

and to a lesser extent from Australia and the United Kingdom. About 1 yard of welting is used in the manufacture of a pair of men's welted shoes, and the foreign duty of 45 per cent. on this material represents an added cost of approximately 2d. per pair of shoes. Welting is now being manufactured by local tanners, and the position as to their ability to supply the requisite quantities and quality at competitive prices is being further inquired into.

Stiffeners.—Under the tariff existing previous to the revision of last year stiffeners if moulded were free under Item 260, but if not moulded were dutiable (at 20 per cent. and 35 per cent.) as leather manufactures n.e.i. (Item 269). Under the existing tariff stiffeners, whether moulded or not, are dutiable under Item 203 at 25 per cent. British preferential tariff, and 45 per cent. general tariff. Many of the larger factories have apparently for years past made most, if not all, of their own requirements of stiffeners, and we are advised that just prior to the recent revision of the tariff the production of stiffeners for direct sale was commenced in the Dominion. We are advised also that some manufacturers are using the product of one factory, price and quality being quite satisfactory. The new duty of 25 per cent. on British stiffeners (an increase of 5 per cent. on stiffeners unmoulded and of 25 per cent. on those imported ready moulded) therefore gives protection to local industry.

Suede Leathers.—The duty on these leathers was reimposed by the tariff of last year, and, although suede leathers are not now in general use, several manufacturers have mentioned that they are affected by the duty on suede linings and white suede (or "nubuck") used for uppers. Any alteration in this connection would involve substantial administrative difficulties (as in the past) in distinguishing between leathers which can and leathers which cannot properly be classed as suedes. As the matter is, under present conditions, of only minor importance to the industry, it does not appear that any step can reasonably be taken to remove again the duty on this general class of leather.

DISTRIBUTION.

The difficulties and costs arising in respect of the marketing of manufacturers' products have received our careful consideration, and we propose now to refer to certain aspects of this subject.

(a) *Selling Organization and Expenses.*

One of the most striking features of the results of our inquiries has made reference to the high rate of expenses involved in the marketing of output.

Different sales systems have been adopted according to the opinions held by the different controlling interests. In cases where factories are owned or controlled by firms doing business in other goods the products are sold through branch warehouses throughout the Dominion. In at least one instance a warehouse sales policy is adopted, and in two cases the goods are sold through retail shops controlled by the manufacturing firms. In the great majority of instances, however, the products are sold by the factory direct to independent retailers throughout the Dominion or in a limited area. This sales contact is effected through salesmen employed by the factory, or through commission houses, or by a combination of both methods. By reason of these differing sales methods it is not possible to make any complete comparisons of the cost of marketing the factory outputs, and we have not, of course, been able to give sufficient time to an intensive study of these costs in many of the businesses in respect of which fair comparisons might be made. We have, however, been able to secure sufficient general information in respect of some firms to indicate quite clearly that the selling-cost has in recent years shown a distinct upward tendency. In general, too, it appears that this increase in selling-cost has been more particularly due to an absolute increase in the total sales expenses than to a decline in turnover. In particular, the item of travelling-expenses of salesmen (including salaries and commission) has shown, where definite figures are available, a very marked increase, and the general information given by manufacturers shows that in an endeavour to hold turnover every effort has been made (by increased sales staff and otherwise) to secure business. Relatively unprofitable districts have been worked, and orders which cannot properly be regarded as profitable have been accepted.

We have been surprised to learn the number of salesmen who are constantly employed seeking business, and the total financial burden on the industry must be extremely heavy. Travelling-expenses in relation to turnover in the case of several businesses have been remarkably high, and even where the cost on the whole turnover has not resulted in a particularly high average the figures for particular districts have clearly indicated a serious economic and trading cost. This apparently arises from a desire to maintain the total factory output, and from a hope that improvement in the unsatisfactory districts may gradually be manifested.

This matter of sales expense appears to be influenced in some degree by the wide range of styles and samples which manufacturers submit to retail houses. We have already referred to the multiplicity of designs placed on the market, and desire to mention the subject here again only for the purpose of indicating that the cost of this wide range of goods manifests itself not only in the factory cost, but also in the expenses of marketing.

(b) *Bad Debts and Credit Cost.*

It is clearly evident that in competition with overseas suppliers local manufacturers are at a substantial disadvantage in relation to the cost of credit given to retailers and in respect of bad debt risk. As a direct result of the competitive position of the trade, manufacturers in the Dominion are often forced to give comparatively long-term credit to retailers. This is usually effected by means of promissory notes for terms extending from one month upwards. It should be noted, too, that the ordinary trade terms allow for the granting of credit for some weeks. The cash discount of 3¼ per cent. is forfeited by the buyer if payment is not made by the 10th of the month following the month of delivery, and promissory notes almost invariably carry interest at a rate of about 7 per cent.