenue to meet the general expenses of the State.

The following table shows, for the past financial year, the chief revenue-producing items of the tariff and the amount of duty collected under each of those items :—

Name of Article.				Revenue collected, 1926-27. £
Spirits, wines, and beer	..	..	..	1,253,123
Tobacco, cigars, and cigarettes	..	..	..	1,393,909
Motor-vehicles	..	..	..	1,079,076
Apparel and textiles	..	..	..	1,707,385
Metal manufactures and machinery	..	..	..	698,415
Fancy goods, jewellery, and musical instruments	..	..	..	308,032
Other goods	..	..	..	1,414,415
Primage	..	..	..	452,765
Total				£8,307,120

Of the foregoing specified items, spirits, wine, beer, tobacco, cigars, and cigarettes may be regarded as essentially of a revenue producing character and as such are recognized as subject to adjustment from time to time according to financial conditions and the general taxation policy. We therefore feel that we are not in a position to make anything more than a formal recommendation regarding the duties on those commodities.

Subject to the foregoing, we have, in coming to a decision as to our recommendations, borne in mind the probable revenue effect of the proposals made.

An estimate on this matter has been prepared, and is included as Appendix D hereto.*

PROTECTION.

The Commission does not propose to deal with the general academic question of the relative advantages or disadvantages of protection as compared with free trade.

The tariff history of the Dominion shows clearly that the established policy is one of moderate protection, and as we consider that the continuance, extension, or reversal of this policy is a matter for the Legislature, the fundamental question lies outside the scope of our inquiry. As an endorsement of our attitude on this matter we quote hereunder from Professor F. W. Taussig in his work "Free Trade, The Tariff, and Reciprocity." Dealing with the functions of a Tariff Board under United States Law, he said (*inter alia*),—

"It does not follow that a Tariff Board can be of no service whatever in guiding Congress and the country on the larger and more difficult questions of industrial policy. . . . Let it be given mainly the function of assisting Congress in the intelligent elaboration of whatever policy the country has decided to follow, and make no pretence of removing the determination of policy from the quarter where in the end it necessarily belongs—Congress and the voters."

The Commission considers therefore that the determination of the appropriate tariff action in respect of each commodity or industry must depend upon the facts found to exist in relation thereto.

The rates of duty imposed for protective reasons and embodied in the existing tariff vary appreciably as between the different items. When these duties are imposed on an *ad valorem* basis, the highest rate usually charged under the British Preferential Tariff is 25 per cent. The protective rate most commonly inserted is 20 per cent. on goods of British origin, and in a lesser number of instances rates of

* Appendix D, being confidential, has not been printed.

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 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

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

lines, we consider that if New Zealand is to continue to undertake the manufacture of certain classes of goods, conditions should, as far as reasonably possible, be such as to encourage production on a quantity basis and at lowest possible costs.

We have also taken the view that in deciding upon the industries which have valid claims for protection and in coming to a conclusion as to the amount of such protection attention must be paid not only to a purely economic considerations but also to the social well-being and general progress and development of the Dominion.

In assessing the measure of protection required in each instance the Commission has had most valuable assistance from detailed information submitted by witnesses and collected by departmental officers bearing upon (a) the cost of production and selling prices of New Zealand made goods, and (b) the f.o.b. prices, landed costs and selling prices of competitive articles imported from overseas. This information has, wherever possible and necessary, been supported by financial and trading accounts and statements. Without this information—largely of a confidential nature—the Commission could not, in many cases, have satisfactorily made a recommendation as to the rate of duty which should be imposed.

Evidence was tendered to the Commission in support of requests (a) for the maintenance of existing duties, (b) for new or increased protective duties and (c) for reduced duties. Of the requests for protection it may be said that many were of such a nature as to indicate that the establishment of local manufacturing industries has resulted in increasingly keen competition from imported goods. While it is, in general, impossible to ascertain the reasons which have brought about reductions in prices of imported goods, and while these reductions have, no doubt, in many cases been due to causes not directly related to conditions in this Dominion, there appear to be ample grounds for believing that the existence and competition of local manufacturing enterprises have, in some cases, brought about decreased prices on this market.

Many of the requests for new or increased protection had relation to minor trades and industries and in a number of these cases it was clear that the limited trade available in the Dominion does not permit of manufacture on an economic basis. In other cases while the total trade is appreciable the market demand for a variety of patterns or sizes is such that in those instances also a reasonable level of efficiency cannot be attained. In consequence, the Commission cannot recommend that such requests be acceded to.

Following the policy hitherto adopted we have, in dealing with requests for tariff assistance in relation to both farming and manufacturing industries, endeavoured to apply the same general principles and have based our recommendations upon the necessities of and the facts available respecting each case.

In several instances requests were made for duties upon goods which, though not of the same nature as those produced by the applicant, were nevertheless directly or indirectly competitive. We consider that it is not possible to lay down any principle which can satisfactorily be applied in all such instances, but, as a general rule, we cannot agree that duties should be imposed for no other reason than that the goods in question indirectly compete with local products.

In our recommendations we have, as far as possible, endeavoured to assist industry—both farming and manufacturing—by the admission of industrial requirements free of duty.

In a few instances the circumstances are, in our opinion, such as to warrant the removal of protection now afforded by the tariff and we have consequently recommended the abolition of the duties in question. We also consider it undesirable that any suspended duties should now be included in the Tariff Schedules and we have accordingly suggested such adjustments as will make possible the removal of these suspended duties.

PREFERENCE.

A consideration of the Tariff in force in previous years shows that the principle of according preferential tariff treatment to goods of Empire origin has been followed continuously since 1903. It has been urged upon the Commission that

the intention of Parliament in adopting a Preferential Tariff is essentially to give an advantage to United Kingdom manufactures over those of foreign countries and it was further suggested that where the competition on this market of the products of certain other British Dominions is such as to embarrass the competitive industries of Great Britain, tariff adjustments should be made to carry out effectively the alleged intention of the Legislature.

So far as may be judged from the terms of past Tariff legislation it seems clear that the underlying intention of Parliament has been, not only to afford assistance to the manufacturing industries of the United Kingdom, but also to encourage trade within the Empire, and for this reason the Commission cannot agree with the suggestion above referred to and considers that, subject to special Tariff Treaties, the Tariff Schedule should be so framed as to accord similar treatment to all British countries.

The effect of the Preferential Tariff is, of course, to grant protection in New Zealand to the products and manufactures of the Empire as against those of foreign countries. It may be mentioned that requests have been made for increases in the margins of preference on the grounds that costs of production (and particularly labour costs) are higher in certain portions of the Empire than on the Continent of Europe.

The rates of preference provided by the existing Tariff are generally 10 per cent. or 15 per cent. *ad valorem*. In a few cases the margin of preference is lower than 10 per cent. and in a few cases higher than 15 per cent.

As an indication of the measure of preference accorded under the provisions of the existing tariff we show hereunder the difference between the duty paid during the past four years on goods of British origin as compared with the amount which would have been paid on those goods if the General Tariff rates had been applicable:—

Imports during Year.	Preference (<i>i.e.</i> , Duty Concession) on Goods of United Kingdom Origin only.	Preference (<i>i.e.</i> , Duty Concession) on Goods of Empire Origin.
	£	£
1923	2,922,620	2,558,990
1924	3,179,590	2,618,190
1925	3,392,900	2,877,010
1926	3,294,500	2,590,750

In the Tariff of 1921 the rates of duty on 66 per cent. of the total number of items provided for preference to British goods as compared with 40 per cent. in the previous Tariff.

The following figures show (for the past two years and for the average of the two years prior to the 1921 Tariff) the percentages of our imports from British countries which did and which did not enjoy preferential tariff treatment:—

Imports of United Kingdom Origin.	Percentages of Imports during		
	Two Years prior to 1921 Tariff.	Year 1925.	Year 1926.
<i>Goods subject to preference—</i>			
(a) Free of duty, similar foreign goods being dutiable ..	8	33	33
(b) Dutiable, similar foreign goods being dutiable at higher rates	43	47	48
<i>Goods not subject to preference—</i>			
(a) Free of duty, similar foreign goods also being free of duty	39	12	10
(b) Dutiable, similar foreign goods being dutiable at same rates	10	8	9
Totals for imports of United Kingdom origin ..	100	100	100

Imports of all Goods of British Origin.	Percentages of Imports during		
	Two Years prior to 1921 Tariff.	Year 1925.	Year 1926.
<i>Goods subject to preference—</i>			
(a) Free of duty, similar foreign goods being dutiable ..	7	30	30
(b) Dutiable, similar foreign goods being dutiable at higher rates	38	41	42
<i>Goods not subject to preference—</i>			
(a) Free of duty, similar foreign goods also being free of duty ..	44	21	18
(b) Dutiable, similar foreign goods being dutiable at same rates	11	8	10
Totals for all imports of British origin	100	100	100

It will be seen from the foregoing that the percentage of imports of goods of United Kingdom origin (and of those of British origin generally) which were accorded preference on importation into New Zealand has increased appreciably as compared with the position existing prior to the adoption of the Tariff of 1921.

A consideration of the imports of goods subject to differential tariff treatment according as they are of British or of foreign origin indicates that during the past three years goods of foreign origin have tended to increase their share of the New Zealand market. Figures bearing on this point are given hereunder :—

IMPORTS OF BRITISH AND FOREIGN GOODS OF CLASSES SUBJECT TO PREFERENTIAL TARIFF TREATMENT.

Year.	Imports of British Goods subject to Duty at Rates lower than similar Foreign Goods.	Imports of Foreign Goods subject to Duty at Rates higher than similar British Goods.	Percentage Relation.	
			British.	Foreign.
	£	£		
1923	23,380,721	6,465,460	78·3	21·7
1924	25,436,717	6,766,358	78·9	21·1
1925	27,206,784	8,118,838	77·0	23·0
1926	24,376,238	8,750,178	73·6	26·4

The total imports of the Dominion (which, of course, include classes of goods not subject to differential tariff treatment) also reflect some decline in the proportion which is of British origin. The figures for the past four years and also for the first half of 1927 are as follows :—

TOTAL VALUE OF ALL IMPORTS ACCORDING TO COUNTRY OF ORIGIN.

Year.	British.	Foreign.	Percentage of Total.	
			British.	Foreign.
	£	£		
1923	31,866,993	11,511,500	73·5	26·5
1924	35,380,909	12,696,694	73·8	26·2
1925	38,262,276	14,194,131	72·9	27·1
1926	34,073,741	15,815,822	68·3	31·7
1927 (six months) ..	15,152,389	7,048,315	68·3	31·7

The Commission has concluded that the principle of according tariff preference to goods of Empire origin is a fundamental feature of New Zealand's tariff policy

and that this principle should be maintained and extended wherever circumstances justify this course.

As in the matter of protection for Dominion industries, the granting of tariff preference to British goods tends to increase the prices of commodities sold on the local market. As has already been stated in respect of protection, preference does not, however, of necessity and in all cases have this result.

In some instances the Commission is of opinion that the duties on foreign goods designed to assist Empire trade restrict the progress of and are a competitive disadvantage to local industries. Satisfactory evidence has been produced to show that, in certain cases, manufacturers in other parts of the Empire are able to use free-of-duty foreign materials and to manufacture therefrom goods which are admissible into this Dominion under the British Preferential Tariff. In competition with such goods, local manufacturers must either pay the duty imposed on foreign raw materials or purchase Empire materials at prices higher than those at which foreign materials could be obtained if admitted to the Dominion free of duty.

In deciding upon our recommendations as to the margins of preference which should be provided in respect of various classes of goods, we have been faced with much greater difficulty than exists in respect of the protective aspect of the Tariff. A great deal of information has been obtained both from witnesses and by Departmental inquiry, bearing upon such matters as f.o.b. prices and landed costs of competitive goods imported from British and from foreign countries. Such information, together with statistics showing the relative success or otherwise of British goods in this market, has generally enabled us to judge of the position existing in the various trades. As a general rule we have not, of course, been able to ascertain the actual costs of production of imported goods and, from that point of view, have found difficulty in assessing the measure of preference which is necessary as a protection to the British producers in each case considered.

In a few instances, the circumstances have been such that we have recommended reductions in the margins of preference, while, in a number of other instances, increases are suggested either by a reduction in the British Preferential rate or by an increase in the duty on the foreign article.

In relation to the Tariff generally we wish to point out that difficulties of classification and administration have, in some cases, influenced us towards a modification of what might otherwise have been recommended. It is quite clear that, not only from the point of view of efficient administration, but also in the interest of the trading community generally, the Tariff should, as far as possible, be so devised as to ensure simplicity of statement and the avoidance of the necessity of drawing fine lines of discrimination between similar classes of goods.

DEPRECIATED CURRENCY DUTIES.

The provisions made for the charging of these duties are not, under present conditions, in active operation.

The justification and necessity for the imposition of what are known as depreciated currency duties arise from the fact that when currency depreciation is taking place abnormal profits, arising directly from such depreciation, can be made on the export of goods. Evidence which we have received seems to indicate that this is not generally recognized and that the view is not uncommonly held that the mere fact that currencies have depreciated (either in relation to their par values or as compared with other currencies) calls for the imposition of countervailing duties. The abnormal profits already referred to result from the fact that the internal cost of production rises less quickly than the external value as shown by the exchange rates. Depreciated currency duties were therefore imposed in New Zealand at a time when certain foreign currencies were in course of depreciation and not for the reason that depreciation had taken place. Since reasonable stability has now been secured in respect of the currencies of countries exporting to New Zealand the necessity for the imposition of this special class of duty has ceased.

The Commission considers, however, that in order to provide for any recurrence of abnormal currency conditions in overseas countries the legislation on this matter should be allowed to remain in force.

DUMPING DUTIES.

