

1941.
NEW ZEALAND.

DEPARTMENT OF INDUSTRIES AND COMMERCE

(TWENTY-FOURTH ANNUAL REPORT OF THE).

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

YOUR EXCELLENCY,

Wellington, 12th August, 1941.

I have the honour to submit for your Excellency's information the report of the Department of Industries and Commerce for the past year.

I have, &c.,

D. G. SULLIVAN,

Minister of Industries and Commerce.

His Excellency the Governor-General of the Dominion of New Zealand.

SIR,—

Wellington, 28th July, 1941.

I have the honour to submit the annual report of the Department of Industries and Commerce. This report deals with the work of the Department since the previous report was placed before Parliament, and covers generally the period ended 31st March, 1941. In certain instances, however, matters subsequent to that date are also referred to.

I have, &c.,

L. J. SCHMITT, Secretary.

The Hon. D. G. Sullivan, Minister of Industries and Commerce.

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GENERAL TRADE REVIEW.

THE overseas trade of New Zealand for the calendar year 1940 is briefly reviewed in comparison with the trade during the calendar year 1939.

The total external trade increased from £107,436,499 to £122,738,802, an increase of £15,302,303. This substantial expansion in external trade was mainly accounted for by exports increasing by £15,691,817, from £58,049,316 for 1939 to £73,741,133 for 1940. Imports showed a slight recession, falling from £49,387,183 to £48,997,669, a decrease of £389,514. This big increase in exports and small decrease in imports resulted in the balance of visible exports rising from £8,662,133 in 1939 to £24,743,464 in 1940.

Among the more important products exported the following substantial increases in both quantities and values were recorded: Wool, 68,230 bales (£5,209,136); butter, 194,386 cwt. (£2,116,819); cheese, 356,249 cwt. (£2,363,596); frozen beef, 643,365 cwt. (£1,443,874); lamb, 343,534 cwt. (£1,867,077); mutton, 318,670 cwt. (£911,855); pork, 72,024 cwt. (£371,369); gold, 12,000 oz. (£313,832). In the case of chilled beef exports showed a substantial decline of 311,844 cwt. in quantity and £609,412 in value.

As regards other products exported, increases in both quantities and values were recorded for potted and tinned meats, sausage-casings, milk (dried and preserved), peas, potatoes, cattle-hides, tallow, and timber. Decreased quantities but increased values are shown in the case of rabbit-skins, sheep-skins with wool, sheep-skins without wool, and grass and clover seeds. In a few cases decreases in both quantities and values of certain items occurred, instances being casein, apples, calf-skins, *Phormium tenax*, kauri-gum, and veal.

Butter and cheese represented 37·2 per cent. of the total value of exports, meat 25·5 per cent., and wool 22·9 per cent. The comparative figures for 1939 were—butter and cheese, 29·8 per cent.; meat, 25·7 per cent.; and wool, 20·1 per cent.

The direction of export trade for 1940 is briefly shown as under, the comparative figures for 1939 being shown in parenthesis. British countries received 94·03 per cent. (87·8 per cent.) of our exports and foreign countries received 5·27 per cent. (12·21 per cent.). Our best customer, the United Kingdom, took 86·04 per cent. (81·11 per cent.) of total exports, other countries taking the following percentages: Australia, 2·94 per cent. (3·92 per cent.); Canada, 2·32 per cent. (1·62 per cent.); U.S.A., 3·83 per cent. (4·94 per cent.); France, 0·97 per cent. (2·74 per cent.); and Japan, 0·18 per cent. (0·67 per cent.).

Of our imports 76·97 per cent. (74·21 per cent.) came from British countries and 23·03 per cent. (25·79 per cent.) from foreign sources. Of the more important countries imports were shared as follows: United Kingdom, 46·83 per cent. (46·83 per cent.); Australia, 15·97 per cent. (13·01 per cent.); Canada, 5·89 per cent. (8·86 per cent.); Ceylon, 1·94 per cent. (1·67 per cent.); India, 2·92 per cent. (1·43 per cent.); U.S.A., 12·42 per cent. (11·36 per cent.); Netherlands East Indies, 4·48 per cent. (4·93 per cent.); and Japan, 1·75 per cent. (2·10 per cent.).

As regards individual items imported, the chief increases recorded were—motor-vehicles, £3,200,020; railway and tramway plant, £847,943; footwear, £266,188; cigarettes, £245,525; hosiery, £163,077; drapery, £136,704; apparel and ready-made clothing, £637,524; toilet preparations, £132,592; spirits and alcoholic beverages, £107,799; and plain tablecloths, towels, sheets, &c., £103,190. Amongst the principal increases recorded in items of import were—arms, ammunition, and explosives, £2,218,800; cotton and linen piece-goods, £822,344; oils in bulk, £606,429; sugar, £524,679; plate and sheet, tinned, £383,480; woollen piece-goods, £308,568; bags and sacks, £287,448; yarns, £286,915; silk and artificial silk, £268,199; tubes, pipes, and fittings, £165,052; tea, £123,199; sewing silks and cottons, £105,616; sulphur, £237,597; and printing-paper (other than newspaper), £175,673.

PRICE-CONTROL.

The complete control of all prices for goods and services, which was instituted at the outbreak of war, has been continued, and with the actual experience gained from the administration of the regulations, an amendment to the regulations to provide greater control, and the development of working arrangements with many trades and industries the control over prices has been extended and improved.

Under the Price Stabilization Emergency Regulations 1939 no increases in the selling-prices of goods or services may be made above the levels ruling on the 1st September, 1939, without the prior consent of the Hon. the Minister of Industries and Commerce or the Price Tribunal. The policy which was laid down by the Government as the basis on which the Tribunal should approve increases in selling-prices can be stated briefly as being that only those increases which are absolutely unavoidable should be approved. As a general rule actual extra costs have been allowed, but if firms or industries are in a position to absorb increased costs they have been required to do so. Except under very special circumstances no firm has been allowed to make any profit on its increased costs, but has been required to maintain its gross profits on the unit basis which operated prior to the outbreak of war.

The administration of the regulations brought to light questions which were not clearly provided for in the regulations, and, accordingly, the Price Stabilization Emergency Regulations 1939, Amendment No. 1, were made on the 5th March, 1941. Difficulty had arisen in proving that goods were of the same nature in every respect as those sold on the 1st September, 1939, but under the amended regulations the word "same" has been added to by the addition of the words "or substantially the same." The onus of proving that particular goods are not substantially of the same nature and quality as goods sold on the 1st September, 1939, is now on the vendor. Further difficulty had arisen in some cases in proving that a person had actually sold goods or was willing to have sold goods on the 1st September, 1939. This has been overcome by providing that where a person did not sell

particular goods on the fixed day he shall be deemed to have been willing on that day to sell the goods in question at the same price and on the same terms and conditions in all respects as when he last sold goods of that kind before the fixed day.

