

provide approximately £9,000, which will be available for meeting claims under the guarantee, and the liability of the Government will be proportionately reduced. The guarantee has been valuable to the industry in enabling growers to finance the purchase of cases, packing-material, &c., but now that the industry is established, and particularly as the Fruit Board has the machinery for imposing a levy on export, the proceeds from which might be used for the purpose of financing growers, **we believe that the Government guarantee should be withdrawn.** The amount provided on the 1931-32 appropriations was £11,000; but this did not cover the full liability, which amounted to approximately £19,000, in addition to which there is a possible further liability of £16,000 in respect of a disputed claim.

1093. **We consider that the Government cannot continue to shoulder this liability, and recommend that the subsidy be withdrawn. The industry is now able to find ways and means by co-operative effort to finance its own activities.**

Saving on 1931-32 appropriations, £11,000.

Railways.

Item—Carriage of Lime for bona fide Farmers, £43,000.

„ *Portion of Freight Rates on Fertilizers, £91,000.*

1094. There is no difference in principle between these two items. The first represents the amount payable to the Railways Department in respect of the carriage of lime. The lime is carried free on the railways for distances of up to 100 miles, and this item is to provide for the payment of the freight to the Railways Department. It is, therefore, a free service provided for the primary producer. The system was brought into operation many years ago, but it is only of recent years that a charge has been made against the Consolidated Fund to recoup the Railways Department, and the expenditure was consequently not reflected in the vote of the Department of Agriculture in 1914-15. **The cost of the service could be reduced by restricting free carriage to lime obtained from the nearest suitable lime-works, and this should, in any event, be done.** Such a restriction does not, however, go far enough, and we are of opinion that the whole system of subsidies, which has grown up more or less indiscriminately, is fundamentally wrong.

1095. The other item is to cover a portion of the railway freight rates on fertilizers. This is, in effect, a further subsidy, and represents a payment of 40 per centum of the freight on artificial fertilizers. It is estimated that, if the system is continued, an expenditure of at least £120,000 will be required in 1932-33—an increase of £29,000. **We are of opinion that this system of subsidy is quite wrong, and that some means must be found whereby the charge will be borne by the industry.** The national value of the use of fertilizers properly applied cannot be disputed, but the dairy industry, having grown to such an extent and having received valuable assistance over a long period of years, should now be in a position to shoulder more of its proper liabilities.

1096. These two items are to a degree linked with the following item, wherein we have suggested either the discontinuance of the subsidy or the substitution of an alternative system, the essence of which is that the user shall pay.

Item—Subsidy to Manufacturers of Superphosphates, £70,000.

1097. This subsidy first came into operation in October, 1931, and is at the rate of 11s. per ton. The amount provided for 1931-32 was £70,000, but it is estimated that a considerably larger sum will be required if the subsidy is to be continued—in fact, the indications are that at least £165,000 will be necessary in 1932-33—and in view of the importance of maintaining production at its present level, or increasing it by all possible means, we do not therefore recommend the immediate discontinuance of the subsidy. The matter is one of considerable importance to the taxpayer, as the three subsidies amount in all to £204,000 for 1931-32, and will probably be increased this year by a further £125,000 if the present system is continued.

1098. It should, perhaps, be mentioned that the provision of a subsidy has apparently resulted in some increase in the use of fertilizers. For the year ended 31st March, 1931, a total of 385,000 tons was absorbed, or an increase of 16,000 tons. The cost to the State for the period from October, 1931, to the 31st March, 1932, was £73,000, against an appropriation for subsidy purposes of £70,000. Over the period from October, 1931, to 31st March, 1932, the actual increase in consumption over the same period of the previous year was 61,000 tons, at a cost to the State equivalent to £1 4s. per ton on the increase.

1099. **We are of opinion that the system of free railway carriage of lime, the partial free railage of fertilizers, and the subsidies to fertilizer-manufacturers should be discontinued as soon as possible, and greater attention paid to the possibility of further reducing all farming-costs.** Recent legislation relieving farmers of a substantial portion of their interest burden should largely remove the necessity for special assistance such as we are now dealing with.

1100. At best, subsidies provided by the whole community can only be regarded as temporary assistance to special sectional interests. All basic industries should be self-supporting, otherwise our whole fiscal system must shortly collapse.

1101. **We say definitely that the root cause of stagnation or partial stagnation in any industry cannot be remedied by a system of subsidy, and a gradual tapering-off of subsidies and concessions must be aimed at.**