Certain witnesses who appeared before the Commission alleged that they were at present being forced to meet the competition of either British or foreign goods “dumped” into this market. The evidence indicates that this term is frequently loosely used to characterize keen competition or sales at what appear to be specially low prices. Investigation does not usually substantiate the allegation that dumping is taking place and in some cases where dumping is actually proved it has been clear that the imposition of duty to meet such conditions would have no beneficial effect on the industry concerned and would tend merely to divert the trade to another overseas supplier who is not dumping.

Sir Josiah Stamp in his “Principles of Taxation” says, in discussing this matter, “The prevention of dumping is distinct and local and is clearly a fair aim if dumping is properly defined and distinguished from clear competition on stable and sustained lines.”

The Commission considers that it is essential that the power to impose dumping duty should be retained to meet such cases as fully warrant its exercise.

INTERMEDIATE TARIFF.

The Commission considers that no good purpose is served by the retention of the Intermediate Tariff which as a whole has never been applied to the goods of any country and which so far as the Commission can see is not likely to be so applied. We consider that a much more satisfactory course to adopt is that of negotiation with particular countries when each tariff item can be considered in the light of the special interests of this Dominion and of the country with which negotiations are taking place. We have accordingly prepared the draft Tariff without the insertion of any intermediate scale of duties.

SPECIAL TARIFF AGREEMENTS.

At the present time New Zealand has special tariff arrangements with the Commonwealth of Australia and with the Union of South Africa. The proposals which we have made are not such as appear to involve the necessity for anything in the nature of a complete revision of these arrangements, but it will, we think, be necessary to take certain steps to ensure that the spirit of the Tariff Agreement with Australia may be maintained.

In witness whereof we have hereunder set our hands and seals this fifteenth day of August, in the year one thousand nine hundred and twenty-seven.

[L.S.]	GEO. CRAIG, Chairman.	
[L.S.]	G. W. CLINKARD,	} Members.
[L.S.]	J. H. FORRESTER,	
[L.S.]	T. H. M. TANNER,	

APPENDIX A.—GAZETTE NOTIFICATIONS OF SITTINGS AND PROCEDURE.

CUSTOMS TARIFF COMMISSION, 1926-27.

Customs Department, Wellington, 6th December, 1926.

It is hereby notified for public information that the Tariff Commission proposes to visit various places in New Zealand for the purpose of taking evidence from persons desiring to make representations respecting the Customs Tariff.

Any person desiring to make such representations in person should advise the Chairman of the Tariff Commission at the above address as to the article or articles in respect of which it is wished that the Customs Tariff should be maintained or altered. It is essential that the place or places at which such evidence can be tendered should be stated as soon as possible, as the itinerary of the Commission must be arranged at an early date.

Where there is an association or other body representing any particular trade or commercial interest, and such association or body is able to tender evidence of a satisfactory and comprehensive character, it will be preferred that the evidence be given by that association or body.

It is desired where personal evidence is to be given before the Commission, that the person intending to appear should previously supply, if possible, written information along the lines set out in the First Schedule hereto.

Due notice will be given in the *New Zealand Gazette*, and in the principal daily newspapers published in the district, as to the time and place at which the Commission will sit in each of the various centres which it will visit.

As the Commission is to report on or before 30th June next, it is desired that those interested should indicate as soon as possible the matters upon which they desire to make representations.

Representations made in writing by parties who do not desire to appear before the Commission in person must reach the Chairman not later than 31st March, 1927; it is desirable, however, that they be sent in at the earliest possible date.

All evidence supplied to the Commission either in writing or otherwise will be regarded as confidential.

It is important that, as far as possible, all the evidence tendered to the Commission should relate to specific articles or classes of articles, and that where it includes matters of fact such as the landed cost, manufactured cost, selling prices, or cost of transport of goods, or rates of wages, whether in New Zealand or elsewhere, such evidence should be supported by the authorities or other documents on which the evidence is based.

It is intended from time to time to publish in the *Gazette* lists of articles with respect to which the Commission has been asked or proposes to take evidence. It will be understood that the Commission does not bind itself to take evidence concerning or to consider only the article or articles mentioned in such lists. A preliminary list of such articles is set out in the Second Schedule hereto.

It is not expected that, except under special circumstances, the Commission will be able to hear evidence at places other than Auckland, Christchurch, Dunedin, Invercargill, and Wellington.

GEO. CRAIG, Chairman.

FIRST SCHEDULE.

INFORMATION to be supplied in writing by person desiring to give evidence before the Tariff Commission.

1. Full name and address of person, and of person, firm, company, or association (if any) for whom he is acting.

2. Place and nature of business of such person, firm, or company.

3. Article or articles with respect to which it is desired to give evidence.

4. Rates of duty at present in force and alterations (if any) desired.

5. Reasons in full for desired alteration (if any).

6. Whether the person, firm, or company is a manufacturer actually manufacturing or producing the article or articles in New Zealand, or whether the person, firm, or company is intending to produce or manufacture the article or articles in New Zealand.

In the case of an Established Industry.

(a) Average number of employees (showing male and female separately) employed in the business of manufacturing the article or articles during the preceding three years, and the average wages paid thereto.

(b) Average number of hours per week worked by such employees.

(c) Capital invested in such business during the last three years, under the following headings:— £

(i) Value of plant and machinery ..

(ii) Value of buildings ..

(iii) Value of land used in the business ..

(iv) Working capital ..

(v) Other division of capital ..

Total ..

(d) General management and distribution charges, including salaries of general manager, office staff, travellers, &c. (average during last three years only).

(e) Repairs, and maintenance of buildings, plant, machinery, &c. (average during last three years only).

(f) Rents, rates, and taxes (average during the last three years only).

(g) Value during each of the last three years (at factory selling-prices) of articles produced at factory.

(h) The principal materials (raw, partly manufactured, or completely manufactured materials) used during each of the last three years in the process of manufacture, showing nature of the same, country of origin thereof, and price delivered at factory.

(i) Approximate proportion which the total New Zealand output of the article or articles in question at present bears to the total requirements of New Zealand.

(j) Whether, during the past three years, there has been a sufficiency of competent labour offering for the purposes of this industry.

(k) Countries from which the keenest competition arises and the proportion the freight bears to the f.o.b. value in the country of export.

(l) If possible, wages paid to employees in such countries in the particular industry.

(m) Names and addresses of other New Zealand manufacturers of this article.

7. Any other arguments to support the application.

In the case of a Prospective Industry.

(a) Does the applicant undertake, if sufficient protection is granted by Parliament, to commence the manufacture of the article or articles in New Zealand; and, if so, within what period?

(b) Average number of employees (showing males and females separately) proposed to be employed, and the average wages that would be paid thereto.

(c) Amount of capital it is proposed to invest in the industry, under the following headings:— £

(i) In land and buildings ..

(ii) In plant and machinery ..

(iii) Working capital, &c. ..

Total ..

(d) The principal materials proposed to be used in the process of manufacture, showing nature of same, country of origin thereof, and price delivered at factory.

(e) The proportion that the cost of labour will bear to the factory cost of the finished article or articles.

(f) Estimated value of the annual requirements of New Zealand in the article or articles.

(g) Estimated value of the annual output of the proposed factory.

(h) Countries which at the present time supply the New Zealand market and the proportion the freight bears to the f.o.b. value in the country of export.

(i) If possible, wages paid to employees in such countries in the particular industry.

SECOND SCHEDULE.

PRELIMINARY LIST OF ARTICLES WITH RESPECT TO WHICH THE TARIFF COMMISSION HAS BEEN ASKED
OR PROPOSES TO TAKE EVIDENCE.

Acetic acid.	Gases—oxygen, dissolved acetylene, nitrous oxide.
Adding machines.	Gas heating-appliances.
Adhesive paste, in bulk.	Gelatine.
Ammonia, anhydrous and liquid.	Gelatine capsules, empty.
Antiques.	Gloy in bulk.
Apparel.	Glue.
Asbestos.	Grinding wheels, vitrified.
	Gum, liquid.
Band instruments, for municipal bands.	
Boats—trawlers and fishing-vessels, imported in parts.	Hat blocks and paus.
Bottles, glass.	Hat hoods (panama).
Brake lining for motor-vehicles.	
Brakes, Westinghouse.	Ice-cream cups.
Brushware.	Ink, writing.
Buttons.	Insulating materials.
	Iron, pig.
	Iron, sheet, corrugated, and substitutes therefor.
Candles.	
Carbide of calcium.	Jam.
“Cascades JBL.”	Jars, earthen, with tap.
Chaff.	Jars, glass.
Churns.	
Cisterns, flushing.	Laces.
Clocks, turret.	Lead, piping.
Confectionery.	sheet.
Coolers, dairy.	strip.
Cork for pickle jars or bottles; cork slab.	Leather, belting.
Corks, crown.	glace kid.
Cotton linters.	persians.
Cream-separators.	rough tanned sheepskins for the manufacture of chamois leather.
Cream of tartar.	sole.
Curios.	suede.
	Lemon-peel in brine.
Dentists' chairs.	
Dessicated coconut.	Machinery and implements, agricultural.
Doors, wooden.	Machinery, dairying.
	Maize.
Ear pliers (cattle and sheep).	Marmalade.
Elastics.	Mercury.
Electric accumulators.	Metal fittings for bedsteads, furniture, &c.
batteries.	Milk, condensed.
elevators.	Mouldings, wood and composition.
fuses and cutouts.	
heating and cooking appliances.	Nails.
high tension insulators.	
lamps.	Oatmeal and rolled oats.
machinery.	Oil engines.
motors.	Oils—cod liver.
Electro-plated goods.	linseed.
Explosives.	transformer.
	whale.
Fencing posts and droppers.	
Filters, domestic.	Paints.
„ for use in wine-making.	Paper and manufactures thereof.
Fish, preserved.	Perfumed spirits, including eau-de-cologne.
Foods, yeast.	Pianos.
Footwear.	Pickles.
Fruits, dried, apples.	Pipes, iron.
apricots.	Plated articles such as fittings for motor-vehicles,
nectarines.	califonts, stoves, &c.
peaches.	Platinum tips and platinum tipped screws.
pears.	Pumps, spray, hand and foot power.
Fruits, fresh, apples.	
grapes.	Refrigerating apparatus.
lemons.	Rennet.
oranges.	Rice flour.
passion fruit.	Ridging and finials, asbestos.
tomatoes.	
Fruits preserved in syrup.	

Salt.
Seed, cocksfoot.
Spices, ground (in small packets).
Staples, fencing.
Stationery, manufactured.
Stone, granite, dressed or undressed.
Strapping for butter-boxes.

Tea.

Textiles—

Artificial-silk piece-goods.
Cotton piece-goods.
Lace material and net for women's underwear.
Shoddy piece-goods containing wool.
Unions, cut up for shirts, &c.

Tiles, roofing, earthen or glass.

Timber.

Timber—Box shooks.

Timber for butter-boxes and cheese crates.
Tins, imported with other goods packed therein.
Tools, artificers.
Trade catalogues.
Typewriter ribbons.

Vegetables, tinned.

Wallboard (wood-pulp board).

Watch-cases.

Wines.

Window-frames, of steel.

Wire fabric, electrically welded.

Wire, plain metal.

Wire-strainers.

Wool rugs (carpets).

Woollen piece-goods.

(Other lists of articles which appeared in the *New Zealand Gazette* of 13th January, 1927, 10th February, 1927, 17th February, 1927, 3rd March, 1927, and 14th April, 1927, as well as notifications of sittings of the Commission, have not been printed.)

APPENDIX B.—SPECIAL REPORTS.*

TIMBER.

A CLAIM for increased duties on timber has been made on the ground that there is a depression in the timber industry, and that increased duties are necessary to place the industry on a satisfactory footing. In view of this the Commission thinks that it is necessary to consider whether or not a depression exists and, if so, to deal with the various causes which have contributed thereto and the extent to which importations have been a factor in bringing about depressed conditions. The matter has accordingly been investigated under the following headings:—

- (1) Whether or not there has been a depression;
- (2) If so, the duration and intensity of the depression; and
- (3) The causes of the depression.

In view of the importance of this industry it is considered that these matters should be discussed in some detail.

In order to deal satisfactorily with this matter it has been found necessary to deal with the subject firstly in regard to the conditions existing in the several main timber producing areas of the Dominion and secondly for the Dominion as a whole.

(1) *Whether or not there has been a Depression.*

From the following the Commission is satisfied that relatively depressed conditions exist in the New Zealand timber industry:—

- (a) Evidence has been given in various centres showing that mills have closed down as a result of slow sale of timber which the mills have been producing.
- (b) Short time is being worked in many mills. The evidence shows that since about the middle of 1926 a shorter week has been worked in practically all the mills in the main timber areas in both the North and South Islands.
- (c) A reduction in the number of employees engaged in or in conjunction with bush sawmills.
- (d) A falling-off in the sales of New Zealand timber as disclosed by railway transport and other figures, including the direct sales records of timber milling companies.
- (e) The accumulation of relatively heavy stocks of timber, particularly ordinary building (O.B.) rimu and white pine.
- (f) The reduction of list prices in several districts, particularly for low-grade timber, and the sale, especially in the North Island, of timber below list prices.

(2) *The Duration and Intensity of the Depression.*

This may be gauged from the following facts:—

- (a) It does not appear from the evidence that conditions prior to about March, 1926, were such as to suggest an unsatisfactory position in the industry. Production up to that time was at a high level and sales were still satisfactory. The depression during the latter part of 1926 and at the present time must be considered, of course, in relation to the conditions existing in the immediately preceding years. The evidence indicates that in the years 1924 and 1925 the demand for timber was strong, production was correspondingly high, and the industry was in a flourishing condition. These facts must be considered in relation to the present state of the trade.

* Portion of this Appendix, being confidential, has not been printed.