Further, where proceedings are taken against a firm for a breach of the regulations, and it is proved that the firm on any date subsequent to the fixed day sold goods at a certain price, that price shall, unless the defendant proves to the contrary, be presumed by the Court to be not less than the price at which on the fixed day he sold or was willing to sell such goods. This clause also applies to services.

The Tribunal now also has power to require a vendor of a new line of goods to submit such particulars as will enable the Tribunal to determine whether the price charged is fair and reasonable. The expression "new line" of goods means any goods that were not sold in any given locality on or before the 1st September, 1939. The Tribunal now has power to make an Order analogous to a Price Order relating to such goods.

Doubt had been expressed whether the Price Stabilization Emergency Regulations covered a combination of goods and services, such as restaurant meals. The Tribunal always considered that the regulations covered such transactions, but the amended regulations have made it quite clear that such transactions are subject to the regulations. It has also been put beyond doubt that sales of goods and the performance of services by any local authorities or public bodies are governed by the regulations.

It is now an offence for any person, without the authority of the Price Tribunal, to issue any price-list or similar document containing a statement that all or any of the prices mentioned therein have been approved by the Tribunal, or without the authority of the Tribunal to fix a tentative price subject to alteration or adjustment after the Tribunal has given any decision regarding the price of the goods in question, or without the Tribunal's authority to pack goods in smaller containers or put a small quantity of goods in a container. It is also an offence for a vendor to alter to the prejudice of the user the formula or recipe ordinarily used in the production or manufacture of any goods, or to manufacture any goods of an inferior quality to that of similar goods made by him or by his predecessor in business.

The Tribunal now has power to require retailers to display notices showing particulars of former selling-prices and of new selling-prices, together with a statement that any increased prices have been duly authorized by the Tribunal, and that such prices are not applicable to former stocks not included in the authority to increase prices. Every manufacturer, wholesaler, or retailer of goods, or any one supplying any services, must keep proper books, accounts, and costing records, and preserve such records and documents.

The policing of the regulations has been carried out by the staff of the Tribunal in Wellington, the District Officers of the Department of Industries and Commerce at Auckland, Christchurch, and Dunedin, the Inspectors of Factories in the smaller towns, and such policing has been extended by the appointment of full-time Inspectors in each of the four main centres. These Inspectors will make regular trips to the smaller centres, and a good deal of policing work has already been done by them.

In September, 1940, the Government called a Conference representing all sections of trade and industry in the Dominion to discuss economic problems arising out of the war, to survey the country's economic position, and to consider the possibility of stabilizing wages, costs, and prices. Mr. H. L. Wise, Member of the Price Tribunal, gave lengthy evidence before the General Working Committee set up by the Conference, and detailed the work done by the Tribunal to control prices. The Conference presented its findings in a series of fifteen recommendations, six of which related directly or indirectly to the control of prices. The Conference suggested that better results could be obtained by a more rigid inspection system and deterrent penalties for proved breaches of the regulations.

As indicated above, full-time Inspectors have since been appointed to assist in policing the regulations. The Tribunal has, of course, no jurisdiction over the matter of penalties imposed for breaches of the regulations.

The Conference also suggested the addition of a representative of the consumers to the Price Tribunal, and the Government has now appointed two Associate Members of the Tribunal—namely, Mr. L. Munro, who will have special regard to the prices of general merchandise and foodstuffs, and Mr. B. S. Connor, who will devote his attention to the prices of clothing, drapery, and footwear. Both these gentlemen have had wide experience in their respective branches of business. In addition to taking part in the deliberations of the Tribunal on questions of what increases should or should not be approved in their special lines the Associate Members will alternately sit as Associate Members of the Tribunal at public hearings.

The Economic Conference was of opinion that considerable savings could be effected by the adoption of standards, and that an effort should be made to standardize a range of essential commodities which would assist the Tribunal in the stabilization of prices. The Price Tribunal is co-operating fully with the Standards Institute in the formulation of standards, and has made suggestions for the development of standards for a wide range of commodities. The Tribunal is represented on a number of Committees of the Standards Institute at present engaged in formulating standards for different commodities.

The Control of Prices Emergency Regulations 1939 give the Tribunal power, with the consent of the Minister, to make Price Orders, and thirty-four such Price Orders have been made. These covered the prices of sacks, Whakatane Paper Mills products, scrap metal, potatoes, meat, nails, raw tobacco, superphosphate, rags, matches, storage batteries, bolts and nuts, footwear repairs, canned asparagus, American fencing-wire, Australian wire netting, masonite and cane-ite, baking-powder, milk, beeswax, oats, soup-powders, chewing-gum, and knitting-wools.

During the year the Tribunal held public inquiries into the price of milk in Napier and in Christchurch, of fish in Auckland, and of the amounts of tramway fares and Harbour Board charges in Wellington.

Mention was made earlier that the Tribunal had completed satisfactory working arrangements with trade associations to provide for prices in those trades and industries being controlled with the minimum of inconvenience to those trades. Such arrangements have been made with the following federations or associations :—

New Zealand Manufacturers' Federation, and affiliated associations ;
 New Zealand Federation of Drapers, Clothiers, and Boot Retailers ; and
 Price Committees hereunder covered the whole of New Zealand : Associations of coal-mine owners ; shipowners ; tire-importers ; tanners ; footwear-manufacturers ; grindery merchants ; carton and box-makers ; coal retailers and wholesale merchants ; wrapping-paper merchants ; licensed victuallers ; wholesale distributors to printers and stationers ; retail stationers ; sawmillers ; timber-merchants ; the major oil companies ; the motor trade ; paint-manufacturers ; butter-box and cheese-crate manufacturers ; plywood-importers ; fertilizer-manufacturers ; lime-companies ; bitumen contractors ; chemists' guilds ; pumice-manufacturers ; hardware merchants' guilds and associations ; spouting and downpipe manufacturers ; canister-makers ; glass, oil, and colour merchants ; electrical traders ; galvanized-sheet guild ; tube guild ; plumbers' and builders' merchants ; storage-battery manufacturers ; and the New Zealand Master Grocers' Federation.

The arrangements made with the above branches of trade have been evolved to suit the peculiar conditions operating in each of them and, while giving the Tribunal complete control as regards prices, have enabled the industries concerned to comply with the requirements of the Price Control Regulations with the minimum of difficulty or disturbance to their normal methods of operation.

