

1915.
NEW ZEALAND.

REPORT OF ROYAL COMMISSION APPOINTED
UNDER THE REGULATION OF TRADE AND
COMMERCE ACT, 1914.

Presented to both Houses of the General Assembly by Command of His Excellency.

COMMISSION.

*Commission to inquire into and report upon certain Matters under the
Regulation of Trade and Commerce Act, 1914.*

LIVERPOOL, GOVERNOR.

To all to whom these presents shall come, and to the Honourable Thomas Walter Stringer, K.C., Judge of the Court of Arbitration; the Honourable John Barr, Member of the Legislative Council; James Begg, Esquire, of Mosgiel, Farmer; George Joseph Garland, Esquire, of Auckland, Accountant and Agent; William Milne, Esquire, of Oamaru, Farmer; and George Wilson, Esquire, of Wellington, Merchant: Greeting.

WHEREAS by section thirty-four of the Regulation of Trade and Commerce Act, 1914, it is provided that at any time while His Majesty is at war with any foreign Prince or State the Governor may appoint any person or persons to be a Commission to inquire into and report upon any or all of the matters therein set out: And whereas it is expedient that a Commission should be appointed for the purposes hereinafter set forth:

Now, therefore, I, Arthur William de Brito Savile, Earl of Liverpool, the Governor of the Dominion of New Zealand, in exercise of the powers conferred by the Regulation of Trade and Commerce Act, 1914, and the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby appoint and constitute you the said

THOMAS WALTER STRINGER,
JOHN BARR,
JAMES BEGG,
GEORGE JOSEPH GARLAND,
WILLIAM MILNE, and
GEORGE WILSON

to be a Commission to inquire into and report to me upon the following matters:—

- (a.) The state of the prices in New Zealand of wheat, flour, bread, oatmeal, beef, mutton, and any other articles whatever of food or drink, on the first day of August, one thousand nine hundred and fourteen, and at any time thereafter.

- (b.) The quantity, situation, demand, supply, or possession of any such articles of food or drink in New Zealand.
- (c.) The advisability of the exercise by the Governor in Council of the power to fix and determine the maximum price in New Zealand of any of such articles of food or drink, and whether different maximum prices should be fixed for the same articles of food or drink in respect of different forms, modes, conditions, or localities of trade, commerce, sale, or supply.

And with the like advice and consent I do further appoint you the said

THOMAS WALTER STRINGER

to be the Chairman of the said Commission.

And for the better enabling you, the said Commission, to carry these presents into effect you are hereby authorized and empowered to make and conduct any inquiry under these presents at such times and places in the said Dominion as you deem expedient, with power to adjourn from time to time and place to place as you think fit, and to call before you and examine on oath, or otherwise as may be allowed by law, such person or persons as you think capable of affording you information in the premises; and you are also hereby empowered to call for and examine all such books, papers, writings, documents, or records as you deem likely to afford you the fullest information on the subject-matter under inquiry, and to inquire of and concerning the premises by all lawful means whatsoever.

And using all diligence you are required to report to me under your hands and seals not later than the thirtieth day of September, one thousand nine hundred and fourteen, your opinion on any matters inquired into by you as aforesaid.

And it is hereby declared that these presents shall continue in full force and virtue although your inquiries are not regularly continued from time to time or from place to place by adjournment.

And, lastly, it is hereby further declared that these presents are issued under and subject to the provisions of the Commissions of Inquiry Act, 1908.

Given under the hand of His Excellency the Right Honourable Arthur William de Brito Savile, Earl of Liverpool, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Member of the Royal Victorian Order, Governor and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies; and issued under the Seal of the said Dominion, at the Government House at Wellington this thirty-first day of August, in the year of our Lord one thousand nine hundred and fourteen.

W. F. MASSEY,
Prime Minister.

Approved in Council.

F. D. THOMSON,
Acting Clerk of the Executive Council.

REPORT.

To His Excellency the Right Honourable ARTHUR WILLIAM DE BRITO SAVILE, Earl of Liverpool, Governor and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies.