(b) The degree of depression is clearly not so great in the South Island as in the North Island. Sales from southern timber producing areas have been better maintained than in the North, although an appreciable reduction in the sales, particularly from Westland, had been noticeable since late in 1926.

(c) The following information is given in relation to (1) stocks of sawn timber, (2) employment, (3) sales of sawn timber, and (4) prices, with the object of showing the extent of the falling off in the trade.

(1) *Stocks*.—The stocks of sawn timber held by a number of representative mills in the Auckland area in early 1925 totalled 16,590,000 sup. ft.; the same mills held late in 1926 25,362,000 sup. ft. In the Wellington area the stock records of certain mills show that in January, 1927, the total quantity of timber held by those mills was 6,709,000 sup. ft. A normal total stock for these mills was 4,473,000 sup. ft. The stocks of a number of Westland mills in early 1925 was 3,432,000 sup. ft.; this was increased by September, 1926, to 3,924,000 sup. ft. In Otago and Southland the stocks of twelve mills increased between March, 1925, and September, 1926, by 1,700,000 sup. ft.

The evidence shows that stock accumulations in the North Island have been (a) more noticeable than in the South Island, and (b) mainly in O.B. and lower-grade timbers. Heart timbers in the North Island have generally found a satisfactory sale.

The evidence indicates that in the North Island at least the tendency is for stocks to be held to a greater extent than in the past by the bush mills. This is apparently due to the fact that merchants and users now find themselves able to draw at short notice on mill stocks, and also to the fact that city merchants are carrying larger stocks of imported timbers. The figures of mill stocks set out above should be considered in the light of the above.

(2) *Employment*.—In the Auckland District fourteen mills employed in September, 1925, 1,211 men; in September, 1926, this had been reduced to 1,023 men. The figures for twenty-six mills in the Wellington District show a reduction in employees from 628 in October, 1925, to 584 in October, 1926. Ten Westland mills in January, 1926 and 1927, employed 625 men and 582 men respectively. In ten representative mills in Otago and Southland the average number of men employed between January, 1925, and September, 1926, was 441. The highest number was 453 and the lowest 410. Towards the end of February, 1927, the number employed in those mills was 448.

The Commission has received evidence that during recent months unemployment in the industry has tended to increase.

It should be noted that the foregoing figures do not record the unemployment which has resulted from the actual closing-down of certain mills. It is difficult to ascertain with accuracy the number of mills closed down, the reasons for such closing, and the unemployment resulting therefrom. Recent information, however, shows that a large number of mills throughout New Zealand has closed during the past twelve months. A majority of these are reported to have ceased operations on account of lack of orders. The working of short time in many mills throughout the Dominion has been a feature of the industry since about the middle of 1926.

(3) *Sales*.—The evidence in regard to the Auckland District indicates that sales have been made at a reduced rate in the latter half of 1926 and since that time. This is more particularly noticeable in O.B. rimu and matai. Sales of lower-grade kauri have been reduced, and sales of totara during the past six months have also shown a considerable falling-off.

In the Wellington area the sales by a representative number of mills of timber (other than white-pine) during the twelve months ended 31st January, 1927, were 23,319,000 sup. ft., as compared with 25,640,000 sup. ft. in the previous year; the sales of white-pine for the local market by the same companies during the same periods decreased from 4,013,000 sup. ft. to 2,963,000 sup. ft., and sales of white-pine for export decreased from 1,193,000 sup. ft. to 687,000 sup. ft.

The quantity of timber (including timber for shipment) railed from Westland mills during the twelve months ended 31st March, 1925, 1926, and 1927 was as follows: 1925, 77,844,200 sup. ft.; 1926, 79,917,800 sup. ft.; 1927, 73,042,800 sup. ft. Inspection of the figures for 1926–27 shows, however, that while the average quantity railed in each four-weekly period throughout the year was 5,618,700 sup. ft., the average for the last four periods was 4,255,600 sup. ft.

The sales of twenty-five mills in Otago and Southland during the years ended 30th September, 1924, 1925, and 1926, were 17,000,000 sup. ft., 18,100,000 sup. ft. and 16,200,000 sup. ft. respectively. During the quarters ended January, 1924, 1925, 1926, and 1927 the sales for the same mills were as follows:—1924, 5,920,000 sup. ft.; 1925, 5,990,000 sup. ft.; 1926, 4,850,000 sup. ft.; 1927, 5,030,000 sup. ft.

The foregoing figures do not indicate any general falling-off in sales. It is noteworthy, however, that the sales of rimu by these companies for the year ended 30th September, 1926, were 1,671,000 sup. ft. less than in the previous year. It was further stated in evidence that the sales of rimu were continuing to decline.

(4) *Prices*.—The millers' price-lists for the Auckland District show that there has been no very marked fall, although some reductions were made in September, 1926, in prices of O.B. rimu and matai, and to a lesser extent in prices of rough heart timber. These reductions range from 6d. to 4s. per 100 sup. ft. On the more important lines the reduction was apparently 2s. or 2s. 6d. per 100 ft. In addition to this alteration of list-prices, however, the evidence shows that in recent months the lists have not been closely adhered to, and sales at less than list prices are stated to have been not uncommon.

The list prices of mills in the Wellington area were also reduced in September, 1926, to approximately the same extent as in the case of mills in the South Auckland district. In the Wellington area the "cutting" of list prices also obtained.

No alterations in the list prices of timber sold from Westland mills have been made during the past eighteen months. In 1924 and 1925 certain small adjustments were made in list prices for sales both to North and South Island buyers. Increases were made at that time in certain lines, while other lines were slightly reduced. No evidence has been given which would indicate any appreciable departure from the price-lists issued by millers in this area.

In Southland and Otago the prices listed by millers have varied very little during the past three years. The charge for heart of all varieties has in general been increased. Prices of O.B. rimu have remained stationary. The Commission has been advised of the cutting of list prices by certain mills during the past year, but it was stated in March, 1927, that the departure from list prices had practically ceased.

(3) *The causes of the Depression.*

The Commission considers that the main causes of the depression, and the reasons which have made it more acutely felt, are as follows:—

- (a) Reduction in the demand for building-timber in general;
- (b) Higher productive capacity in recent years, as indicated by production, number of mills and employees in the industry;
- (c) Reduction in the demand for export;
- (d) The increased use of wall-board as a substitute for timber;
- (e) The relatively high cost of production in certain of the more recently established mills;
- (f) The relatively high wage-rates paid in recent years; and
- (g) Increased importation.

It is now proposed to consider the above matters in some detail, and to endeavour to assess the relative importance of the causes in bringing about the depressed condition of the industry.

(a) *Reduction in the Demand for Building-timber.*—The evidence has clearly indicated that during the past year there has been an appreciable reduction in the total demand for building-timbers. This has been particularly noticeable in the Auckland area and also in the South Island. In Wellington City there is no evidence as yet of any decline in the demand.

Consideration of the sales records of millers and merchants in the Auckland area, combined with a consideration of permits issued for the erection of wooden buildings, confirms the opinions expressed by builders that residential building in Auckland is now and has been during the greater part of 1926 substantially curtailed as compared with previous years.

The permits issued for the erection of private dwellings of wood in Auckland City and suburbs during the year ended 31st March, 1926, totalled 2,113, of a value of £1,722,858. In the year ended 31st March, 1927, the permits numbered 1,685, of a value of £1,395,145. The value of the permits for private dwellings issued for the Auckland Urban area during the six months ended October, 1926, was £803,621, and for the six months ended April, 1927, £668,471.

According to the information obtainable the demand for timber in Wellington City and Suburbs has been reasonably well maintained, and, in fact, from the permits issued in Wellington Urban area for the erection of private dwellings (of all kinds of materials) the demand for timber in the Wellington Urban area would appear to have increased in the year ended 31st March, 1927, as compared with the previous year. The following are the figures bearing on this point:—

				Number of Permits issued.	Value. £
Year ended March, 1926	..	..	..	.. 1,028	1,060,545
„ 1927	..	..	..	.. 1,413	1,391,578

For the six months ended October, 1926, the value of permits was £679,164, as against £736,917 in the six months ended April, 1927.

This increase in Wellington City and suburbs is, however, offset by the decline in building in other towns drawing timber-supplies from the Main Trunk timber area. The value recorded in permits for private dwellings issued in five main towns in Wellington, Taranaki, and Hawke's Bay during the six months ended October, 1926, was £349,141; the similar figure for the succeeding six months was £230,771.

In Canterbury the demand for timber has clearly been declining during the past year or so. The following figures show the approximate quantity of local timber and imported timber (other than hardwood) which entered Canterbury during each of the years ended 31st March, 1925, 1926, and 1927: 1925, 42,109,000 sup. ft.; 1926, 39,513,000 sup. ft.; 1927, 36,320,000 sup. ft. The evidence also indicates that stocks in the hands of merchants in Canterbury have been tending to increase. The value of permits issued for private dwellings in Christchurch Urban area during the six months ended October, 1926, was £342,730, and during the six months ended April, 1927, was £224,153.

The quantity of timber hauled over the railways in Otago and Southland (and this would virtually be all locally produced timber) during the year ended 31st March, 1926, was 38,069,800 sup. ft.; for the year ended March, 1927, the quantity was 33,435,000 sup. ft. During the same years the imports of timber other than hardwood were 5,760,000 sup. ft. in 1925-26, and 3,444,000 sup. ft. in 1926-27. The totals show an appreciable reduction in the supply of timber to this market in 1926-27 as compared with the previous year. It may be mentioned that whereas in 1924 and 1925 there was an exceptional demand in Dunedin for timber for the New Zealand and South Seas Exhibition, in 1926-27 this timber was largely again placed on the market and accordingly tended to reduce the demand for more recently produced timber. It was stated in evidence that the quantity of timber used in the Exhibition was over 5,000,000 sup. ft., and that approximately 3,000,000 sup. ft. has been or is being resold. The recorded value of private dwellings for which permits were issued in Dunedin during the six months ended October, 1926, was £222,521; the value in the six months ended April, 1927, was £180,866.

Opinions of builders and architects in the main centres have been sought on the subject of the demand for timber. Briefly, it may be said that these opinions show that in Auckland, Christchurch, and Dunedin the demand during the past year, or at least during recent months, has been at a low level. Opinions expressed in respect of Wellington City and Suburbs were to the effect that the demand has been maintained.

It is well recognized that during recent months there has existed a relative financial stringency throughout the Dominion, and this must have an effect in restricting the demand for timber, particularly for building purposes. The amount paid out by the State Advances Office during the six months ended October, 1926, was £1,417,775, as compared with £1,201,725 in the six months ended April, 1927.

(b) *Higher Productive Capacity in Recent Years, as indicated by Production, Number of Mills and Employees in the Industry.*—The production of sawn timber in New Zealand in recent years has been at a high level. A statement showing the production of various species of timber in the main timber-producing areas and for New Zealand as a whole, together with details of the numbers of mills and of employees during the years ended 31st March, 1921 to 1926 (inclusive), is set out in the Schedule to this Report.

The production figures for the year ended 31st March, 1927, are not available. The statement in the schedule shows, however, the increase which had taken place up to 31st March, 1926, in (a) the production of timber as a whole and of rimu—our main building-timber—in particular, and (b) the number of mills engaged in the industry.

It has been contended in evidence that the increase in production of New Zealand timbers since, say, 1920 has been proportionate to the increase in the population. This, however, does not appear to be correct. The following figures show the production per head of the population from and including the year ended 31st March, 1921 :—

					Production of Sawn Timber in New Zealand per Head of Population.
Year ended 31st March, 1921..	..	..	..	..	245·7
„ 1922..	..	..	..	..	244·9
„ 1923..	..	..	..	..	232·0
„ 1924..	..	..	..	..	237·6
„ 1925..	..	..	..	..	253·0
„ 1926..	..	..	..	..	253·7

Moreover, the Commission considers that any comparison between production and population does not give a correct view of the position in the circumstances which have existed in regard to the abnormal demand for housing since the war period. It is well recognized that as a result of war conditions there arose a deferred demand for housing-accommodation, which brought about in recent years a substantial increase both in local production and in importation of timbers for this purpose. The Commission is of the opinion that the existence of this high productive capacity in the timber industry of the Dominion is one of the main causes in making the present depression keenly felt by producers of sawn timber.

(c) *Reduction in the Demand for Export.*—Another factor in bringing about depressed conditions in the industry has been the reduced demand during the past year for timber for export to Australia. The total exports from New Zealand have been as under :—

					Sup. ft.
Year ended 31st March, 1923	..	..	..	..	45,189,000
„ 1924	..	..	..	..	43,165,000
„ 1925	..	..	..	..	45,165,000
„ 1926	..	..	..	..	47,898,000
„ 1927	..	..	..	..	39,048,000

The decline in the exports in 1926–27 shown by the above figures is essentially due to a reduction in exports from Auckland. White-pine exports from that port have greatly decreased in 1926–27 as compared with the previous year.

A detailed statement showing export of various species of timber according to ports of export is given in the Schedule.

In addition to the reduction in exports actually disclosed by the trade returns, it has been stated in evidence that millers are at present receiving reduced export orders, particularly for white-pine. It therefore appears that in recent months the reduction in the demand from Australia is an increasingly important factor in the depression.

While the Commission is not in a position to state definitely the reasons which have brought about this reduction in exports, the evidence indicates that the competition of other timbers in the Australian market and the presence of heavy stocks in the Commonwealth have contributed to the decline in our trade.

(d) *The Increased Use of Wall-board as a Substitute for Timber.*—Full information respecting the importation of these materials is not recorded, but it is estimated that during the calendar year 1926 about 11,500,000 square feet of plaster wall-board were imported into the Dominion. This appears to have been an appreciable increase on the imports of 1925 and a marked advance on the quantity brought to New Zealand in earlier years. Evidence tendered to the Commission shows that these importations have been responsible for a very material reduction in sawmillers' sales of rough lining. This means the displacement of a comparatively large quantity of O.B. timber, and accordingly seriously affects the sawmillers in the disposal of that portion of their production which meets with the least ready sale.