The success of price-control in New Zealand can be gauged from the extent to which the retail-price index has risen since the outbreak of war, which is 6·2 per cent. up to the 31st March, 1941. Comparable figures for the other Empire countries are not available for a date later than December, 1940. At this date the increases shown since August, 1939, were—New Zealand, 5·6 per cent. ; Australia, 7·7 per cent. ; Canada, 7·2 per cent. ; and the United Kingdom, 26 per cent. Thus New Zealand showed the smallest increase of any of the above countries.

In addition to the factors brought about by the war which forced all prices upward, there was also an increase in the sales-tax from 5 per cent. to 10 per cent., which involved some increase in the retail-price index, although not, of course, to the extent of 5 per cent., since the sales-tax does not apply to all commodities and is only paid on the wholesale value of goods.

Relative movements in the various groups of prices, as expressed by the official index numbers, comparing indexes at the 31st March, 1940, with those of the same date in 1939, were as follows :—

Retail Prices.—The all-groups index rose from 1012 to 1057—that is, by 45 points, or 4·5 per cent. Clothing, drapery, and footwear showed the greatest rise, from 1003 to 1137—that is, a rise of 134 points, or 13·4 per cent. Groceries came next with a rise of 44 points, or 4·3 per cent., from 1030 to 1074. The other two food groups showed smaller increases, meat being up by 1·2 per cent. and dairy-produce rising by 0·5 per cent. The three food groups combined rose from 1060 to 1081, or 2 per cent. Rent rose from 903 to 933, or 3·3 per cent., fuel and light from 998 to 1012, or 1·4 per cent., and the miscellaneous index from 1139 to 1201, or 5·5 per cent.

Wholesale Prices.—The all-groups index rose 11·2 per cent. from 1158 to 1288. This total increase was made up of a rise in the index of locally-produced commodities from 1073 to 1110, or 3·5 per cent., and in the index of imported goods from 1218 to 1416, or 16·2 per cent. Of the various groups which went to make up the average for the whole, textile manufactures, with a rise of 23·2 per cent., and metals and their products, with a rise of 23·4 per cent., showed by far the greatest increases. Agricultural produce came next in the list of increases with a rise of 12·9 per cent., followed by leather 10·9 per cent., wood and wood products 8·8 per cent., foods and groceries of vegetable origin 7·0 per cent., chemicals and manures 4·8 per cent., and foods and groceries of animal origin 4·3 per cent.

Export Prices.—The all-groups index declined from 1542 to 1510, or 2·1 per cent. Dairy-produce, wool, and agricultural produce showed little or no changes. Meat was lower by 2·2 per cent., and other pastoral produce showed a fall of 25·3 per cent. The timber index fell 14·4 per cent., and minerals by 5·1 per cent.

Effective Wage-rates.—The nominal wage-rate index rose from 1102 to 1163, or 5·5 per cent., compared with a rise in retail prices of 4·4 per cent.

STATISTICS RELATING TO MANUFACTURING INDUSTRIES.

The latest available statistics relating to manufacturing industries of the Dominion cover the year ended 31st March, 1940. The figures are shown hereunder in comparison with those for the two previous years. It should be noted, however, that the rise in the value of products and in "added value" in the years 1938-39 and 1939-40 is not strictly comparable with the year 1937-38, due to the fact that the value of products in 1937-38 included, in the case of some returns received, an unknown amount of selling and distributing charges. These charges were excluded from the total returned for 1938-39 and 1939-40.

At the 31st March, 1940, 6,342 factories were in operation, representing an increase of 196 on the previous year. The number of employees increased by 6,187, from 102,538 to 108,722. Salaries

and wages paid during 1939-40 recorded an increase of £2,190,539. The cost of materials used in industry advanced by £9,597,226, and the total value of production increased by £14,614,400. "Added value" increased by £5,017,174.

	Year.			Index Number (1937-38 = 100).	
	1937-38.	1938-39.	1939-40.	1938-39.	1939-40.
Number of establishments	5,924	6,146	6,342	104	107
Number of persons engaged	102,344	102,535	108,722	100	106
Salaries and wages paid	£20,981,587	£22,270,010	£24,460,549	106	117
Cost of materials used or operated upon	£75,084,173	£75,344,181	£84,941,407	103	113
Other expenses	£10,827,593	£10,292,526	£11,345,533	95	105
Value of production	£113,691,556	£114,447,426	£129,061,826	101	114
Added value	£38,607,383	£39,103,245	£44,120,419	101	114
Value of—					
Land and buildings	£25,573,741	£27,201,642	£28,544,177	106	112
Plant and machinery	£47,164,981	£49,296,160	£52,029,298	104	110
	£72,738,722	£76,497,802	£80,573,475	105	111

Included in the aggregate figures shown in the above table are figures relating to such industries as meat freezing, butter and cheesemaking, &c. In the following table the figures are shown as they relate to groups according to general character of industries and the nature of the operations carried on. In this way the position of the real manufacturing industries of the Dominion is more clearly indicated, as distinct from those industries closely associated with the primary industries or representing the provision of public utilities under monopoly conditions, including gasworks and electricity generation and supply.

The following table provides the basis of comparison of the classification of industries into four groups:—

Table showing for the Years 1935-36, 1936-37, 1937-38, 1938-39, and 1939-40 Figures relating to Various Industries classified into Four Groups as stated.

Year.	Persons engaged.	Salaries and Wages paid.	Cost of Materials used.	Value of Products.	Value added by Manufacture.	Land, Buildings, Plant, and Machinery.
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Group 1.

Group 1 includes industries such as meat-freezing; ham and bacon curing; butter, cheese, and condensed milk; sausage-casings, fellmongering, and woolscouring; boiling-down and manure-making.

	Number.	£	£	£	£	£
1935-36 ..	13,175	2,748,360	37,559,333	43,512,567	5,953,234	9,078,347
1936-37 ..	13,458	3,217,821	44,296,344	51,139,656	6,843,312	9,305,107
1937-38 ..	13,498	3,594,568	45,511,066	52,191,872	6,680,806	9,379,247
1938-39 ..	13,391	3,837,057	44,052,066	51,062,411	7,010,345	9,860,815
1939-40 ..	13,737	4,131,347	48,852,628	56,993,301	8,143,673	10,035,203

Group 2.

Group 2 includes industries such as gas making and supply, electricity generation and supply.

1935-36 ..	4,789	1,143,208	4,248,815	6,248,748	1,999,933	33,609,706
1936-37 ..	5,120	1,278,172	4,554,257	6,563,185	2,008,928	34,526,759
1937-38 ..	5,347	1,428,989	4,857,182	7,189,456	2,332,274	35,715,744
1938-39 ..	5,681	1,558,272	5,582,324	7,839,507	2,257,183	37,220,521
1939-40 ..	5,880	1,659,291	6,301,961	8,738,110	2,436,179	38,839,996

Group 3.

