

I am giving the Chairman confidential figures, showing that the profits of the business are such that action along the lines indicated must be taken in the near future unless profits can be increased.

The present legislation prevents manufacturers and packers from nominating a minimum resale price for their goods. This results in price-cutting, as many important lines are sold in Christchurch at cost price.

The suggested amendment would enable manufacturers and packers to nominate resale prices which would show some profit to the reseller, with which to meet his overhead expenses.

Mr. Tuck : Some one has asked a question about individual grocers forced out of business. The particular witness who put this in is not here. This is a list prepared in Christchurch of grocers out of business since 1928, also grocers and confectioners, and the second list shows their assets.

Statement presented by Mr. F. A. L. COOKSON, representing Royds Bros. and Kirk (Christchurch), Ltd., Packers.

The policy of "cutting" traders is to select standard advertised articles prices of which are well known to consumers and use them as "leaders" by selling at cost or near cost with the object of conveying the impression that everything else sold in that shop is equally cheap.

The average consumer purchaser of groceries knows only a few retail prices—butter, sugar, flour, bacon, and eggs would probably constitute the list apart from standard advertised goods; it therefore follows that the cutter must select something well known if his "cutting" tactics are to be successful, and in every case that is what he does.

In the case of Raven tea the advent of the chain store did not immediately result in the cutting of price, as by a friendly arrangement between us these stores did not stock it. However, all other well-known brands were cut by them, and we then had two alternatives to choose from—(1) to keep Raven at the standard retail rate; (2) to allow it to be sold at or about cost. By mutual arrangement between retailers we choose the former course, and the following table shows the effect on sales:—

January–March, 1928	..	..	..	..	..	..	100
" 1929	..	..	..	..	..	..	58
" 1930	..	..	..	..	..	..	50
" 1931	..	..	..	..	..	..	45
" 1932	..	..	..	..	..	..	57
" 1933	..	..	..	..	..	..	93
" 1934	..	..	..	..	..	..	110

Raven tea is packed by hand-labour, and during the years 1929, 1930, and 1931 our staff was reduced in the same proportion as sales indicate.

We do not claim that this decrease is entirely due to cutting tactics, as, in the search for profit, most retailers at that time began selling cheap bulk teas; it may also be claimed that the general depression was partly responsible, but it is significant that the figures given coincide with the period of cutting and begin to improve when other proprietary teas adopt the system of price-fixation.

It is also significant that sales of advertised proprietary packs increased under price-fixation, while sales of cheaper bulk teas decreased—this indicates consumer acceptance of standard brands at standard prices.

Now, this cutting of prices was widely advertised as a whole-hearted desire, on the part of the chain stores, to assist the worker who, it was suggested, had been robbed under the service system. Apparently Raven tea was not considered necessary to the worker by the largest chain-store group, as none of their stores stocked it until towards the end of 1934. Then in the southern suburbs of Christchurch cutting broke out and three units of this chain group commenced selling Raven tea at a "cut" price, forcing individual stores in the same area to do likewise; the cutting was confined to this area, and Raven tea was not even stocked by the other units of this chain group, so it is therefore apparent that the introduction of cutting tactics was meant not to benefit consumers, but to wreck competitors. As Raven tea was not legally protected against the cutter our business was upset all over Christchurch because all retailers were expected by the consumer to charge the cut price advertised in the affected area—this reaction damaged only the regular handlers of Raven tea, as the outside units of the chain did not stock it. An amendment of the Commercial Trusts Act whereby the fixation of prices became legal would not increase price to the consumer, as we are compelled by competition to give good value; bulk teas can be bought at all stores, and if our price were made too high we would lose our market. In this connection we would mention that the blending of Raven tea is done in New Zealand, all packets, tins, and printing are produced by New Zealand labour and machinery, while employment is given to packers, salesmen, and office staff.

To show the result of price cutting I attach hereto a list of grocers, bakers, and confectioners forced out of business since 1928, and a list of businesses assigned. This list is not complete, but is sufficiently lengthy to demonstrate the evil result of unrestricted price-cutting.

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