(e) *Relatively High Cost of Production in certain of the More recently established Mills.*—The cost of production of timber is, generally speaking, appreciably greater in the case of mills which have been established in recent years than in the older-established milling enterprises. Consequently, the margin of profit secured by the new mills is, on the average, less than that obtained by the older mills, and the evidence shows that since the decline in demand took place the economic pressure has been such as to force out of business—temporarily, at least—some of the more recently established milling undertakings.

At the request of the Commission, the Government Statistician has compiled figures to show from millers' returns a comparison between the position of a representative number of new and of old mills over a period of three years ending 31st March, 1927. These figures show clearly—

- (a) That the cost of production per 100 ft. of timber produced has been much higher with the new mills than in the older established ones. The total cost of production per 100 ft. over the average of the past three years was 15s. 6s. in older mills and 18s. 11d. in the new mills. This difference in cost has apparently been contributed to by all the factors entering into the total cost. It should perhaps be pointed out that the difference in royalty costs is only 3d. per 100 ft.
- (b) Over the past three years the new mills have been unable to make any appreciable reduction in costs of production, while the older mills have—particularly in the past year—been able to reduce costs. The average total cost of production in the case of new mills has been 19s. 2d., 18s. 7d., and 19s. in 1924–25, 1925–26, and 1926–27 respectively. The similar figures for older mills have been 16s. 6d., 15s. 10d., and 14s. 4d.
- (c) In comparison with the cost of production the value of the products per 100 sup. ft. leaves a much higher margin to older mills than to new mills. Over the average of the past three years the margin in the new mills dealt with in the table was 1s. 2d. per 100 ft., and in the older mills 3s. 6d. per 100 ft.
- (d) The average output of rough-sawn timber per person engaged in the new mills over the same period was 49,300 sup. ft., and in the older mills 59,800 sup. ft.

Included in the schedule will be found the statistical tables upon which the foregoing figures are based. The facts disclosed by these statistics are supported by other evidence tendered to the Commission.

(f) *The Relatively High Wage Rates paid in Recent Years.*—The Official Year-book for 1927 (page 829) shows that award wage rates for representative occupations in the sawmilling industry were, at the 31st March, 1926, appreciably above the rates ruling at any time during the previous four years. It has also been stated in evidence that as a result of a strong demand for labour in the industry during the years prior to the depression, the wage rates actually paid have generally been above the award rates. Statistical proof of this has been obtained by examination of the wage-books of a number of mills, which has shown that wage rates on the average were in March, 1926, from 10 per cent. to 15 per cent. above award rates. Evidence supported by statistical data has also shown that in recent months there has been a tendency to reduce rates more closely to the awards.

The statistics compiled by the Government Statistician show that the average of the wages and salaries paid in the sawmilling industry has increased from £219 per annum in 1922–23 and 1923–24 to £229 in 1924–25 and £245 in 1925–26.

(g) *Increased Importation.*—A statement is included in the schedule showing the quantity of timber (other than Australian hardwood) of various species imported into the various districts of New Zealand during the years ended 31st March, 1923, 1924, 1925, 1926, and 1927.

The total importations into the Auckland District of timber (other than Australian hardwoods) have been as follows :—

						Sup. ft.
Year ended March, 1923	..	..	..	..	..	3,813,000
„ 1924	..	..	..	..	..	6,026,000
„ 1925	..	..	..	..	..	12,196,000
„ 1926	..	..	..	..	..	16,074,000
„ 1927	..	..	..	..	..	15,574,000

Although the imports during the past year show a slight decline as compared with the preceding year, the average of 1925–26 and 1926–27 is much greater than the average of the two previous years.

Douglas fir, cedar, and redwood have all been imported in considerable quantities during 1926–27. Information according to species is given in the following table :—

Year ended 31st March,	Douglas Fir.	Cedar.	Oak.	Spruce.	Hemlock.	Other Kinds.*	Total.
	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.
1923	2,787,000	†	†	..	†	1,026,000	3,813,000
1924	4,837,000	235,000	647,000	..	25,000	282,000	6,026,000
1925	6,521,000	1,940,000	609,000	899,000	774,000	1,453,000	12,196,000
1926	5,673,000	5,364,000	726,000	708,000	298,000	3,305,000	16,074,000
1927	8,571,000	3,408,000	777,000	10,000	154,000	2,654,000	15,574,000

* Consists mainly of redwood butter-boxes, cheese-crates, and fruit-cases.

† Figures not recorded separately.

The quantity of New Zealand timber produced in the Auckland Province (including the Poverty Bay area) during the year ended 31st March, 1926, is recorded as 141,927,000 sup. ft. Auckland Province in that year also drew supplies by sea from other parts of New Zealand, and from Wellington Province by rail. When allowance is made for these facts and for the exportation from Auckland it appears that the imports have represented about 10 per cent. of the total timber available for consumption in the province.

Cedar and redwood are used in the Auckland District for joinery purposes, but more particularly for weatherboarding and exterior construction of dwellings. The price of cedar and redwood weatherboards in Auckland has recently been from 40s. to 44s. 6d. per 100 sup. ft. ex merchants' yards. The price of the competing local weatherboards sold under similar conditions is 54s. 6d. to 57s. 6d. per 100 sup. ft.

Rough merchantable Douglas fir in scantling sizes is sold to builders in Auckland at around 22s. 6d. ex wharf and 26s. 6d. to 27s. 6d. ex merchants' yards. This timber competes with second-class kauri at 22s. 6d. and O.B. rimu at 23s. 6d. per 100 ft. ex yard. Douglas fir is also very largely used for concrete boxing in competition with local *Pinus insignis*, which is sold at from 14s. to 20s. ex truck. The low-grade Douglas fir for this purpose is sold at 18s. ex wharf and 22s. 6d. ex yard. Douglas fir also finds extensive sale in large sizes and long lengths for heavy constructional and building work, for which purpose local timber is not readily obtainable, and certainly not at competitive prices.

Imported timber for manufacture into butter boxes, cheese crates, and fruit cases has been brought into Auckland in much reduced quantities during 1926-27. The imports during 1925-26 for these purposes were nearly 3,000,000 sup. ft., and during 1926-27 these were reduced by at least 1,500,000 sup. ft.

The importations into Wellington, Napier, Wanganui, and New Plymouth of timber (other than Australian hardwoods) have been as under:—

						Sup. ft.
Year ended 31st March, 1923	..	..	..	..	..	1,633,000
„ 1924	..	..	..	..	..	5,003,000
„ 1925	..	..	..	..	..	4,512,000
„ 1926	..	..	..	..	..	14,352,000
„ 1927	..	..	..	..	..	18,991,000

These figures show that there has been a substantial increase in the quantity of timber imported into this area, more particularly in the past two years. In comparison with the Auckland District the most noticeable increase in Wellington importations took place in 1925-26—a year later than in the northern area. This fact would appear to have relation to the building activity in those districts, the strong demand in Auckland having arisen somewhat earlier than in Wellington.

Douglas fir, cedar, and redwood have during the past year been the chief species imported, while importations of hemlock have also been considerable. The following table shows the importations of the various species during the years in question:—

Year ended 31st March,	Douglas Fir.	Cedar.	Oak.	Spruce.	Hemlock.	Other Kinds.*	Total.
	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.
1923 ..	1,190,000	†	†	†	†	443,000	1,633,000
1924 ..	3,780,000	49,000	634,000	Nil	Nil	540,000	5,003,000
1925 ..	2,976,000	230,000	665,000	Nil	Nil	641,000	4,512,000
1926 ..	4,470,000	2,058,000	973,000	657,000	1,790,000	4,404,000	14,352,000
1927 ..	5,423,000	4,619,000	864,000	203,000	1,795,000	6,087,000	18,991,000

* Consists mainly of redwood butter-boxes, cheese-crates, and petrol-cases. † Figures not recorded separately.

The quantity of New Zealand timber produced in the Wellington, Taranaki, and Hawke's Bay Provinces during the year ended 31st March, 1926, was approximately 75,000,000 sup. ft. These provinces in that year drew supplies from Westland to the extent of nearly 16,000,000 sup. ft. When allowance is made for exportation and for the fact that portion of the Wellington provincial production is railed into the Auckland area, the importations in the year ended March, 1926, represented approximately 15 per cent. of the timber available for consumption in the area referred to. The production figures for the year ended March, 1927, are not available, but records of timber railed out of the Main Trunk area show a material decline as compared with 1925-26. Considering this fact in comparison with the increase in the imports, it is clear that imports in 1926-27 must have represented a larger proportion of the timber coming on to the markets of this area than was the case in 1925-26.

It is noteworthy that as between 1925-26 and 1926-27 the quantity of New Zealand timber received into the City of Wellington actually increased from 20,164,000 sup. ft. in 1925-26 to 23,635,000 sup. ft. in 1926-27. It is evident, therefore, that as between these two years no falling off in the demand for New Zealand timber has taken place in the Wellington urban area. As has already been stated, the evidence indicates that the general demand for timber in Wellington City and suburbs has been greater during the past year than in 1925-26, and this increased demand has evidently been shared between local and imported supplies.

So far as the remainder of the Wellington, Taranaki, and Hawke's Bay Province is concerned, it appears from evidence already quoted that the demand for building purposes has decreased during the past six months. This would tend to explain the decreased sales and railages from the Main Trunk timber area.

In Wellington City, cedar and redwood weatherboarding has in recent months been sold at from 40s. to 42s. per 100 sup. ft. These timbers for that purpose compete directly with heart matai weatherboards, which are sold ex truck Wellington at about 51s. per 100 sup. ft. Rough merchantable Douglas fir in scantling sizes and flats is sold ex wharf Wellington at about 22s. per 100 sup. ft., and at 25s. ex merchants' yards. This timber competes with scantling sizes, boards, and planks of O.B. rimu framing quality listed at about 19s. 6d. to 23s. 6d. ex trucks Wellington and from 23s. to 26s. ex yard Wellington.

Douglas fir common is sold ex wharf Wellington at 19s. to 20s. per 100 ft., and ex yard at 22s. This timber displaces (a) white-pine, seconds quality, which is sold on trucks Wellington at 19s. 6d., and (b) second-class O.B. rimu and matai, which range between 19s. and 23s. ex trucks Wellington.

Dressed Douglas fir lining (clear and better) is sold at 26s. ex wharf and 28s. 6d. ex yards Wellington in competition with O.B. rimu match-lining which is sold at 27s. ex trucks Wellington and at 34s. ex yard.

Dressed Douglas fir flooring is quoted ex wharf at 28s. 6d. flat grain and 30s. 6d. edge grain; ex yard the prices are 32s. 6d. and 35s. 6d. respectively. For the construction of certain floors Douglas fir is allowed to be used, and competes with heart-matai flooring quoted at 51s. ex trucks and from 56s. to 58s. ex yard Wellington.

The marked increase in the importations of cedar and redwood during the past two years has apparently been due to the acceptance of this timber in lieu of local heart timbers for external construction of houses. The margin between the prices of the imported and the local timbers is considerable. Redwood now shows a distinct tendency to displace cedar, principally by reason of its lower landed cost.

Rough-sawn Douglas fir has for years past been in competition with local timbers and continues to find extensive use for scantlings and in the construction of commercial buildings, both as concrete-boxing and in large sizes and long lengths. There has been only a slight increase during the past year in the imports into the Wellington area of this class of timber. Dressed Douglas fir, however, shows a substantial increase due to its use as flooring for which purpose it is appreciably cheaper than the local heart flooring. This timber is also imported to a considerable extent for lining and ceiling, though the difference in price between the competitive local and imported timbers is not nearly so marked as in the case of flooring.

Attention should be drawn to the fact that the Wellington importations have in recent years included certain varieties of timber for use in the local manufacture of petrol and kerosene cases. The importations under this heading for the past two years have been as follows :—

Year ended March,	Hemlock.	Spruce.	Other Kinds.	Total.
	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.
1926	905,000	..	1,833,000	2,738,000
1927	1,180,000	200,000	1,642,000	3,022,000

It will be seen that these oil cases largely account for the importations of hemlock during the past two years. As no timber was imported for this special purpose in 1924–25, the above-mentioned quantities account for an appreciable proportion of the increase in the import figures for 1925–26 and 1926–27 as compared with earlier years.

The importations into the Wellington area have also included a considerable quantity of timber used for the manufacture of butter boxes, cheese crates, and fruit cases. The quantity imported for these purposes during the year ended 31st March, 1926, is estimated at 2,000,000 sup. ft., as compared with 1,000,000 sup. ft. in the past year.

The quantity of timber (other than Australian hardwood) imported into the ports of Lyttelton and Timaru has varied as follows :—

Year ended 31st March,	Sup. ft.
1923	1,232,000
1924	2,027,000
1925	2,181,000
1926	3,473,000
1927	2,894,000

The imports during the past year, though greater than in 1924–25, have fallen by over half a million superficial feet as compared with 1925–26. The importations into this area consist mainly of Douglas fir (both rough-sawn and dressed) and redwood. Cedar and hemlock have not been imported otherwise than in relatively small quantities.

The quantity of Westland timber railed into Canterbury during the past three years has been 39,928,000 sup. ft. in 1924–25, 36,040,000 in 1925–26, and 33,425,000 in 1926–27. On the average of the past three years, therefore, imports have represented approximately 7 per cent. of the timber purchases of the Canterbury Province. As will be seen in the case of the Otago and Southland District, increased importation into Canterbury since the 31st March, 1926, cannot have contributed to the

difficulties of the sawmilling industry. This was confirmed by evidence given on behalf of sawmiller which was to the effect that importations had not affected the Christchurch market to any considerable extent.