Group 3 includes such industries as fish-curing; log-sawmilling; lime crushing and burning, &c., preparations; brick, tile, and pottery making; concrete block or pipe and fibrous-plaster making; flax-milling; pumice-products.

1935-36 ..	9,965	1,823,952	1,570,068	5,340,289	3,770,221	3,774,949
1936-37 ..	11,404	2,363,626	1,864,514	6,488,431	4,623,917	3,875,066
1937-38 ..	12,014	2,763,509	2,197,525	7,424,367	5,226,842	4,083,510
1938-39 ..	11,582	2,821,706	2,401,864	7,700,379	5,298,515	4,106,289
1939-40 ..	12,440	3,159,701	2,689,624	8,600,714	5,911,090	4,195,783

Group 4.

Group 4 includes industries of a type not included in the above classifications, such as grain-milling, iron-smelting, motor engineering, &c.

1935-36 ..	58,659	9,128,847	16,526,177	34,913,144	18,350,967	20,975,877
1936-37 ..	66,419	11,473,458	19,952,960	41,750,450	21,797,490	21,890,333
1937-38 ..	71,485	13,194,521	22,518,400	46,885,861	24,367,461	23,560,221
1938-39 ..	71,881	14,052,975	23,307,927	47,845,129	24,537,202	25,310,177
1939-40 ..	76,665	15,510,210	27,097,194	54,726,701	27,629,507	27,502,493

Comparisons of Group 4, covering industries which may be termed the genuine manufacturing industries for the years 1938-39 and 1939-40, indicate that the number of wage-earners increased by 1,784 and salaries and wages paid by £1,457,235. Cost of materials used, value of products, and "added value," all show substantial increases.

The following chief differences between the years 1939-40 and 1938-39 are shown from the data available in respect to the various industries :—

Number of Establishments.

Increases.—Engineering, iron and brass, &c., 24; furniture, 22; concrete block and fibrous plaster, 21; sawmilling, 17; electrical engineering, 15.

Decreases.—Printing and publishing, 7; butter and cheese, 5.

Persons engaged.

Increases.—Clothing, 931; boot and shoe, 656; woollen-milling, 574; sawmilling, 570; meat freezing and preserving, 385; hosiery, 355; engineering, iron and brass, &c., 353; electrical engineering, 338; biscuit and confectionery, 306.

Decreases.—Coachbuilding, motor engineering, &c., 1,197; printing and publishing, 217; butter and cheese, 85; gasworks, 53; flaxmilling, 38.

Salaries and Wages.

Increases.—Meat freezing and preserving, £258,166; clothing, £249,611; sawmilling, £225,870; boot and shoe, £151,682; woollen-milling, £128,667; engineering, iron and brass, &c., £123,515; electricity generation and supply, £88,511; biscuit and confectionery, £77,266; hosiery, £72,626.

Decreases.—Coach-building, motor engineering, &c., £240,529; printing and publishing, £16,953.

Cost of Materials used.

Increases.—Butter and cheese, £2,421,967; meat freezing and preserving, £2,253,140; electricity generation and supply, £676,328; tobacco and cigarettes, £419,546; clothing, £322,579; sawmilling, £249,507; woollen-milling, £231,371; boot and shoe, £229,604; superphosphates and chemical fertilizers, £225,428.

Decreases.—Coachbuilding, motor engineering, &c., £164,167; lime and cement, £21,239.

Value of Output.

Increases.—Meat freezing and preserving, £3,150,842; butter and cheese, £2,506,253; electricity generation and supply, £813,820; clothing, £809,441; sawmilling, £655,891; tobacco and cigarettes, £641,739; woollen-milling, £510,117; boot and shoe, £508,922; superphosphates and chemical fertilizers, £423,192.

Decreases.—Coachbuilding and motor engineering, &c., £659,456; agricultural machinery, £159,890; fish-curing, £12,203; flaxmilling, £8,636.

Added Value.

Increases.—Meat freezing and preserving, £917,702; clothing, £486,862; sawmilling, £406,384; boot and shoe, £279,318; woollen-milling, £278,746; tobacco and cigarettes, £222,195; engineering, iron and brass, &c., £210,659; superphosphates and chemical fertilizers, £197,764; hosiery, £196,659; paint and varnish, £181,061.

Decreases.—Coachbuilding and motor engineering, &c., £495,289; agricultural machinery, £149,794; printing and publishing, £40,036.

Land and Buildings, Plant, and Machinery.

Increases.—Electricity generation and supply, £1,603,774; printing and publishing, £156,408; meat freezing and preserving, £154,144; engineering, iron and brass, &c., £140,138; electrical engineering, £135,445; biscuit and confectionery, £112,889; superphosphates and chemical fertilizers, £94,892.

Decreases.—Lime and cement, £63,694; grain-milling, £47,950; sail, tent, and oilskin, £22,508.

MANUFACTURING : GENERAL COMMENTS.

The past year is the first full twelve months of business under war conditions, the previous year including five months' peacetime trading. This is probably the paramount factor to be taken into consideration when reviewing trading conditions for the period. Returns which would have previously been regarded as disappointing are accepted as being satisfactory, having regard to the changed conditions arising out of the war under which the business community has been operating. The disturbances consequent upon war and dislocated overseas markets and distribution have intensified, affecting manufacturer and merchant alike; yet satisfaction must be expressed that the impact within New Zealand has not as yet proved as severe as might have been expected.

To some extent the quantity of goods produced has been conditioned not by the consumer demand, but by the adequacy of the supply of raw materials required in the processes of manufacture. As regards the demand for domestically manufactured goods, under the operation of the Import Control Regulations this has shown an increasing tendency as stocks of similar lines of previously imported goods have become non-existent. On the production side, manufacturers appear to have received reasonable supplies of raw materials, although in some cases these have been inadequate to enable the demand for finished goods to be fully met. On the other hand, certain other factors affect production, the chief of which is the shortage of skilled and even casual labour, so that in some cases the reduced staffs now available would be unable to cope with greater quantities of raw materials.

Production has been limited to some extent by the amount of sterling or dollar funds available, which is unavoidable. Certain luxury trades have felt this restriction most. In general, the effects have not proved unduly severe.

Unfortunately, as the year progressed, the shipping position deteriorated, and the non-delivery of orders placed by manufacturers has affected production. This difficulty, combined with the difficulty involved in obtaining export licenses from overseas countries, has placed a limit on expansion through resulting shortages in supplies or raw materials. Overseas prices of most raw materials continue to show substantial increases. Plant for expansion purposes is limited, as the emergencies of the war situation make it imperative that plant of a nature essential to the maintenance of output in non-luxury lines only is imported.

Factories engaged in the production of military requirements for the most part worked extended hours. In industries not directly concerned with the war effort output, having regard to existing conditions, has been surprisingly well maintained.