MAY IT PLEASE YOUR EXCELLENCY :—

We, the Commissioners appointed by Your Excellency's Letters Patent, dated the 31st day of August, 1914, under the Regulation of Trade and Commerce Act, 1914, have now the honour to submit the following further report for Your Excellency's consideration :—

1. Your Commissioners have held sittings in all the chief centres of the Dominion on various dates as occasions arose, which appeared to require investigation, such sittings occupying on the whole a period of thirty-seven days.

2. On the 29th day of September, 1914, your Commissioners made their first report to Your Excellency, and since then various interim reports to the Right Honourable the Premier have been made bearing date respectively the 8th day of October, 1914 (relating to sugar), the 21st day of December (relating to flour), and the 22nd day of February, 1915 (relating to bread, meat, and imported foodstuffs).

3. In dealing generally with the subject of our investigations your Commissioners desire to point out that in the early weeks of the war a feeling of great uncertainty about the future was prevalent, and one result of this was an unprecedented demand for provisions, principally for groceries, such as flour, sugar, oatmeal, &c. The immediate result of this increased demand was the embarrassment of merchants and manufacturers who supply the retailers with these articles. The millers and the Colonial Sugar Refining Company refused to supply abnormal orders as their stocks were being rapidly depleted, and the merchants and retailers in turn raised prices in order to check the run on the stocks they were unable to replace. Several months passed before business settled down to normal dimensions and conditions, the situation in the meantime becoming further complicated by the severe drought in Australia. In normal seasons wheat or flour required in New Zealand can be readily imported from Australia, but no relief could be looked for in that quarter this season. On the contrary, a strong demand for fodder of all kinds for Australia was experienced, and this had the effect of raising prices here. Later on the same conditions caused a strong demand in Australia for New Zealand butter, and prices rose to a high level. So there have been two distinct causes tending to raise prices—one world-wide, the other local.

Supplies of wheat in the Dominion and a threatened shortage of sugar received our first attention. Owing to defective and incomplete statistics we met with considerable difficulty in ascertaining what stocks of wheat existed in the country, but ultimately the evidence indicated that the supply was short of requirements. Investigation showed that the bulk of the wheat was held by millers, some holding very large stocks, while others had very little. Considerable quantities were held by merchants, and an uncertain but not very large quantity by farmers. The prices paid by millers for their stocks varied considerably. Some who had bought early in the season secured large quantities at from 3s. 8d. to 4s. per bushel. Others had bought in August and September at from 4s. 6d. to 5s. 9d. per bushel. Some of the stock held was covered by forward contracts for the sale of flour at very moderate prices. Those millers who held large stocks of wheat at low prices undoubtedly made large profits. The margin at any given time between the price of wheat and the price of flour and between the price of flour and the price of bread has not,

so far as the evidence has shown, been disproportionate. As prices of wheat were rapidly rising your Commissioners made recommendations as stated in our report of 29th September, 1914.

We found that the area sown in wheat in the Dominion is decreasing year by year. The low price of wheat for some years, the fact that the raising and fattening of live-stock and the production of butter and cheese have been more profitable during the same period, and the difficulty experienced in securing suitable and sufficient labour at harvest-time are the chief reasons given for this decline in wheat-growing. The remedy usually suggested is the placing of an increased duty on imported wheat and flour. Your Commissioners cannot recommend this course for the following reasons: it would involve an uneconomic use of land. Until sufficient wheat for our requirements was grown in the Dominion the consumer would have to pay an increased price. When an exportable surplus was grown protection for the grower would cease, and the crop would be marketed at the world's price.

This season's harvest turned out better than was anticipated, and the wheat threshed, as shown by the statistics recently collected, will nearly supply our normal requirements. There are indications that any deficiency which may exist will be made good by importations of flour from Vancouver and elsewhere. The price was high during and immediately after harvest, but has eased a little since.