Dressed Douglas fir is imported and sold for flooring and lining in comparatively large quantities. This imported timber undersells rimu flooring and lining in Christchurch by a few shillings per hundred feet, and at the price quoted importers are able to secure a very satisfactory margin of profit. Douglas fir rough-sawn (merchantable quality) is imported and sold in competition with O.B. rimu for scantlings and for the construction of commercial buildings. The prices of the imported timber are in general appreciably higher than those of the competing local timbers. Douglas fir (clear and better) competes with clean dry rimu for certain interior work, although here also the prices of the local timbers are generally lower than those of the imported lines.

The total imports into the Otago and Southland District have been as follows :—

Year ended March,	1923	1924	1925	1926	1927	Sup. ft.
	..	..	..	..	..	942,000
"		..	..	..	..	2,448,000
"		..	..	..	..	4,305,000
"		..	..	..	..	5,760,000
"		..	..	..	..	3,444,000

It will be noted that during the past year the importations have been less than in either of the two previous years. Douglas fir represents the bulk of the importations. Hemlock in 1925–26 was imported to the extent of 1,024,000 sup. ft., but in 1926–27 the imports of this species were only 103,000 sup. ft.

Reference to the statement of production of New Zealand timber given in the schedule will show that in Otago and Southland there has been produced during each of the last three years for which statistics are available over 40,000,000 sup. ft. of sawn timber. Imports have therefore represented an average of approximately 10 per cent. of the district's requirements. It is evident that increased importations cannot be held to be a factor in bringing about any depression in the industry in this district in 1926–27 as compared with 1925–26, since imports actually declined by over 2,300,000 sup. ft.

A comparison of prices of timber on the Dunedin market shows that it is only in a comparatively restricted field that imported timber is directly competitive with local timber. In the first place, cedar and redwood are not used in the South for weatherboarding as they are to a large extent in the North Island. The evidence shows that this is due to the fact that the local authorities in the South do not require the use of heart timber for outside work in house-building. The price of the grade of rimu used for weatherboarding in Otago is much less than the price of cedar weatherboarding. Cedar and redwood in the South are used mainly for joinery manufacture. In the second place, the importations of hemlock into Otago have, as already pointed out, fallen considerably for the reason that this timber is now stated to be unsuitable for certain purposes for which it was previously largely used.

The competition in Otago is largely confined to Douglas fir, which is extensively sold for flooring and lining. In these two lines the local timber is undersold by approximately 2s. per 100 sup. ft. For certain uses this species, though higher in price, competes to some extent with local timber owing, it is stated, to the better condition in which the imported timber is placed on the market. Douglas fir is also imported into this area for special purposes such as joinery manufacture, and in long lengths and large sections for constructional work.

Having dealt in outline with the matter of importation in the several main districts of the Dominion, the Commission proposes now to give consideration to some general causes which have brought about the increase in imports for the Dominion as a whole.

The evidence clearly indicates that the demand for timber generally has up till about eighteen months ago been tending to increase, and consequently imported timber, together with local timber, has had an increased sale. Even if imported timbers had not increased their proportion of the New Zealand trade, the increased demand might well have been expected to result in some increase in the importation. This fact is of special importance in relation to the large amount of commercial building which has been carried out during the past few years. This class of building construction has always provided a good market for imported timber in large sizes and long lengths, and more recently for concrete-boxing, scaffolding, &c. A new demand has also arisen during the past two years for timber for the manufacture in the Dominion of petrol and kerosene cases, and an increase in the timber imports has taken place to meet this new demand.

The average values of timber imported as recorded by the trade statistics during the past three years have been as under :—

Year ended 31st December,	Value per 100 sup. ft.				
	Rough Sawn.		Dressed.		
	Cedar.	Douglas Fir.	Hemlock.	Douglas Fir.	Spruce.
	£	£	£	£	£
1924	..	0.870	1.456	1.411	1.430
1925	1.220	0.691	1.023	1.230	1.251
1926	1.178	0.637	0.975	1.301	1.049

The wholesale price statistics published by the Government Statistician also show that merchantable Douglas fir—the only imported timber for which prices are recorded—has declined in value during the past three years. On the other hand, prices of local heart timbers have, with slight exceptions, not been reduced, and until the latter part of 1926 there had been only minor reductions in prices of one or two lines of O.B. timbers. Reference has already been made to the price reductions which have taken place during the past twelve months. It seems evident, therefore, that the decline in prices of overseas timbers in contrast with the comparative maintenance (up to recent times) in prices of local timbers has been a material factor in increasing importations.

The evidence tendered to the Commission has shown that, for reasons mentioned below, imported timbers have for certain purposes been preferred by users. It has been stated that as a result of the strong demand for New Zealand timber, adequate supplies of dry timbers have not been procurable and a great deal of timber has gone into use in a green state. Imported timber is alleged to be less liable to shrinking and twisting than the great bulk of the timber placed on the market by New Zealand sawmillers during the past few years. Imported timber is also specially suitable for use in the manufacture of joinery and doors, and, by reason of its physical characteristics is easily handled and used. It is alleged that this ease in handling and consequent reduction in labour cost definitely favours the sale of imported timbers. The evidence also shows that local timber has frequently not been so well graded and in certain lines has not been placed on the market under such attractive conditions as the imported competitive timbers.

SUMMARY AND RECOMMENDATION.

Before proceeding to set out a summary of this matter from a Dominion viewpoint we consider it advisable to state briefly what appear to us to be essential causes of depressed conditions in the industry in the several main districts already referred to.

In the Auckland area the decreased export and the decreased local demand for timber have undoubtedly been material factors in the depression, and the Commission considers that in comparison with the position existing in 1925 these two factors are indeed of major importance. The strong demand which existed in the Auckland area in recent years has declined appreciably and sawmillers in that area are now competing keenly for the business offering. Prices consequently have been reduced, stocks have increased, and production has fallen off. The competition from imports in the Auckland District relates mainly to cedar and redwood for weatherboarding and exterior building construction, and Douglas fir for many building purposes. It is worthy of note that the increase in imports between 1924–25 and 1925–26 was offset by an approximately equivalent increase in exports. In the succeeding year, 1926–27, imports remained almost stationary, while exports decreased by approximately nine million superficial feet. The high level of production reached in 1925–26 could not, therefore, be maintained in 1926–27 in face of a reduced demand both locally and for export and the continuance of importation on a relatively high level.

The Wellington District has been in a position somewhat different from that ruling in Auckland. In Wellington City, at least, demand has been maintained though other portions of the area show reduced requirements. Export from this area has not in recent years been a factor of great importance. Moreover, importation in the past year has been greater than in the previous years. As in Auckland, cedar and redwood compete with local heart timbers for exterior building construction, while Douglas fir is used for general building requirements and comes more particularly into competition with lower-grade local timbers.

The facts in relation to the South Island clearly indicate that reduced demand must have been the main cause of the depression experienced in recent months. So far as Westland is concerned, there is some evidence of a very recent decline in orders from Australia, and Westland is also meeting a reduced shipping demand from the North Island.

It is presumably desirable that the tariff on timber should be such as can properly remain unchanged for a period of years, and the Commission has therefore to consider the probability of the continuance of existing conditions. Moreover, as the tariff is, of course, applicable to the whole Dominion, its probable effects in the different districts must be borne in mind.

Relatively high production in recent years and greatly reduced demand during the past year or more may be regarded as conditions of a non-permanent nature. They constitute, in fact, the conditions recognized as characteristic of industrial and trading abnormality. There must come about, therefore, some readjustment of productive capacity. No reasonable tariff and possibly not even a prohibitive tariff could obviate the necessity for this modification of local milling capacity to meet either the present generally reduced requirements of the market or what may be regarded as the probable normal demand of the next few years. It would certainly not be for the economic welfare of the Dominion that, irrespective of fluctuations in the total demand for timber, the tariff should aim at the maintenance of the industry of the whole of the present milling capacity.

The evidence has brought out prominently the substantial difference which exists between the North and South Islands in the matter of the grades of timber which are allowed to be used for certain building purposes. The restrictions in the North Island generally provide against the use of any local timber other than heart timber for exterior work and for certain other purposes for which in the South Island clean timber (whether it be sap or heart) is permissible. The evidence shows that these restrictions in the North Island are not of recent adoption. The classification of timber followed by sawmillers in the North has for years been based upon a general distinction between heart and other qualities, while in the South the main distinction is drawn between clean or dressable timber and lower qualities.

As a consequence of these facts the heart timbers of the North by reason of comparatively limited supply and relatively strong demand have for years past been forced much higher than the lower grade

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

doubtless been encouraged by our labour laws. Associations of a similar character are common in this industry in other countries—presumably for similar reasons. At the same time it has to be remembered that price competition among local producers has by no means been eliminated. There are apparently a number of producers in each of the timber areas who stand outside any association and who fix their prices quite independently. Moreover, there is always the potential competition of mills which might readily be established if prices were raised much above a reasonable level.

The most satisfactory test of the reasonableness of prices (and the test laid down by law) must be based upon a consideration of profits. The profits of a number of sawmilling companies have been investigated, and the inquiry discloses a wide variation between the financial results of the different undertakings. Fourteen sawmilling undertakings in the Main Trunk district whose accounts were closely examined show that ten may be classed as financially successful, while four showed quite unsatisfactory results. The average net profits of five profitable mills (located in the Ohakune district) during the two years ended March, 1926, represented 13 per cent. on the capital employed. This profit figure has been calculated after allowing for income-tax and royalty. All these mills, however, are relatively well situated, and generally have been in operation for a considerable period of years. On the other hand, as already mentioned, the accounts of some of the mills in that area showed losses in recent years. This is more particularly true of mills established only a few years ago. Similar conditions are disclosed by investigation of profits in other districts.

It is accordingly quite clear that the influence of associations has not been such as to make profitable the operations of all mills. It will be agreed that prices of this as of other commodities tend to be fixed on a competitive market at a level which will satisfy the "marginal" or least profitable undertaking the product of which is required to meet the market demand. All more advantageously situated producers may be expected to secure higher profits by reason of those relative advantages. It seems clear, therefore, that the relatively high profits of certain mills have been secured as a result of their satisfactory location and relatively low royalty (or "stumpage") costs—conditions which arise from the fact that these mills are now cutting standing timber purchased or leased years ago at the low values which then prevailed for standing timber comparatively easy of access. To state the position in other words, it may be said that these profitable milling enterprises are securing their eminently satisfactory profits not from the industry of sawmilling as such but from the increase in value which has taken place in respect of their holdings of standing timber. The profit so made is increased by the lower capital cost of plant equipment, and developmental assets (*e.g.*, semi-permanent tram-lines) purchased or laid down prior to the increase in prices and wages which has taken place in the past decade or more.

It would manifestly be incorrect to base any decision in regard to the profit position of the industry either on the facts in relation to mills such as those above mentioned or upon the financial results of mills at the other end of the scale—*viz.*, those which, with relatively high royalty costs and high transport and production costs, have been drawn into the industry as a consequence of the strong demand for timber in recent years. Viewing the matter in its long term aspects, it seems inevitable that costs and prices in this industry must tend to increase. Even if wages and prices of all necessary supplies and services were still at the level existing ten or fifteen years ago, costs would be higher by reason of the greater distance from the market of the bulk of the supply now as compared with earlier years, coupled with the inevitable tendency for production to take place first from level and easily worked country, and later from rougher sections of the timber-bearing lands. This general tendency towards increased costs had not until quite recently appreciably affected the industry in its competition with overseas supplies. Now, however, when imported timber prices have fallen the margin of profitable local production has contracted, and milling undertakings previously able to carry on must now find themselves outside the possible competitive field.

There must still be in the Dominion a vast quantity of standing timber which under present conditions has no royalty or stumpage value. The necessary cost of milling and transport would leave no margin of value payable to the owner of the standing timber. In other areas it is doubtless commercially possible to mill *some* of the best trees and species, while in closer areas reasonably full utilization of the forest is possible.

These general propositions lead to the conclusion that a need for some increase in tariff protection arises rather from long term considerations than from the present exceptional market conditions. If the tariff on timber be not increased it may well mean that large portions of our timber resources cannot be utilized for very many years to come, and some (if import prices be not increased or local production costs be not substantially reduced) will never come within the reach of market possibilities. The tariff should not, however, be used as an instrument to place upon standing timber unreasonable values, or to make possible production from areas not yet reasonably required to meet national needs.

Bearing the foregoing considerations in mind, the Commission believes that the importance of the industry, its relation to the general economic welfare of the Dominion, and the necessities of the position justify a moderate increase in the tariff on timber. The existing duties are relatively low in amount, and almost any increase would therefore appear substantial in relation to the existing tariff.

It is recommended that the duty on rough sawn timber be increased to 4s. per 100 sup. ft., provided that on timber of a minimum sectional area of 150 square inches or more and also of a length of not less than 25 ft. the duty shall be 2s. per 100 sup. ft. This latter provision is recommended to meet the position in relation to large sized timbers required for special uses.

It is further recommended that the duty on sawn dressed timber be increased to 7s. per 100 sup. ft. The increase of 3s. per 100 sup. ft. in the case of dressed timber (as compared with the increase of 2s. recommended in the case of rough sawn timber) is suggested for the reason that dressed timber is usually imported in comparatively thin sizes, and consequently on a superficial footage basis bears a duty relatively low in relation to its finished value.

SCHEDULE.

STATEMENT SHOWING THE PRODUCTION OF VARIOUS SPECIES OF TIMBER IN THE MAIN TIMBER PRODUCING AREAS AND FOR NEW ZEALAND AS A WHOLE, TOGETHER WITH DETAILS OF THE NUMBERS OF MILLS AND OF EMPLOYEES DURING THE YEARS ENDED 31ST MARCH, 1921 TO 1926 (INCLUSIVE).