Summarizing, it may be said that manufacturing industries have experienced a satisfactory year, despite the obvious difficulties. In some instances positions assured under the Import Control Regulations have been consolidated by extensions in plant, with consequent increases in output. In other instances plans for expansion have been shelved until more favourable conditions prevail. In all sections the resolution to carry on is recorded, and in expressing confidence in the future manufacturers anticipate that they will play no small part in the economic rehabilitation of the country when victory is won. In the meantime it is recognized that, after giving preference to the requirements of the armed forces, it is necessary to produce to the utmost for civilian needs.

COMMENTS ON MANUFACTURING INDUSTRIES.

Woollen-mills.

A year of peak production has been experienced, with double shifts being worked in order to keep up to schedule with deliveries of military contracts. In view of the precedence given to the clothing requirements of the armed forces it has not always been possible to meet the demand for civilian requirements from New Zealand mills, but this position has been alleviated to some extent, by the material relief which has been granted to clothing-manufacturers by way of import licenses for woollen piece-goods. It seems unlikely, however, that civil trade will show much diminution on the demand side for some time, despite the numbers of men in camp, and this repercussion on trade will presumably be not felt by the mills unless and until current civil orders held can be satisfied. Among other raw materials which have been difficult to obtain have been dyes of all kinds and elastics.

Clothing-factories.

Conditions in the clothing trades have been satisfactory. Many firms have been working to capacity, accounted for mainly in the production of military clothing. The withdrawal of men from civil life has affected smaller units principally. One of the factors affecting the trade has been the inability of domestic mills to supply manufacturers with full requirements of piece-goods, owing to the former's preoccupation with military orders, this causing some firms to rely on larger quantities of imported materials than would otherwise be the case.

Fairly good conditions have been experienced in the production of women's lines, although considerable competition has been evidenced in cheaper grades. Firms catering for the model-frock trade have been exceptionally busy. Temporary shortage of supplies from overseas and shortages of female labour have been experienced.

Knitting-mills.

Most mills are working to capacity, and overtime has been worked on numerous occasions, the only retarding factors being a shortage of yarn and the difficulty of obtaining female labour. Deliveries of yarn are now reported to be coming forward fairly regularly.

Hosiery-mills.

Business has been good, some units reporting that strenuous efforts are being made to increase production to bridge the gap which still exists between the demand and supply of hosiery. Additional plant has either been installed or arranged in some cases.

Fur Dressing and Dyeing.

Consequent upon the reduction of stock of imported dressed skins, demand has shown an exceptional increase for the past year. Although difficulties have been experienced in obtaining continuity in supplies of imported chemicals, it appears evident that manufacturers have pursued every avenue to cope with the demands of furriers.

Buttons.

Considerable expansion has occurred in the Auckland factory, and, although output has greatly increased, demand still far exceeds the available output. This firm has occupied a new factory and now employs considerably more staff. New units in Wellington are also doing useful work in meeting the demand.

Footwear.

This industry has experienced very active trading conditions throughout the year, units working to capacity to meet the continued demands for civil and military requirements. In some quarters it is reported that the production of army requirements has to some extent interfered with deliveries of civilian footwear. Closer attention has been paid to the manufacture of men's and women's high-grade footwear, consequent upon the increased demand resulting from the reduction in stocks of imported shoes held at the beginning of the year. Features of the year have been the rapid expansion of the production of slippers, sandals, and rubber-soled canvas shoes.

Tanning Industry.

The extra requirements for military purposes have enabled tanneries to increase the number of pits and extend premises. Supplies of hides are coming forward more freely this year, and conditions for the trade are very satisfactory.

Leather Goods.

Active trading conditions have been experienced. Ladies' handbags have been in good demand, and the departure of men overseas has given impetus to the manufacture of money-belts, wallets, and similar articles for travelling. Whenever possible the leathers of domestic tanneries are used.

Glove Industry.

The year has seen considerable expansion in the output of most units and the introduction of new units into this industry. Some of the smaller units do not concern themselves so much with increasing output as maintaining a high level of quality for their products, and as there is a good local demand for high-grade dress-gloves these concerns are able to compete successfully with their bigger competitors. An interesting fact is that one Canterbury firm dresses sheepskins and uses them as a raw material in place of that formerly imported. Several units are now in production of work-gloves, for which there is a good demand.

Foundries and Engineering Workshops.

Engineering firms have generally experienced stable conditions. Domestic units have quickly adapted their plant and general set-up to establish the production of a number of munitions items. On the civil side the versatility of firms has enabled a considerable quantity of machinery to be manufactured domestically, obviating importation with appreciable saving of sterling and dollar funds. In this connection two instances may be quoted—one is the servicing and replacement of heavy gold-mining machinery on the West Coast, where an increasing number of gold-dredges are in operation; the other is the substantial contract for supply of machinery to harvest and process linen-flax. This contract, completed in record time, comprised the manufacture of 100 flax-pullers and 10 flax-seed cleaners.

In the light engineering trades, brass-foundries and brass-working firms have experienced good demand, although, in general, difficulties have been experienced in obtaining adequate labour and supplies of raw materials. One firm has established a moulding department for the manufacture of milking-machine parts, and it has been found possible to employ girls in this section of the work quite satisfactorily.

Electrical Engineering.

Most domestic units have experienced good trading conditions throughout the year, although certain imported raw materials, such as sheet aluminium, brass screws, resistance wire, &c., have been difficult or impossible to obtain. Reports indicate the introduction of the manufacture of a limited number of new lines.

Tinware.

Domestic manufacturers have been afforded a full-production schedule, consequent upon the expanding demand for containers for locally produced articles and foodstuffs, and the requirements of tins for transmission to members of the forces overseas. In the North the production of extra vats for factories in the change-over from butter to cheese manufacture caused extra work as regards dairy requirements. The shortage of tinplate and staff shortages have comprised the chief difficulties confronting tin-canister makers.

Ranges and Cookers.

The output of electric ranges is being maintained in order to meet the demand, which is mainly for Government housing installations. Difficulties in obtaining adequate supplies of certain raw materials from overseas, have, however, been experienced. Production of coal ranges and gas cookers slumped during the latter half of the year. This has been attributed to the popularity of the electric range on the one hand, and on the other to the reduction in building activity. About twelve months ago the production of one factory was interrupted by fire, and considerable leeway was lost in regaining normal output figures.

Agricultural Implements.

Demand has remained steady. This industry is using more female labour than previously. The United Kingdom's order for cheese caused considerable demand for cheese-making machinery.

Knives and Cutlery.

Rapid development in the production of knives is reported with good supplies of raw materials and bright prospects. In the South the production of spoons and forks has proved an efficient and economic addition. Considerable contracts for the armed forces have been fulfilled, and a large quantity will be supplied in the future. The firm plan ultimately to produce all domestic requirements.

