manufacturing expense of shoes in New Zealand. Manufacturers claim they have been forced into accepting these small orders, but it must be recognized that the fashion demand, which competition between manufacturers encourages, has been an important contributing factor.

We believe that the constant competitive issue by local makers of new designs is in itself a very strong force towards diversification of demand, and consequently of output. Any steps which can be taken to modify or control this apparently excessive propagation of new designs would undoubtedly tend towards increasing the average size of the orders handled by the industry. The market is undoubtedly at all times greatly oversupplied with designs. Small orders are the inevitable result, although total sales may be somewhat stimulated, and are seriously increasing factory production costs, and the stock risks of both factory wholesalers and retailers.

(c) Expenses involved in carrying Stocks of Diversified Raw Materials.

The expense under this heading is one which manifests itself in heavy capital charges, in cutting losses in the clicking-rooms, and particularly in writings-off of reduced values due to fashion-changes. So far as the first of these is concerned, we have noted with interest the wide variation in the value of raw stocks considered necessary in businesses doing the same class of trade. An example of this disparity may be given. In one instance the normal value of raw stocks is approximately sixteen times the weekly production in pairs, while in the case of another factory doing the same class of work the similar proportion is only four to one. Apart, however, from such comparative weaknesses, the total capital cost of the industry under this heading is very substantial.

The loss from wastage in cutting is perhaps a cost which is mainly due to changes in fashions and small orders, but it certainly reflects itself through depreciated stock-values. Here again the cost can be set down as one of the disadvantages of small-scale production.

Raw-stock loss or expense appears to be due mainly to depreciated values when manufacturers are caught with materials on hand from which fashion has moved away. When materials have been made up to a particular design or style the risk of stock loss increases; but even before manufacture the risk under this heading is appreciable, and is increased for the industry as a whole because each factory is working its stock requirements quite independently of others and each is bound to hold sufficient of each line to merit possible demands. The greater portion of the stock of raw materials which is subject to more frequent and sudden changes is fancy leathers, the bulk of which is imported. On account of this fact the individual manufacturer has to estimate what is a sufficient supply for the requirements to meet the season's demands. An overestimate of his requirements due in a large measure to a sudden change to other designs and fashions of women's footwear will result in an accumulated stock of material which has very little market value. The loss which arises through stocks of coloured upper-leathers becoming unsaleable through changes in fashion has been referred to the Department of Scientific and Industrial Research for an investigation as to (1) the commercial possibility of dyeing imported or locally produced undyed leather to shades as required; (2) the commercial possibility of New Zealand tanners producing suitable upper-leathers at present supplied by overseas manufacturers. We have been advised that some suppliers have agreed to carry stocks of materials, in which case the loss arising out of stock becoming excessive would be considerably reduced.

Further consideration of this question and a search for remedial measures is, in our opinion, highly desirable. It is suggested that co-operative buying on the part of manufacturers may possibly afford a solution of the difficulty, also initiative by local tanners.

(d) Costs and Losses in respect of finished Stocks.

As has been mentioned above, the risk of carrying finished stock is greater than with raw materials, and in classes subject to rapid fashion-changes the risk is so great that manufacturers generally refuse to make otherwise than for orders. In all instances the endeavour is to adopt the course which gives the best production economy with the highest stock risk compatible with trading safety. In all instances, despite the greatest care, stock losses occur. The position varies from factory to factory not only according to the class of goods produced, but also in relation to the system of sale followed. It is only to be expected, therefore, that the value of finished stocks varies considerably as between the different units. We are bound to say, however, that the evidence shows that manufacturers have apparently been inclined to err on the side of overstocking, and the businesses showing the least satisfactory financial results have often been placed in that position as a direct result of necessity of writing down stocks of finished goods. It appears, too, that the sales system of each factory has a bearing on this matter, and where the business is organized for distribution through main and branch warehouses the stock loss tends to be higher than when sales are effected direct from the factory to retailers.

This devaluation of finished stocks is not strictly a production loss, but is, however, intimately related to questions of improved production and the elimination of small "tickets" which otherwise burden the factory cost and general overhead.

Under existing circumstances this serious stock risk is one which manufacturers cannot entirely avoid, and is common to most industrial enterprises in New Zealand.

(e) Industrial Difficulties—Non-flexibility of Labour Conditions.

The conditions in regard to the employment of labour are very largely laid down by law, and more particularly by the award made under the Industrial Conciliation and Arbitration Act. The conditions surrounding the employment of labour in New Zealand are therefore much more rigid than in countries from where the main supplies are imported. These rigid conditions necessarily exercise a substantial influence on factory cost and production efficiency. It is difficult, despite efforts made