Year.	Number of Mills.	Number of Employees.	Kauri.	Rimu.	Kahikatea.	Matai.	Totara.	Others and Unspecified.	Total.	Average Mill-output.
<i>Auckland District.</i>										
			Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.	Sup. ft.
1920-21	95	3,613	20,393,788	38,385,702	40,136,230	6,412,436	14,074,368	9,673,830	129,076,354	1,368,698
1921-22	100	3,076	21,346,859	40,698,456	30,320,913	10,378,624	15,715,794	13,728,243	132,188,889	1,321,889
1922-23	109	3,361	22,460,759	47,705,010	29,531,437	10,908,669	17,145,714	5,253,503	133,005,092	1,220,230
1923-24	111	3,350	19,743,196	52,528,405	22,847,801	12,209,368	16,006,582	4,901,304	128,236,656	1,155,285
1924-25	112	3,376	22,891,535	52,070,657	25,107,171	9,445,088	14,155,315	6,057,328	129,727,094	1,158,277
1925-26	114	3,347	22,765,877	60,499,928	29,912,202	12,516,581	10,904,134	5,328,714	141,927,436	..
<i>Wellington District (not including Taranaki and Hawke's Bay).</i>										
1920-21	56	1,362	..	37,610,280	10,733,902	11,818,362	2,107,036	405,657	62,675,237	1,119,201
1921-22	61	1,359	..	43,245,767	14,771,394	11,920,318	2,487,169	80,817	72,505,465	1,189,762
1922-23	67	1,268	..	38,476,899	9,563,431	9,933,632	2,652,439	217,480	60,843,881	908,117
1923-24	55	1,175	..	36,244,112	7,749,270	8,231,170	1,602,713	261,252	54,088,517	983,428
1924-25	57	1,406	..	39,147,703	9,142,839	11,292,438	3,234,963	737,316	63,555,259	1,115,005
1925-26	61	1,221	..	34,932,730	10,378,910	10,341,959	2,381,255	310,908	58,345,762	..
<i>Westland District.</i>										
1920-21	45	1,013	..	39,699,741	10,861,179	134,097	186,286	117,373	50,998,676	1,133,304
1921-22	42	908	..	37,026,236	11,037,662	70,114	42,103	110,931	48,287,046	1,149,691
1922-23	45	986	..	32,349,609	13,311,938	171,240	75,788	172,408	46,080,983	1,024,021
1923-24	54	1,296	..	46,507,471	15,303,302	69,528	3,080	328,257	62,211,638	1,152,067
1924-25	59	1,404	..	54,655,546	19,073,435	914,437	78,489	951,208	75,673,115	1,282,595
1925-26	61	1,316	..	56,236,522	19,329,674	94,335	125,513	285,671	76,071,915	..
<i>Otago and Southland District.</i>										
1920-21	55	991	..	22,993,836	5,986,673	898,244	790,255	5,462,967	36,131,975	656,945
1921-22	51	807	..	21,930,906	6,158,349	875,484	823,093	3,687,760	33,475,592	656,384
1922-23	51	842	..	22,144,358	7,620,255	870,207	764,154	4,482,529	35,881,503	703,559
1923-24	58	1,060	..	30,693,015	6,076,542	1,157,315	797,180	5,145,305	43,869,357	756,368
1924-25	57	1,006	..	33,390,900	6,826,259	765,095	613,602	4,653,353	46,249,209	811,390
1925-26	53	897	..	25,862,604	7,567,520	811,614	281,016	7,451,639	41,974,393	791,970
<i>New Zealand (Total).</i>										
1920-21	323	7,717	20,393,788	153,529,022	73,168,750	21,329,043	17,984,189	21,263,042	307,667,834	953,532
1921-22	321	6,820	21,435,728	157,345,928	68,486,633	24,830,368	19,570,561	23,303,092	314,972,310	981,222
1922-23	347	7,126	22,460,759	155,627,936	66,088,219	23,747,049	20,843,718	15,584,196	304,351,877	877,094
1923-24	357	7,602	19,743,196	181,093,581	56,699,443	24,326,148	18,904,361	16,302,487	317,069,216	888,149
1924-25	369	7,888	22,891,535	195,572,705	65,572,439	23,947,707	18,509,551	17,600,937	344,094,874	932,506
1925-26	374	7,584	22,765,877	195,451,758	75,634,869	26,141,027	14,109,576	19,121,089	353,224,196	944,450

STATEMENT SHOWING THE QUANTITY OF SAWN TIMBER (IN THOUSANDS OF SUPERFICIAL FEET) OF VARIOUS SPECIES OF TIMBER EXPORTED FROM CERTAIN PORTS AND FROM NEW ZEALAND AS A WHOLE DURING THE YEARS ENDED 31ST MARCH, 1923 TO 1927 (INCLUSIVE).

Ports of Export.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.
<i>White-pine.</i>					
Auckland	10,359	9,102	11,996	14,024	7,787
Kaipara	2,378	966	817	2,840	1,252
Gisborne	642	655	712	694	173
Wanganui	5,602	1,162	137	1,122	742
Wellington	79	..	22	22	31
Westport	388	903	873	1,463	964
Greymouth	16,153	18,346	19,885	18,415	19,229
Invercargill	86	301	420	438	917
Other ports	..	..	..	..	..
Totals	35,687	31,435	34,862	39,018	31,095
<i>Rimu.</i>					
Auckland	477	745	269	224	356
Wellington	..	59	..	..	..
Westport	..	..	68	..	199
Greymouth	4,059	6,653	4,832	3,400	3,178
Invercargill	..	2	3	15	63
Totals	4,536	7,459	5,172	3,639	3,796
<i>Kauri.</i>					
Auckland	3,866	1,914	2,598	3,184	1,464
Wellington	..	..	..	..	3
Totals	3,866	1,914	2,598	3,184	1,467
<i>Beech.</i>					
Wellington	..	..	3	..	..
Westport	..	..	14	..	..
Greymouth	..	26	26	16	..
Invercargill	726	1,340	1,595	1,314	2,412
Other ports	..	..	194 (Dn.)	309 (Dn.)	15 (Dn.)
Totals	726	1,366	1,832	1,639	2,427
<i>Other Kinds.</i>					
Auckland	316	177	167	173	130
Wanganui	5	766	354	66	96
Wellington	..	22	54	41	9
Westport	..	2	2	..	..
Greymouth	53	24	111	136	25
Invercargill	..	..	..	..	..
Other ports	..	..	13	2	3
Totals	374	991	701	418	263
<i>Summary.—All Timber.</i>					
Auckland	15,018	11,937	15,030	17,605	9,737
Kaipara	2,378	966	817	2,840	1,252
Gisborne	642	655	712	694	173
Wanganui	5,607	1,929	491	1,188	838
Wellington	79	81	79	63	44
Westport	388	905	957	1,463	1,163
Greymouth	20,265	25,049	24,854	21,967	22,432
Invercargill	812	1,643	2,018	1,767	3,392
Other ports	..	..	207	311	17
Totals	45,189	43,165	45,165	47,898	39,048

TABLES SHOWING FOR THE YEARS 1924-25, 1925-26, AND 1926-27 PARTICULARS REGARDING THE NUMBER OF PERSONS ENGAGED IN, THE EXPENSES OF OPERATION OF, AND THE VALUE OF PRODUCTS BY A REPRESENTATIVE NUMBER OF SAWMILLS THAT COMMENCED OPERATIONS UNDER THE PRESENT OWNERSHIP DURING OR SUBSEQUENT TO 1920 (REFERRED TO AS "NEW MILLS"), AND A NUMBER OF MILLS THAT WERE ESTABLISHED PRIOR TO 1920 (REFERRED TO AS "OLD MILLS").

Table A.—Aggregates of the Specified Data for each Class of Mill.

Year.	Number of Employees (in- cluding Working Proprietors).	Expenses of Operation.				Value of Total Products.
		Salaries and Wages.	Rent and Royalties.	Other Expenses.	Total.	
I. NEW MILLS.						
		£	£	£	£	£
1924-25 ..	366	85,849	18,319	59,439	163,607	172,858
1925-26 ..	369	91,190	25,826	67,900	184,916	203,316
1926-27 ..	373	81,334	19,489	64,772	165,595	172,469
II. OLD MILLS.						
1924-25 ..	778	188,971	45,967	111,019	345,957	410,950
1925-26 ..	735	181,200	49,563	113,493	344,256	411,498
1926-27 ..	668	163,201	42,237	117,136	322,574	417,203

Table B.—Averages of Data for each Class of Mills over the Years 1924-25, 1925-26, and 1926-27.

		Expenses of Operation.				Value of Total Products.
		Salaries and Wages.	Rent and Royalties.	Other Expenses.	Total.	
		£	£	£	£	£
New mills		86,124	21,211	64,038	171,373	182,881
Old mills		177,791	45,922	113,883	337,596	413,217

Table C.—Expenses of Operation and Values of Products for the Years 1924-25, 1925-26, and 1926-27 expressed per 100 sup. ft. of Rough-sawn Timber produced.

Year.	Expenses of Operation.				Value of Total Products.
	Salaries and Wages.	Rent and Royalties.	Other Expenses.	Total.	
I. NEW MILLS.					
	s. d.	s. d.	s. d.	s. d.	s. d.
1924-25	10 1	2 2	6 11	19 2	20 3
1925-26	9 1	2 7	6 11	18 7	20 5
1926-27	9 3	2 3	7 6	19 0	19 9
II. OLD MILLS.					
	s. d.	s. d.	s. d.	s. d.	s. d.
1924-25	9 0	2 2	5 4	16 6	19 7
1925-26	8 4	2 4	5 2	15 10	19 0
1926-27	7 3	1 11	5 2	14 4	18 7

Table D.—Average Annual Expenses of Operations and Values of Products for New Mills and Old Mills, computed from the Annual Figures over the Years 1924-25, 1925-26, and 1926-27, expressed per 100 sup. ft. of the Average Annual Production of Rough-sawn Timber over the same Three Years.

	Expenses of Operation.				Value of Total Products.
	Salaries and Wages.	Rent and Royalties.	Other Expenses.	Total.	
	s. d.	s. d.	s. d.	s. d.	s. d.
New mills	9 6	2 4	7 1	18 11	20 1
Old mills	8 2	2 1	5 3	15 6	19 0

Table E.—Output of Rough-sawn Timber per Person engaged in Log Sawmills for each Year of the Years 1924-25, 1925-26, and 1926-27.

1924-25.. ..	..	..	..	..	..	New Mills. Sup. ft. 46,800	Old Mills. Sup. ft. 54,000
1925-26.. ..	..	..	..	..	..	54,000	59,200
1926-27.. ..	..	..	..	..	..	46,800	67,200
Average over three years ..	..	..	..	..	..	49,300	59,800

STATEMENT SHOWING THE TOTAL QUANTITY (IN THOUSANDS OF SUPERFICIAL FEET) OF EACH KIND OF TIMBER IMPORTED AT THE UNDERMENTIONED PORTS DURING THE YEARS ENDED 31ST MARCH, 1923, 1924, 1925, 1926, AND 1927.

Port.	1922-23.			1923-24.			1924-25.			1925-26.			1926-27.		
	Rough Sawm.	Dressed.	Totals.	Rough Sawm.	Dressed.	Totals.	Rough Sawm.	Dressed.	Totals.	Rough Sawm.	Dressed.	Totals.	Rough Sawm.	Dressed.	Totals.
<i>Ash, Beech, Hickory, Lancewood, Lignum-vitæ, Mahogany, and Walnut.</i>															
Auckland	*	*	*	†	†	†	†	†	†	23	..	23	45	..	45
Wellington	*	*	*	†	†	†	†	†	†	23	..	23	91	..	91
Napier, New Plymouth, Wanganui	*	*	*	†	†	†	†	†	†	..	..	..	4	..	4
Totals Wellington Province	*	*	*	†	†	†	†	†	†	23	..	23	95	..	95
Lyttelton and Timaru	*	*	*	†	†	†	†	†	†	39	..	39	32	1	33
Dunedin, Oamaru, Invercargill	*	*	*	†	†	†	†	†	†	42	..	42	45	1	46
Other ports	*	*	*	†	†	†	†	†	†	..	..	..	..	..	..
Totals	*	*	*	†	†	†	†	†	†	127	..	127	217	2	219
<i>Cedar.</i>															
Auckland	*	*	*	235	..	235	1,940	..	1,940	5,362	2	5,364	3,335	73	3,408
Wellington	*	*	*	43	4	47	180	..	180	1,844	40	1,884	3,909	23	3,932
Napier, New Plymouth, Wanganui	*	*	*	2	..	2	50	..	50	174	..	174	685	2	687
Totals Wellington Province	*	*	*	45	4	49	230	..	230	2,018	40	2,058	4,594	25	4,619
Lyttelton and Timaru	*	*	*	10	4	14	64	..	64	96	..	96	85	..	85
Dunedin, Oamaru, Invercargill	*	*	*	44	..	44	80	..	80	49	4	53	20	..	20
Other ports	*	*	*	..	..	..	..	..	..	..	..	..	70	..	70
Totals	*	*	*	334	8	342	2,314	..	2,314	7,525	46	7,571	8,104	98	8,202
<i>Oregon Pine.</i>															
Auckland	2,787	..	2,787	4,748	89	4,837	6,495	26	6,521	5,627	46	5,673	8,299	272	8,571
Wellington	496	..	496	2,444	6	2,450	1,312	2	1,314	3,113	77	3,190	3,132	795	3,927
Napier, New Plymouth, Wanganui	694	..	694	1,330	..	1,330	1,662	..	1,662	1,245	35	1,280	1,367	129	1,496
Totals Wellington Province	1,190	..	1,190	3,774	6	3,780	2,974	2	2,976	4,358	112	4,470	4,499	924	5,423
Lyttelton and Timaru	737	..	737	1,356	..	1,356	1,178	41	1,219	1,657	262	1,919	1,235	435	1,670
Dunedin, Oamaru, Invercargill	516	..	516	1,390	..	1,390	2,517	392	2,909	2,963	1,057	4,020	1,755	887	2,642
Other ports	..	..	..	10	..	10	28	..	28	124	..	124	273	43	316
Totals	5,230	..	5,230	11,278	95	11,373	13,192	461	13,653	14,729	1,477	16,206	16,061	2,561	18,622

* Included under "Other Kinds." † Included under "Cedar."