Jam-making, Fruit-canning, &c.

Reports from the South indicate that a satisfactory year has been experienced. In the North, however, the season has only been moderately good. This fact, and reduced pulp and fruit imports, have caused slightly reduced production. The stone-fruit season in Otago was poor this year owing to the disastrous frost in September, which affected the apricot crop considerably.

Biscuits and Confectionery.

Manufacturers have in general experienced good trading conditions throughout the year. During the last few months biscuit-manufacturers have been engaged in production of large orders for Army requirements, this necessitating the extension of working-hours to meet the demand.

Malt-extract.

With an assured market under the continued protection of the Import Control Regulations, domestic manufacturers have experienced a successful year.

Matches.

Production has been gradually stepped up during the year, and the establishment of an additional unit is under consideration to cope with the demand for these lines.

Soap, Candles, and Starch.

The output of general household lines—viz., bar soap, soap-powders, and abrasive soaps—has been steady, whilst there has been an increased demand for toilet soaps and allied toilet preparations. Both starch and candles continue to turn over moderately well; the latter showing a slight decline.

Cosmetics.

There has been a continued growth in both the number of units engaged in this industry and in the output of existing plants. Most of the previously imported lines are now made here or replaced by domestic substitutes.

Gut-manufacture.

An increased output of strings is reported. Various types and grades of gut are manufactured for racquets, &c., and for musical-instrument strings.

Furniture and Cabinet Making.

Conditions for the year were satisfactory, although some falling off in retail sales was reported towards the end of the year. A shortage occurred in supplies of items such as moquettes, springs, and hardware, with decreasing supplies of Japanese oak, increasing quantities of Australian plywoods and local timbers are being used.

Boat-building.

Some firms report good business and increased turnover in commercial boats, while one firm formerly specializing in pleasure craft reports a considerable recession owing mainly to import restrictions on engines for such purposes. Considerable difficulty has been experienced in maintaining staff owing to enlistments and the keen demand for skilled craftsmen in all wood-working industries. The building of trawlers for defence purposes is causing increased activities in the larger yards.

Brush and Broom Making.

Active trading conditions have been experienced, most units reporting a continued growth in turnover. Difficulties in the supply of raw materials—bristles and wire—have become apparent, however. Where possible horse-hair is now being used as a substitute for the former.

Canvas and Tent Manufacture.

Manufacturers generally report satisfactory conditions. Although the demand for sails has diminished, tents and covers have been in good demand, especially the former. Army needs gave an impetus to this industry, and civilian requirements have been well maintained. One domestic firm which embarked on the manufacture of gaberdine raincoats at the end of 1939 reports that production of these garments has been maintained, with the strong demand experienced.

Rope and Twine.

Output has been maintained at the maximum level obtainable from present plant, and considerable overtime has been worked. From the South it is reported that manufacturers are able to cope with all trade offering in hard-fibre lines, but there is doubt of their ability to cope with Dominion requirements of soft fibres (counter and seaming twines and similar lines). Prospects are good.

Carton and Cardboard-box Manufacture.

Reports indicate that factories have been working to capacity and conditions have necessitated considerable overtime. Increased quantities of Whakatane board and corrugated board have been used in production. A special feature has been the growth of new industries requiring modern packing, and domestic factories have obtained excellent results equivalent to overseas production. The current shortage of tinplate has resulted in additional demand for cardboard containers.

Printing and Publishing.

In the main there has been considerable activity in trade during the year, but expansion has been severely checked by the great scarcity of all types of paper and the very advanced prices paid for those that are available. Many fancy and luxury lines have disappeared, but it seems probable that more could be accomplished in the way of making paper-supplies go as far as possible. Instructions recently issued by the Factory Controller in regard to economy in the use of paper and cardboard should effect a big saving.

Newspapers are also experiencing a shortage of newsprint, and the results of this are shown in the reduction in size of the daily papers, increase in advertising rates, use of smaller type, and the cessation of supplements.

Rubberware.

This industry is developing rapidly, necessitating large increases of staff, and in the North three shifts a day are being worked. In the South it is reported that the operatives have settled down to the unusual technique of the industry, and the wide scope for development has resulted in a number of new lines being placed on the market. There has been some difficulty as regards supplies of certain raw materials, but it is hoped this position may be rectified very shortly.

Bricks, Pipes, and Tiles, &c.

It was reported in the North that demand has fallen off, particularly in the last quarter, in the main lines. However, the continued demand created by State housing requirements, coupled with private-building activity, has again provided a considerable market for these products. The difficulties experienced in the supply of corrugated roofing-iron have given an impetus to the roofing-tile industry. An increasing market is being found for new lines such as electrical porcelains and other pressed ware.

NEW INDUSTRIES.

The general development of industries has continued, and manufacturers have to an increasing extent supplied the domestic market with goods of a type previously imported. This has involved the extension of existing plant, and in a number of cases the erection of new factories. Manufacture of the following commodities was commenced or developed to a greater extent during the past twelve months: Nuts and bolts, syphonic flushing-valves, pictorial instruction equipment, porcelain range tiles, dolls and toys, wallboards, switchboards, shoe-laces, electric fences, cork-sole filling, knitted wear, brass trap-screws, cornflour substitute, gummed strip, toe-puffs, soil pipes and junctions, waxed-paper products, slide domes, electric porcelains, domestic refrigerators, sardine-canning, rivets, dentifrice, implement-handles, bakelite products, corrugated board, gloves, rubber sealing compounds, insulation tape and paper, caulking, greaseproof paper, steel enamelled sinks, opal glass jars, pencil-erasers, men's felt hats, button-moulds, musical instruments, oil-refining, water paints, roofing-materials, rubber products, toilet brushware, mattresses, typewriter ribbons, and chalk.

BUREAU OF INDUSTRY.**INDUSTRIAL EFFICIENCY ACT, 1936.****REPORT FOR THE YEAR ENDED 30TH APRIL, 1941.**

With one exception, the personnel of the Bureau remained unchanged throughout the year. Owing to the additional responsibilities resulting from his appointment as adviser to the Government on the scientific aspects of national defence, Dr. E. Marsden, Secretary of the Department of Scientific and Industrial Research, found it necessary to resign, his place on the Bureau being taken by the Assistant-Secretary of that Department, Mr. F. J. A. Brogan.

The special membership remained unchanged during the year.

