

As to the limitation of discount, the witnesses were of opinion that this could be safely left to the cash-order companies and the traders to contract upon, the trader being relied upon to ensure that the discount did not get out of bounds. The point was emphasized that the retailer, in giving, say, 10 to 12½ per cent. discount to a cash-order trader, would charge the public more for goods. This was considered to be fallacious in view of the fact that no trader would allow a large proportion of his sales to be made on cash-order business. In Auckland it was considered that if 10 per cent. is allowed cash-order traders, and taking the value in turnover of cash orders at 10 per cent., the cost to the business would be less than 1 per cent. As this evidence has an important bearing on our finding, we are attaching it as an appendix to this report. (See Appendix C.)

In the course of cross-examination it was ascertained quite definitely that none of these witnesses desired the business in cash-order trading to increase to more than 10 per cent. of the turnover. If it showed a tendency to grow, then retailers should restrict it by refusing to accept the orders. The witnesses were definitely of the opinion that the trade in cash orders should be confined within certain limitations, and generally agreed that if it grew beyond 10 per cent. of turnover it must inevitably increase the price of goods to the general public.

A deputation equally influential from drapers and boot-retailers of Auckland also waited upon us to support the case presented at Wellington by the Federation in opposition to the system.

Whilst the bulk of the evidence was tendered by those directly interested in the system, we examined a few independent witnesses, and also received some valuable statements by correspondence. Points arising out of this evidence have been embodied in the findings.

Petitions were also signed by a large number of people who expressed appreciation of the benefits derived from the cash-order system. The preface stated that the petitioners had made constant use of the system and that it had proved an invaluable aid to that section of the community who desired to purchase the necessities of life on the instalment plan. In all over 2,300 signatures were obtained, fully 90 per cent. of the signatories being married women.

11. Findings and Recommendations.—We confess that we are faced with considerable difficulty in making our recommendations, because the mass of evidence tendered by witnesses was either strongly in favour of the system or, on the other hand, was just as strongly against it. It is necessary first of all that an authoritative statement should be made upon the rates or profits that it is possible to gain under the system. For the purpose we have considered the position from several aspects, and in justice to those conducting the system have not taken theoretical cases, but have been guided by the actual practices existing in each of the four centres. It is fully expected that this statement will be criticized as exaggerating the true position, and that the actual net profits earned should be quoted. We consider, however, that it is necessary in the public interest to state the facts in this way, as, although we did obtain some balance-sheets and disclosures of profits, they were considered to be strictly confidential and therefore cannot be quoted. The figures, however, in the Australian section, page 3, paragraph 7, are indicative of the high profits earned. It is essential to emphasize both to those who take out the orders and to those who accept them the rates of interest that can be and are being made in New Zealand to-day.

The following table analyses four methods adopted by New Zealand cash-order concerns and shows how profits are obtainable. From the evidence of thirty-one retail houses it was shown that twenty-six cash-order concerns were giving one month's credit, two two months', one fifty days', one two weeks', and one on demand.

Example 1 analyses the position of the cash-order trader who issues a £5 order and charges the client a commission of 10s., the client repaying in twenty instalments of 5s. weekly, the cash-order company receiving the discount of 12½ per cent. from the retailers on a monthly account.

Example 2: The cash-order trader charges a commission of 5s. for each £5 order, repayable in twenty weekly instalments, and the discount collected from the retailer is 12½ per cent. on a monthly account.

Example 3: The cash-order trader charges no commission, collects 10s. for each £5 order at the time the order is issued (representing the first two of the twenty weekly instalments), and receives 12½ per cent. from the retailer on a monthly account.

Example 4: The cash-order trader charges a commission of 5s. for each £5 order, repayable in twenty weekly instalments, and the discount received from the retailer is 12½ per cent., but the terms are fourteen days instead of monthly.

It should be pointed out in considering these tables that the cash-order traders' profits come from three sources—(1) The borrower's premium, if any, paid on cash order, representing the total interest charged to the borrower; (2) the discount of 12½ per cent. allowed by the trader; (3) the month, fortnight, or other period of credit, if any, allowed by the trader to the company to meet the order.