Port.		1922-23.			1923-24.			1924-25.			1925-26.			1926-27.		
		Rough Sawm.	Dressed.	Totals.	Rough Sawm.	Dressed.	Totals.	Rough Sawm.	Dressed.	Totals.	Rough Sawm.	Dressed.	Totals.	Rough Sawm.	Dressed.	Totals.
<i>Hemlock.</i>																
Auckland	..	*	*	*	..	25	25	..	774	774	..	298	298	50	104	154
Wellington	..	*	*	*	..	..	..	..	..	..	377	1,076	1,453	25	1,528	1,553
Napier, New Plymouth, Wanganui	..	*	*	*	..	..	..	..	..	..	50	287	337	51	191	242
Totals Wellington Province	..	*	*	*	..	..	..	..	..	..	427	1,363	1,790	76	1,719	1,795
Lyttelton and Timaru	..	*	*	*	..	..	..	20	6	26	..	46	46	..	21	21
Dunedin, Oamaru, Invercargill	..	*	*	*	..	422	520	236	401	637	389	635	1,024	64	39	103
Other ports	..	*	*	*	..	..	..	193	117	310	231	869	1,100	384	1,287	1,671
Totals	..	*	*	*	98	447	545	449	1,298	1,747	1,047	3,211	4,258	574	3,170	3,744
<i>Spruce.</i>																
Auckland	..	*	*	*	..	..	..	..	899	899	29	679	708	2	8	10
Wellington	..	*	*	*	..	..	..	..	..	..	306	78	384	3	200	203
Napier, New Plymouth, Wanganui	..	*	*	*	..	..	..	..	..	..	..	273	273	..	..	..
Totals Wellington Province	..	*	*	*	..	..	..	..	..	..	306	351	657	3	200	203
Lyttelton and Timaru	..	*	*	*	..	3	3	..	..	..	11	..	11	..	..	..
Dunedin, Oamaru, Invercargill	..	*	*	*	..	..	..	..	..	..	45	13	58	26	..	26
Other ports	..	*	*	*	..	..	..	..	..	..	..	29	29	..	..	..
Totals	..	*	*	*	..	3	3	..	899	899	391	1,072	1,463	31	208	239
<i>Oak.</i>																
Auckland	..	*	*	*	647	..	647	608	1	609	726	..	726	777	..	777
Wellington	..	*	*	*	524	..	524	639	..	639	868	32	900	769	..	769
Napier, New Plymouth, Wanganui	..	*	*	*	110	..	110	26	..	26	73	..	73	95	..	95
Totals Wellington Province	..	*	*	*	634	..	634	665	..	665	941	32	973	864	..	864
Lyttelton and Timaru	..	*	*	*	187	..	187	263	..	263	515	3	518	336	..	336
Dunedin, Oamaru, Invercargill	..	*	*	*	389	..	389	599	..	599	367	..	367	366	..	366
Other ports	..	*	*	*	..	..	..	..	..	..	2	..	2	..	..	..
Totals	..	*	*	*	1,857	..	1,857	2,135	1	2,136	2,551	35	2,586	2,343	..	2,343
<i>Other Kinds.</i>																
Auckland— Redwood†	..	..	..	..	..	..	..	..	..	..	205	..	..	1,455	..	..
Other	..	..	..	..	..	..	..	..	..	..	46	..	..	25	..	..
Totals	..	283	743	1,026	282	..	282	143	1,310	1,453	251	3,031	3,282	1,480	1,129	2,609
Wellington— Redwood†	..	..	..	..	..	..	..	..	..	..	795	..	..	2,851	..	..
Other	..	..	..	..	..	..	..	..	..	..	61	..	..	17	..	..
Totals	..	405	3	408	511	..	511	541	41	582	856	3,274	4,130	2,868	2,076	4,944

ANHYDROUS AMMONIA.

This commodity is manufactured in the Dominion by the Christchurch Gas, Coal, and Coke Co., Ltd., the raw material consisting of crude liquor resulting from the production of coal-gas. The plant now used by the company is stated to be of modern type, and the cost of production indicates a satisfactory standard of efficiency. The company has produced evidence to show that its product is of a quality equal to that of the best standard imported ammonia.

Anhydrous ammonia is used in the various freezing-works of the Dominion, and according to reliable evidence the cost of ammonia represents 0·03d. per carcase of mutton frozen. In the dairy-produce industry 1 lb. of ammonia (priced at about 1s. 6d. per pound) is used to an average of about 8½ tons of butter.

Imported ammonia comes mainly from Australia, and to a lesser extent from foreign sources. The local product is apparently able to compete satisfactorily in price with Australian ammonia; but, although Dominion-made product maintains a high standard of purity, difficulty of sale apparently arises from established trade connections in favour of the imported article. It does not appear, therefore, that any protective tariff is necessary in relation to ammonia of British origin, and the local product may for price reasons well be expected to increasingly displace the Australian article. So far as foreign ammonia is concerned, however, there appears to be some likelihood of the importation and sale of a synthetic product of Continental origin.

The Commission considers that the use of what is (with most New Zealand gasworks) now a waste product should be encouraged. The Christchurch plant, by the use of liquor from other gas-works, could produce a very large proportion, if not the whole, of the Dominion's requirements, and by so doing could reduce materially the overhead costs of operation. The local plant is at present producing approximately one-third of the total used in the Dominion, the raw material being wholly from the Christchurch Gas Co.'s own works. We therefore recommend that this commodity continue to be admitted free of duty when of British origin, but that a duty of 4d. per pound be imposed on ammonia from foreign sources.

CHURNS.

Applications have been made for the imposition of duties on churns. Under the present tariff these articles are free of duty if of British origin. A suspended duty of 10 per cent. *ad valorem* is provided for in respect of foreign churns.

Dairy-factory churns have been made in New Zealand for many years past, and, so far as can be judged, these churns have met most of the local market demand. Satisfactory evidence has been produced to show that the local product is of good quality, and that improvements in design have been made from time to time, and, moreover, that reductions in price have been made effective. Local makers are able to meet competition from British sources, but during the last year or two foreign churns have been offering keener competition.

The Commission considers that, in view of the satisfactory service given by the local industry in the past, some measure of protection is warranted against foreign churns. We have accordingly recommended that, in lieu of the suspended duty of 10 per cent. provided under the present general tariff, there be levied a duty of 20 per cent. *ad valorem* on foreign churns.

EGG-PULP AND SIMILAR PRODUCTS.

Egg-pulp and similar products are at present dutiable (as provisions n.e.i.) at 20 per cent. *ad valorem* under the British preferential tariff, and at 35 per cent. *ad valorem* under the general tariff. For some years past, however, the importation of these goods has, save with the consent of the Minister of Customs, been prohibited.

The Commission considers that, as a general rule, protection should not be granted by way of prohibition of importation, and that in this instance the circumstances do not now justify a continuance of the embargo. We believe that the position should be met by the imposition of such rates of duty as will ensure a reasonable return to the Dominion poultry-farming industry, the products of which are estimated to have an annual value of £3,000,000.

Owing to the fact that importations have been prohibited, some difficulty has been met with in determining the rates of duty necessary in this case. Certain information regarding overseas values has, however, been secured, and the Commission, after taking into consideration prices in recent years on the Dominion market, recommends that duties of 25 per cent. *ad valorem* and 45 per cent. *ad valorem* under the British preferential and general tariffs respectively be imposed, and that consideration be given to the question of removing the prohibition of importation.

GLASS-MANUFACTURING INDUSTRY.

A request was made for increased tariff protection in respect of certain glass containers. The existing tariff items are as under :—

	British Preferential Tariff.	General Tariff.
Bottles, empty, plain stone; infants' feeding-bottles with or without attachments; jars, plain glass; and plain earthen jars, up to 3 in. in diameter at the mouth, whether wickered or not	Free	10% ad val.
Empty plain glass bottles, not being cut or ground, having a capacity not exceeding 8 fluid ounces	Free	10% ad val.
Empty plain glass bottles, not being cut or ground, n.e.i. ..	10% ad val.	25% ad val.

This industry was established in New Zealand a few years ago, when the protection indicated above in respect of certain classes of bottles was granted by Parliament. With unimportant exceptions, the industry has been confined to the manufacture of the bottles on which duty was imposed, and in these lines a large proportion of the Dominion's requirements are now made by the local works. The output of these classes is not, however, sufficient to keep even the present necessary plant fully and economically employed, and there is a possibility that unless the scope of operations can be extended the works may be forced to cease activities. Existing conditions have forced the closing of the works for a period of months, with resultant unemployment and increase in costs.

Since the works were established about four years ago appreciable reductions have been effected in the prices of the classes of bottles made in New Zealand. The evidence indicates that the quality of the local products has been such as to give satisfaction to users. All the materials of the local industry are of British production, the great bulk being of New Zealand origin.

It has been urged by those opposed to a duty on glass containers that the freight from overseas should be a sufficient protection to local manufacturers. It should, however, be borne in mind that this is offset to a considerable extent by the freights which must be paid on the coastal transportation of the Dominion's products.

The Commission considers that this industry can be reasonably successful only if it is afforded an opportunity of making a sufficient quantity of glass containers to enable economic production to be secured. Greater output will tend towards generally reduced costs, and the elimination of certain disadvantages and expenses in manufacture unavoidable under present conditions. Particular reference may be made to the existing necessity for periodically ceasing manufacture by reason of inadequate demand or change in colour of glass required.

The Commission, after careful and thorough consideration, is of the opinion that further protection should be afforded to the industry by increasing to a slight extent the duty at present imposed on certain glass bottles, and by including in the dutiable classes certain other lines. It is therefore recommended that the tariff items dealing with glass containers be amended to read as follows:—

	Rate of Duty.	
	Under British Preferential Tariff.	Under General Tariff.
<i>Bottles and jars, empty plain glass, not being cut or ground, viz. :—</i>		
(1) Bottles or jars <i>especially suited</i> for the distribution of milk or cream ; all bottles or jars <i>ground</i> only at the neck for stopper or cap ; infants' feeding-bottles, with or without attachments ..	Free	20 per cent.
(2) Other kinds, viz. :—		
(a) Having a <i>capacity</i> exceeding 1 fluid ounce, but not exceeding 8 fluid ounces—		
Up to and including 31st March, 1928	Free	20 per cent.
On and after 1st April, 1928	20 per cent.	40 per cent.
(b) Having a <i>capacity</i> exceeding 8 fluid ounces	15 per cent.	35 per cent.
(c) N.e.i.	Free	20 per cent.

The necessity for a slight increase in the duty on the larger sizes of containers arises partly from the fact that the general average cost of distribution will be increased when the manufacture of jars is added to the existing production. The higher rate of duty on the smaller containers is necessary and justifiable by reason of (a) The smaller value of the individual orders available for the small sizes, and consequent higher cost of production of these classes ; (b) the lower level of natural protection afforded by overseas freight on the smaller sizes.

No practical proof is as yet available of the local manufacturers' ability to make milk-bottles which would comply with the special requirements in this particular kind of container. It is also considered that bottles and jars (a) up to 1 oz. in content, and (b) ground only at the neck for stopper and cap, should remain on the free list so far as the British preferential tariff is concerned.

The manufacturers state that they are able immediately to produce locally all the larger-sized containers, while certain special machinery would be installed for the economical production of the smaller bottles. The Commission therefore recommends that the duty on the smaller-sized containers should take effect on the 1st April, 1928.

MAIZE.

Representations have been made in favour of a reduction of duty on this grain. The present duty is 2s. per cental, irrespective of the origin of imports. The claim has been made that New Zealand does not produce a sufficient quantity of maize to meet the demand, and that the existing duty has the effect of increasing the price to a comparatively high level.

The production of maize in New Zealand is carried on more particularly in the Bay of Plenty and Poverty Bay districts, and the product is sold for consumption mainly in the northern part of the North Island. Figures showing the acreage sown, the total yield, and the importations into New Zealand in each of the years ended 31st March, 1919 to 1927, are as under :—

Year ended 31st March,					New Zealand Production.		Imports into New Zealand.
					Acreage sown.	Yield.	
						Bushels.	Bushels.
1919	..	..	..	..	9,792	413,595	95,182
1920	..	..	..	..	9,064	405,775	22,014
1921	..	..	..	..	11,514	500,845	89,318
1922	..	..	..	..	10,522	488,452	68,530
1923	..	..	..	..	9,732	505,776	16,752
1924	..	..	..	..	8,208	405,855	35,562
1925	..	..	..	..	8,621	426,875	123,032
1926	..	..	..	..	8,508	423,700	132,153
1927	..	..	..	..	10,288*	491,122*	148,066

* Interim figures only.

These figures show that importations are tending to increase, and that, with the exception of the past year, production has shown no appreciable upward movement.

The Commission has given close consideration to local costs of production and transportation, and has had under review the landed costs and selling-prices of imported maize. From the facts in this matter we are of the opinion that the duty is at present higher than is necessary, and we have accordingly to recommend that it be reduced to 1s. per cental.

PIG IRON.