The membership at present is as follows:—

Ordinary Members—

- Mr. L. J. Schmitt (Chairman), Secretary, Department of Industries and Commerce.
- Mr. F. Johnson (Deputy Chairman), Assistant Secretary, Department of Industries and Commerce.
- Mr. F. J. A. Brogan, Assistant Secretary, Department of Scientific and Industrial Research.
- Mr. W. Bromley, Secretary, State Iron and Steel Department.
- Mr. E. J. Fawcett, Assistant Director-General, Department of Agriculture.
- Mr. E. D. Good, Comptroller of Customs.
- Mr. E. L. Greensmith, Second Assistant Secretary to the Treasury.
- Mr. J. S. Hunter, Director, Social Security Department.
- Mr. L. J. McDonald, Inspector of Licensed Industries, Department of Industries and Commerce.
- Mr. G. A. Pascoe, Commissioner, State Iron and Steel Department.
- Mr. W. N. Waugh, Advisory and Investigating Officer, Customs Department.

*Special Members—**Manufacturers' Representatives—*

- Mr. C. M. Bowden, Public Accountant, Wellington.
- Mr. I. Matheson, Director, Matheson and Wilkinson, Ltd., Wellington.

Farmers' Representatives—

- Mr. T. C. Brash, late Secretary, New Zealand Dairy Board.
- Mr. H. Morrison, Sheep-farmer, Awatoitoti, Masterton.

Secretary : Mr. G. L. O'Halloran, Department of Industries and Commerce.

INTRODUCTORY.

It is now four years and a half since the Industrial Efficiency Act was introduced and the Bureau of Industry commenced to function, and during that time a great deal has been done to achieve the purpose for which the Act was devised—namely, the further development and consolidation of the economic and industrial structure of the Dominion. During the past twelve months considerable progress has been made in planning under the Act, a phase of the Bureau's activities which hitherto, although given considerable thought by members, had not been brought to function with the exception of the pharmacy and flax (phormium) industries. It is significant that during the last year leading industrialists have expressed keen desire to avail themselves of industrial planning under the Act, and, indeed, it is in this connection that most progress by the Bureau of Industry has been made during the past year.

In the 1940 annual report the hope was expressed that finality in regard to a number of plans would rank as one of the achievements of the following year, and while it would seem at first that this hope was not entirely fulfilled, yet on closer inspection it will be found that a great deal has been achieved in exploring a ready method for the introduction of plans for all the industries that are licensed under the Act.

During the year the Licensed Industries General Regulations were passed and those regulations are applicable to all industries licensed under the Act, and are designed for the more efficient planning of industry with particular reference to the activities of an industrial committee appointed under a plan. Parts II and III of the Licensed Industries General Regulations are applicable only where an industrial plan has been formulated under the Act. The regulations as a whole provide, briefly, for the procedure governing the deliberations of an industrial committee where such has been appointed; such conditions as may attach to any license; the procedure to be followed in making application for licenses, and the lodgment of appeals and the payment of annual license fees and levies. It is significant to note that moneys paid in respect of any industry can be used for legitimate expenses in that industry only, and any surplus moneys must be held for the use of the industries concerned or refunded on a basis determined by the Hon. the Minister of Industries and Commerce.

The introduction of the footwear plan, with the setting-up of the appropriate industrial committee for the industry, marks the commencement of a new era in the industrial development of the Dominion—a development of industry along systematic organized lines of self-government to provide for the elimination of waste, the application of efficient methods of co-ordination in production and distribution, the encouragement of scientific and industrial research, the formulation of standard specifications, standard trade descriptions and allied matters, the development or use of facilities or schemes for the training of workers, the formulation of ways and means of improving the environment and amenities of factory premises, and the promotion of schemes of social welfare and general betterment of persons engaged in industry. At the present time in no less than five industries plans have been formulated and representatives of the Bureau have met representatives of the industries concerned with a view to showing the industry the benefits that can be achieved under a system of self-government of industry, and it is pleasing to note that in all cases the wish has been expressed by the representatives of the industry concerned that the plan be proceeded with. Indeed, even as early as two days after the close of the current year (2nd May), the Minister has approved of notification of a provisional plan (agreed to by a representative committee of the units concerned) for the electric-range-manufacturing industry, and it is anticipated that the results of the voting on the plan will be known even before this report is published.

So far as licensing is concerned, during the year four industries have been brought within the provisions of the Act. These are the manufacture of gut, of macaroni, of salt, and the refining of used oil. The first of these is now well established, while those of macaroni and salt it is hoped will be commenced in the not too distant future. In the case of the refining of used lubricating-oil, this was brought within the scope of the Act in an endeavour to prevent the wastage of the valuable used oil which has occurred in the past. The licensing of this industry serves as an illustration of the efforts of the Bureau to assist the community in the elimination of waste in wartime and the subsequent adoption of more efficient methods for its production and distribution.

An innovation, so far as the work of the Bureau is concerned, has been the application of section 23 of the Act to the industry of the retail sale of fresh fruit and vegetables. In accordance with the provisions of this section, all persons commencing in the industry are required to give to the Bureau one month's notice of their intention to do so. The adoption of such a course was considered necessary in order that a careful watch could be kept on conditions ruling in the industry, particularly in regard to the effect of the introduction of any new units.

In all the Bureau's deliberations throughout the year connected particularly with industrial plans invaluable assistance has been rendered by the New Zealand Manufacturers' Federation, and to this body the Bureau is much indebted. As in past years, the federation and its general secretary have been extremely helpful in the negotiations of the Bureau with the industrial groups linked with the federation, but in this particular year the assistance rendered has been of an especially generous nature. With the interest displayed by leading business men in the affairs of the Bureau, as evidenced by the activities of the federation, the Bureau can look to the future with every confidence.

MEETINGS OF BUREAU.

During the twelve months ended 30th April, 1941, the Bureau of Industry met fifty-three times, usually each Monday afternoon. The Executive of the Bureau also met on a number of occasions, mainly for the purpose of giving consideration to matters which required urgent attention or for the purpose of meeting representatives of industries desiring licensing or who wished to discuss with the Bureau the formulation of industrial plans.

LICENSING.

The policy of licensing industries only when it is clearly in the general economic interests of the Dominion to take such a step has again been maintained. Before making any decision full consideration is given as to whether or not licensing will contribute to the welfare not only of those engaged in the industry itself, but also of the public as a whole.

At the time of submitting last year's report there were thirty-two licensed industries, and during the past twelve months four additional industries have been brought within the licensing provisions of the Act. One industry was also brought within the provisions of section 23 of the Act, a section which requires all units desiring to commence in an industry to give one month's notice of that intention.