The sugar-markets of the world became very disturbed in the early months of the war, and in London it was quoted as high as £33 per ton. The Colonial Sugar Refining Company continued to supply buyers' normal orders at £16 5s. per ton, and one of their agents came from Australia and appeared before your Commissioners and gave evidence. An arrangement was subsequently made with him by your Commissioners to supply our requirements up to the 30th of June of this year at a maximum price of £20 per ton—the existing arrangements to supply manufacturers at £14 per ton being undisturbed—the maximum to be reached by several increases of not more than £1 per ton at intervals of not less than two weeks. The maximum was reached in December last. As a result of this arrangement New Zealand has had an abundant supply of sugar of the best quality at a lower price than any other country has enjoyed. The Commission has recently renewed the arrangement with the Sugar Company for a further period of one year at the maximum price of £21 per ton, which, having regard to high prices still ruling elsewhere, should, your Commissioners think, be regarded as highly satisfactory. It may be fitting to point out here that the Colonial Sugar Refining Company has no privileges in New Zealand, and such a monopoly of the market as it enjoys is secured solely by virtue of supplying a first-class article cheaper than it can be procured elsewhere.

Many complaints were made about the price of butchers' meat, and we took evidence both from those engaged in the trade and from the public. The price of meat, especially beef for export, rose on the outbreak of war, while the price of by-products, such as skins, hides, tallow, &c., declined. Under these circumstances some rise in the retail price was inevitable. We found no indication that butchers were making undue profits. During the continuation of the war prices will be regulated by the price at which the Imperial Government has taken over our exportable surplus of meat, and may be further modified by shortage of shipping-space limiting the number of live-stock that can be dealt with by the freezing companies.

Evidence showed that retailers generally, while receiving higher prices for a number of articles, were seldom making more profit than in normal times, and in many instances have to content themselves with reduced profits. Nearly all complained of the increased cost of booking and delivery of goods, the former because of the increased amounts involved and the reluctance of customers to settle accounts promptly, and the latter owing to the increased cost of horse-feed, &c. Grocers also commented on the enormous demand for flour, sugar, oatmeal, &c., which are regarded as non-paying lines, and the restriction in the sale of the better-paying special lines of groceries—factors which caused an

increasing volume of business to show decreasing relative profits. Continual comment was made on the cost of credit and delivery, and it was repeatedly emphasized that if buying were generally done for cash over the counter prices could be materially reduced.

It was suggested at an early stage of our investigations by one witness that merchants with stocks in hand at the outbreak of war should be compelled to sell out those stocks at the prices ruling on that date. When, however, it was pointed out that the quantity of stocks held by different merchants varied greatly, that it would be impossible to ascertain when the old stocks had been sold out, and that from a business point of view it was impracticable to have varying prices for the same class of goods at the one time, and therefore that the only possible method of carrying out the suggestion would be for the Government to take over and pool the entire stocks in the Dominion, the witness had to admit that he could not see any practical remedy for what he considered an unfair exploitation of the public. It moreover appeared that it was a common business precaution, when for any reason the cost of replacing goods in hand rose abnormally, to raise proportionately the price of the goods in stock, as otherwise when the prices returned to normal the stocks then in hand and purchased at the abnormal prices would have to be sold at a loss.

As was said by Burke more than a century ago, speaking of a time when, as now, Britain was fighting for the freedom of Europe from a military autocracy, "of all things an indiscreet tampering with the trade of provisions is the most dangerous, and is always worst in the time when men are most disposed to it; that is in the time of scarcity, because there is nothing on which passions of men are so violent, their judgment so weak, and on which there exists such a multitude of ill-founded prejudices."

We had no evidence, nor was it suggested, that there was any combination amongst merchants to maintain a high level of prices. On the contrary, we were satisfied that merchants and traders, with few exceptions, throughout the Dominion had acted fairly and reasonably, and had not sought to take advantage of the war to augment their profits at the expense of the public.

Your Commissioners therefore have not made any recommendations on the subject.

Dated this 28th day of June, 1915.

T. W. STRINGER, Chairman.

W. MILNE.

GEO. WILSON.

JAMES BEGG.

JOHN BARR.

GEORGE J. GARLAND.

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