

The gross earnings are also subject to a charge for the depreciation of the plant. The manufacturing costs include provision for the maintenance of all parts of the plant in good operating condition and for the replacement of parts necessitated by normal operation. Suspense funds are also included for the replacement of mill rolls and the re-lining of the furnaces. Under such conditions, a charge for depreciation may be regarded as a reserve fund for the amortisation of the capital charge so that by the time the plant becomes obsolete or uneconomic in operation, the book values are reduced to nil. It is suggested that an average charge for depreciation of 4 per cent. is ample for this purpose, since with this amount per year invested in a $2\frac{1}{2}$ per cent. security, the capital value of the plant will be accumulated in a period of twenty years.

The net earnings, after making allowance for these charges, but before provision for capital charges or Income Tax are estimated at £145,600 per year of full operation.

Summary of Estimated Earnings.

Materials for steel		
Coke	1,500 tons per year.	
Pig Iron	6,660 "	
Steel Products	61,500 "	
Total	69,660 tons.	
		£
Estimated Manufacturing Costs after deduction of by-product credits, &c.	1,016,950	
Realised Value (s.l.f. and c.)	1,761,124	
Less: Overheadings	1,11,174	
Less: Dock Duty and Freight to Ports—		
100,000 tons Iron and Steel @ 19s.	100,000	
Administration	25,000	
Depreciation—1% on £1,000,000	100,000	
	288,550	
Net Earnings before Capital Charges and Taxation	£145,624	

EFFECT OF STEEL MANUFACTURE ON EMPLOYMENT.

The number of men who will be required as Staff and Workmen for the manufacture of the proposed tonnage of steel and provided for in the estimated manufacturing costs, is about 1,500 in direct employment at the Iron and Steel Works.

Based on an average production of 300 tons per year per man employed in the mines, the new demand of 180,000 tons of coking coal is an increase of approximately 20 per cent. over the production of the West Coast in 1937 and represents an increase of employment in these coal mines equivalent to 300/300 men working throughout the year.

In addition, there will arise a considerable demand for indirect labour in the transport services and in the social services required to meet the needs of the workers in the new township to be erected.

On a conservative basis, it may be estimated that the establishment of an Iron and Steel Industry will furnish permanent remunerative employment for at least 2,000 men. On the basis of four persons per family, the population of the new township, based on the steelworks alone, will be in the neighbourhood of 6,000 persons and this number will steadily increase as the steel industry develops and ancillary industries are established around it.

The addition to the annual Wages Fund of New Zealand may be estimated on the following basis. The estimates of manufacturing cost in the steel works makes provision for staff salaries and wages at approximately £500,000 per year. The Mines Statement for 1937 shows that the average wages paid for winning coal in the State Mines was about 13/- per ton and on this basis, the increase in the miners' wages fund will amount to approximately £100,000 per year even after taking account of the economies which should be effected as a result of the increased production of coal.

The raw materials required in the steel works, apart from the coal used, are estimated at £134,000 per year and on the basis of 40 per cent. of the cost of such materials, being labour, this represents an additional wages fund of £50,000 per year.

These items total £650,000 per year permanent increase in the Wages Fund of the country irrespective of the services arising in the transport and township services and from the labour required to meet the needs of workers employed in the new industry.

EFFECT OF STEEL MANUFACTURE ON STERLING DEMAND.

As stated above, the value at the point of entry of the steel products which are to be manufactured in New Zealand, is approximately N.Z.£1,761,000. To this must be added the value of the by-products and fertilizer which will be supplied from the steel works amounting to N.Z.£128,000, giving a total of N.Z.£1,889,000, or about £1,510,000 Sterling per year.

While the larger part of the raw materials required in the steel works can be supplied from sources in New Zealand, certain materials such as manganese ore, spelter, acid and repair materials, must be imported from overseas. The cost of this imported material is estimated at N.Z.£212,000 or, about £170,000 Sterling per year. This amount could be substantially reduced by the establishment of a plant for the manufacture of sulphuric acid at Onekaka to meet the requirements of the steel pickling plants.