The manufacture of pig iron in New Zealand is an industry of recent establishment. The Onakaka Iron and Steel Co., Ltd., has its works in the Nelson Province, and is manufacturing from local ores. The evidence shows that the quality of the pig iron now produced by the company is, in general, giving satisfaction to users. The production of pig iron at Onakaka has been as follows :—

							Tons.
Year ended 31st October, 1922	..	..	..	..	..	..	64
„ 1923	..	..	..	..	..	..	Nil.
„ 1924	..	..	..	..	..	..	849
„ 1925	..	..	..	..	..	..	Nil.
„ 1926	..	..	..	..	..	..	3,270
Nine months to 31st July, 1927	..	..	..	..	..	..	4,106

The imports of pig iron during recent years have been as under :—

Year ended 31st December,				Country of Origin.			
				United Kingdom.	India.	Other Countries.	Total.
				Tons.	Tons.	Tons.	Tons.
1922	..	..	..	2,334	851	1,113	4,298
1923	..	..	..	5,081	2,942	789	8,812
1924	..	..	..	3,609	4,446	458	8,513
1925	..	..	..	4,409	2,573	231	7,213
1926	..	..	..	2,257	2,714	45	5,016
Six months of 1927	..	..	..	585	1,298	5	1,888

An investigation of prices shows that for some years after the establishment of the local industry in 1922 prices were declining, until in August, 1925, local pig iron was selling at approximately £6 2s. 6d. per ton c.i.f. main ports, or nearly £2 per ton less than in 1922. The figures of imports show that to an increasing extent the competition is coming from Indian iron, which is stated to be of somewhat the same quality as the local product. The two irons are commonly used for similar purposes.

The Commission has considered the facts in relation to the cost of production and distribution of New Zealand pig iron, and has noted that appreciable reductions in cost have been effected, mainly as a result of increased output. The evidence shows that the local works are equipped to produce approximately the total quantity of iron required in the Dominion, and it is further claimed that, with few exceptions, the quality produced meets the needs of users of pig iron. As a result of the competition from imports, however, the local works have each year been forced to cease operations for some months, and costs have accordingly been much higher than would have been the case if the plant had been in continuous operation.

A subsidy is paid by the Government to the company, the present rate being £1 8s. per ton of pig iron produced. The local manufacturers claim that since the payment of this subsidy commenced Indian pig iron has been sold at reduced prices. It is claimed also that Indian pig iron is sold for export to New Zealand at prices below the current domestic value, and that this is the chief reason for the request which has been made for duty upon imported pig iron. The evidence gives some ground for believing that Indian iron is, as claimed, liable to dumping duty, and that if such duty were imposed there would be no necessity for any other duty on this commodity.

The Commission wishes to draw attention to the economic loss resulting from the fact that under present competitive conditions adequate output cannot be secured from these works. The cost of production at Onakaka is largely dependent upon this factor, and, whether or not the industry is to continue to receive State assistance by way of subsidy, an endeavour should, we think, be made to enable the works to increase output and thus reduce costs of production. We therefore recommend that full inquiry be made to ascertain whether the facts justify the imposition of dumping duty on Indian iron under the provisions of the Customs Amendment Act, 1921.

RENNET.

For some years past rennet has been manufactured in New Zealand by a company established at Eltham and conducted on a co-operative basis, the shareholders being, in the main, co-operative dairy companies. Until recent years the Rennet Company found difficulty in securing an appreciable share of the trade, the quality of the local product being apparently to some extent unsatisfactory. During the past two or three years, however, the production and use of New-Zealand-made rennet has largely increased, and the evidence shows clearly that the local article is of a standard quite equal to that of imported brands. Sale of local rennet during the past season represented approximately one-half of New Zealand's requirements.

Under the present tariff rennet in bulk is admitted free from all sources. Imported rennet comes chiefly from the Continent of Europe, and the prices of these supplies have been cut very finely, owing apparently to the competition of the local factory. Evidence has been produced to show that Continental rennet has been sold in Australia (where until recently no local competition existed) at prices substantially above those at which similar rennet was at the same time sold in New Zealand.

The manufacture of rennet in New Zealand was, until the past year, carried on by the use of imported raw material. As a consequence of the recently developed trade in young veal, there is now available in New Zealand a large supply of calf-vells. Indications point to the probability that New Zealand will shortly produce all the vells required for the production of a very large proportion, if not the whole, of New Zealand's rennet requirements.

Under these circumstances the Commission is of the opinion that a duty of 20 per cent. *ad valorem*, should be levied upon foreign rennet in bulk.

STATIONERY AND PAPER OTHER THAN WRAPPING-PAPER.

The Commission has given careful consideration to the numerous matters arising in respect of this portion of the tariff. It is quite impossible to report on all the detailed items. One cardinal feature, however, is deserving of special attention: this is the matter of the existing preferential duty of 20 per cent. *ad valorem* against foreign paper, British paper being free. It has been made very evident to the Commission that in this instance the giving of protection of 20 per cent. to British paper-manufacturers (so far as sales to New Zealand are concerned) acts to the prejudice of New Zealand stationery-manufacturers and printers.

The position, of course, is that the British manufacturer of stationery, &c., can import his foreign paper into England free of duty, manufacture it there into account-books and similar articles, and as a general rule send them to New Zealand and have them admitted under the British preferential tariff. The New Zealand maker of similar manufactured articles, who is in competition with the British manufacturer, has at present to pay a duty of 20 per cent. on this foreign paper. In connection with this matter one of the witnesses who appeared before the Commission said that he understood that some of the cheaper books imported from England were made with highly glazed paper peculiar to Scandinavia. He had had a recent quotation for a cheap paper from Scandinavia at £26 5s. per ton, *c.i.f.* New Zealand; the cheapest paper of British manufacture, in minimum lots of 5 tons, was 3d. a pound, or £28 a ton, *f.o.b.* London. After paying the foreign duty the Scandinavian paper actually landed at a lower cost than the British, but he was very loath to use foreign paper.

The position with respect to newsprint paper is not the same as that of other paper used in the manufacturing industries of the Dominion. Newspapers have virtually no external competition, and if some means can be found of distinguishing between these two classes of paper it is considered that the paper with which we are now dealing (other than newsprint) should be exempted from preferential duties. It is found that, with certain minor exceptions, newsprint is imported in rolls, while that used for manufacturing comes in the flat.

It is worthy of mention that New Zealand admits under the British preferential tariff paper manufactured in Great Britain from foreign pulp, notwithstanding the fact that the percentage therein of British material and/or labour probably does not approach 50 per cent. of the factory or works cost of the finished paper.

The Commission therefore recommends that provision be made in the new tariff for the admission free from all countries of paper in the flat, but that paper (n.e.i.) in rolls should be charged with duty at 20 per cent. *ad valorem* if of foreign origin. It is believed that this alteration will obviate the necessity for increasing the duty on certain lines of manufactured stationery in respect of which representations have been made to the Commission. The duties recommended in respect of these manufactured items are those at present in force on the assumption that the above-mentioned alteration in the duty on foreign paper will be adopted.

WOOLLEN-MANUFACTURING AND CLOTHING INDUSTRIES.

1. WOOLLEN-MANUFACTURING INDUSTRY.

The tariff items which have to be considered in relation to this industry are as follows :—

	Rate of Duty.	
	British Preferential Tariff.	General Tariff.
Textile piece-goods including textiles of wool or containing wool, n.e.i. ..	20 per cent.	35 per cent.
Union textiles n.e.i., in the piece, the invoice price of which does not exceed that specified by the Minister when cut up and made into shirts, pyjamas, or underclothing, under such conditions as the Minister may prescribe	Free	10 per cent.
(NOTE : At present the price adopted for purposes of this item is 1s. 3d. per yard.)		
Raw cotton	4d. per lb.	4d. per lb.
Cotton yarns (except for certain purposes)—		
As yarns n.e.i.	20 per cent.	35 per cent.

The importations of woollen piece-goods since 1923 have decreased each year. The total value of the imports in 1926 was approximately 83 per cent. of the average value of imports in the three preceding years. These goods constitute the main lines coming into competition with local production from woollen-mills.

The value of the goods produced by the New Zealand woollen-mills in each of the years ended March, 1922 to 1926 inclusive, has been : Year ended 31st March, 1922, £1,229,829 ; 1923, £1,132,082 ; 1924, £1,420,853 ; 1925, £1,263,743 ; 1926, £1,159,771. The value of local production in 1925–26 was approximately 86 per cent. of the average value of production in the two preceding years.

The evidence shows—and it is, in fact, well recognized—that the New Zealand woollen-mills manufacture a much wider range of products than is the case in the more highly specialized mills in the United Kingdom. This has a direct bearing upon cost of production and the ability of the local mills to compete with importations.

During the period when local mills were manufacturing large quantities of goods to meet the exceptional requirements under war conditions, considerable additions were made to the plant and machinery of local factories. This plant is apparently not now fully utilized. The existing general economic depression which is affecting other industries is doubtless also influencing the prosperity of the New Zealand woollen industry. The demand for silk hosiery and knitted wear of special types has also undoubtedly affected the market for the products of the woollen-mills.

A request was made by manufacturers for special duties on certain low-priced piece-goods, for the reason that these goods, which include shoddy, seriously affected the sale of locally made all-wool products. The Commission is unable to find satisfactory evidence that the importation of shoddy material, either in the form of piece-goods or in the form of made-up clothing, has greatly increased during recent years, or, in fact, that this class of material represents a large proportion of the importations. A system of duties such as has been suggested would affect not only shoddy materials, but also low-priced materials which are of good quality for the purpose for which they are used, and more particularly goods manufactured of cotton and wool.

It is clear that the all-wool products of the New Zealand industry find great difficulty in competing with low-priced materials of wool and cotton imported from abroad, and, more particularly for the reason that a duty exists on raw cotton and cotton yarns, the local mills are unable to engage effectively in the manufacture of union textiles. Neither raw cotton nor cotton yarns are produced in New Zealand, and the Commission therefore considers that the present duties on these articles should not be maintained.

Inquiry has been made into the profits of the woollen-manufacturing industry in New Zealand. It has been found that these profits are in general not unsatisfactory. In consideration of all the circumstances, the Commission is of the opinion that a case for increased tariff protection in respect of this industry has not been made.

If the suggested remission of duty on raw cotton and cotton yarns is adopted, the alteration should be of assistance to the industry in so far as mills are prepared to undertake the manufacture of union textiles.

2. CLOTHING-MANUFACTURING INDUSTRY.

The relative tariff items in this matter are :—

	Rate of Duty.	
	British Preferential Tariff.	General Tariff.
Apparel made to the order, or measurement, of residents in New Zealand, and intended for the individual use of such residents, whether imported by the residents themselves or otherwise ; uniform clothing made to measurements sent from New Zealand	40% ad val.	60% ad val.
Apparel, and ready-made clothing, n.e.i. ; hosiery, n.e.i.	25% ad val.	40% ad val.
Hats, and caps, in any stage of manufacture, n.e.i., including hat-hoods n.e.i.	25% ad val.	40% ad val.

Requests have been made for an increase in the tariff on certain articles covered by these items. The main line of goods which requires some comment is ready-made clothing made from materials containing wool.

In the first place, a section of the industry disclaimed any desire for an increased duty on women's clothing, and the difficulties of this section of the trade appear from the evidence to be more particularly due to changes in fashions which have tended to increase the demand for knitted goods.

So far as men's and boys' clothing is concerned, the evidence does not clearly disclose any decline in New Zealand production. The following figures (which do not, of course, reflect any change in the volume of production which may have taken place during the year 1926-27) are taken from the factory-production statistics :—

					Production in New Zealand.	
					Suits (Number).	Trousers (Number).
Year ended 31st March, 1922	..	..	..	..	117,799	238,464
„ 1923	..	..	..	..	163,258	316,957
„ 1924	..	..	..	..	159,787	358,928
„ 1925	..	..	..	..	161,322	276,362
„ 1926	..	..	..	..	199,524	281,984

It is not possible to secure any statistical information regarding the importations of men's and boys' clothing, which are covered by the general statistical item "Apparel and ready-made clothing."

Consideration has also been given to the tariff on other goods covered by the above-mentioned items, but it is not thought necessary to discuss in this report the facts relative to those commodities.

The Commission does not recommend any alteration in the duties set out above, but is of the opinion that every assistance possible should be given to the clothing-manufacturing industry by the admission free, where practicable, of certain materials—at present dutiable—which are used in making up clothing in the Dominion.

Approximate Cost of Paper.—Preparation, not given ; printing (1,625 copies), £ 59.

It has been found that these profits are in general not commensurate with the contribution of all the circumstances. The Commission is of the opinion that a case for increased tariff protection in respect of this industry has not been made.

If the suggested remission of duty on raw cotton and cotton yarns is adopted, the allocation should be of assistance to the industry in so far as mills are present to undertake the manufacturing of such textiles.

2. (COTTON-MANUFACTURING INDUSTRY)

The relative tariff levels in this industry are:-

Rate of Duty	
General Tariff	Preferential Tariff
Apparel made to the order or measurement of residents in New Zealand, and intended for the individual use of such residents, whether imported by the residents themselves or otherwise, and for which no duty is payable on the goods when they are imported.	
10% ad val.	10% ad val.
10% ad val.	10% ad val.
10% ad val.	10% ad val.

Requests have been made for an increase in the tariff on certain articles covered by these items. The main line of goods which requires some comment is ready-made clothing made from materials contained in the following list:-

In the case of the clothing industry, the Commission has to take into account the fact that the industry is a small one, and that the demand for ready-made clothing is not large. The Commission has to take into account the fact that the industry is a small one, and that the demand for ready-made clothing is not large. The Commission has to take into account the fact that the industry is a small one, and that the demand for ready-made clothing is not large.

Imports in New Zealand	
Value	Quantity
117,129	117,129
319,981	319,981
319,981	319,981
176,342	176,342
381,981	381,981

It is not possible to secure any substantial reduction in the importation of men's and women's ready-made clothing. The Commission has to take into account the fact that the industry is a small one, and that the demand for ready-made clothing is not large. The Commission has to take into account the fact that the industry is a small one, and that the demand for ready-made clothing is not large.