Hereunder is a list of those industries which were licensed on the 30th April, 1941 (an asterisk indicates that the industry was licensed during the past year):—

- Manufacture for sale of *apple-juice*.
- Manufacture of products consisting of a combination of *asbestos and cement*.
- Manufacture of batteries or cells, commonly known as *dry cells*.
- Manufacture of and/or assembly of secondary or *storage cells and batteries*, commonly known as wet batteries, or any part or parts thereof.
- Manufacture of *cement*: Portland and other structural or building cement.
- The business of any *chemist or druggist* carried on by the keeping of any open shop or place for the compounding or dispensing of prescriptions.
- Manufacture of *cigarette-papers*.
- Manufacture of *colloidal sulphur*.
- Taking by a fisherman for sale of fish (*not trout, whitebait, or oysters*).
- Export of fish (not salmon, trout, whitebait, or oysters)*.
- Canning of *fruit and vegetables*.
- Manufacture for sale of *footwear*.
- *Manufacture of *gut* from casings.
- *Manufacture for sale of *macaroni*.
- Manufacture of *malt-extract*.
- Importation and/or wholesale distribution of motor-spirits*.
- Retail sale and distribution of motor-spirits*.
- The manufacture of nails.
- *The refining for sale of *used oil*.
- Taking from oyster-beds of *oysters*.
- Manufacture of *paper-pulp* or *paper products*.
- Milling of *phormium products*.
- Preservation for sale in hermetically sealed cans, jars, or other containers of *fish*.
- Manufacture of *pumps* or the assembly of parts thereof for the distribution of *motor-spirits*.
- Sale by retail of fish (not trout or oysters)*.
- Sale by wholesale of fish (not trout or oysters)*.
- Manufacture for sale of *radio-receiving sets*.
- Manufacture of *electric ranges*, including the assembly of parts thereof.
- Manufacture of *rennet*.
- Manufacture for sale of *bituminous roofing-material*.
- Manufacture of *rope and twine*.
- Manufacture of *rubber tires and tubes* for all types of vehicles.
- *Manufacture for sale of *salt*.
- Manufacture for sale of *soap and soap-powder*.
- Manufacture for sale of *waxed paper*.
- Manufacture of *wooden heels* for footwear.

The industry brought within the provisions of section 23 of the Act was the following:—
The retail sale of fresh fruit and fresh vegetables.

APPEALS AGAINST BUREAU DECISIONS.

The Hon. Sir Francis Frazer has continued to act as the authority appointed by the Hon. the Minister under the relevant provision of the Act to inquire into and report on all appeals lodged with the Minister against decisions of the Bureau of Industry. Sixty-one persons exercised their rights of appeal during the year, and of these, twelve were wholly or partially successful, the Bureau's decisions being reversed or varied in each of these cases. Six of the appeals lodged were subsequently withdrawn.

INDUSTRIAL PLANS AND INDUSTRIAL COMMITTEES.

As pointed out above, one industrial plan was finalized during the year in connection with the footwear manufacturing industry. The plan, after submission to the industry for voting, was adopted and a Committee appointed for its administration. Plans for certain other industries—viz., radios, ranges, soap, storage batteries and petrol reselling—have also been considered, and it is anticipated that these will in due course be submitted to the respective industries for voting. The plans for the flax industry and the pharmacy industry have continued to be administered by the respective Industrial Committees, in both cases representatives of the various sections of the industry and representatives of the Government being enabled, by reason of the plan, to discuss together problems relating to the industry and to initiate constructive action for the promotion of welfare in the industry.

Brief *résumés* of the principal action which has been taken during the year in regard to the more important of the licensed industries are set out hereunder:—

FLAX (PHORMIUM TENAX).

The Committee now consists of the following members:—

Government Nominees: E. J. Fawcett (Chairman), Department of Agriculture; F. Johnson, Department of Industries and Commerce; F. R. Callaghan, Department of Scientific and Industrial Research; P. T. Robinson, Public Works Department, Moutoa.

Representing Flax-millers: R. Macdonald, Waikuku; L. A. Niederer, Gorge Road; D. R. Ogilvy, Foxton.

Representing Manufacturers: F. W. Vickerman, New Zealand Woolpack and Textiles, Ltd., Foxton.

Workers' Representative: H. H. Podmore, Foxton.

Messrs. A. H. Long and B. B. Wood, millers' representatives, who resigned, were replaced by Messrs. Macdonald and Ogilvy. Seven meetings of the Committee have been held during the year.

In June, 1940, the Committee arranged for a conference at Invercargill between the Southland flaxmillers and representatives of the rope and twine manufacturers, with the result that arrangements were made for the local disposal at satisfactory prices of all high-grade fibre and most of the low-grade fibre produced in Southland.

The acquisition of the Moutoa Estate, near Foxton, by the Government for development as a flax plantation was finalized in September, and throughout the year extensive development work was carried on under the supervision of the Public Works Department. A special Moutoa Development Committee, representative of the Flax Plan Industrial Committee, New Zealand Woolpack and Textiles, Ltd., and the Public Works, Agriculture, Scientific and Industrial Research, and Industries and Commerce Departments, has been set up to give direction to the work.

The botanical investigations have been continued, but, as the area formerly occupied on the Moutoa Estate has now been fully planted, an additional area in the Paiaki Block of the estate has been set aside for the purpose. Sufficient space will be available for an extension of this work.

Several new Sutton strippers are being installed in the stripping-mill at Foxton, acquired during the year by the Government, in order that the performance of these machines under commercial conditions may be tested. Experiments are being made with the aim of improving the flax-washers.

Investigations of flax areas throughout the Dominion have been made, and a detailed survey of areas on the West Coast has been authorized with a view to the utilization of flax in these areas if required.

The principal work in the development of the flax industry is now centred in Foxton, where the Government has extensive interests in the woolpack industry.

PHARMACY.

In addition to the normal activities of the Committee carried out during the year, a goodwill advertising campaign was undertaken. The campaign covered a period of six months. Its main purpose was to inform the public of the fact that a chemist's dispensing service forms only a minor proportion of his total turnover necessary to keep the pharmacy in operation, and that in order to maintain the dispensing and general emergency services, particularly in suburban and country places, public support is urged in respect of the business in general household drugs and medicines, toilet articles, and chemists' sundries.

The campaign was found to be well worth while, and its resumption in the succeeding year is being considered.

War services have created a considerable strain on pharmacy personnel, and there is a distinct shortage of staff for normal work apart from relieving work. Steps have been taken, in conjunction with the appropriate authorities, to ensure that further trained men are not accepted for service except in a capacity in which their training will be utilized.

Since pharmacy was gazetted a licensed industry steady progress has been made in the elimination of redundant pharmacy units along the lines indicated in the pharmacy plan. With voluntary closures, amalgamations, and absorption of adjacent units, the number of units has been reduced by thirty-six, spread very evenly over the Dominion on a population basis. Two new licenses have been granted in previously undeveloped or unserved areas.

SALE OF MOTOR-SPIRITS.

For the year ending 31st December, 1940, applications to the Bureau under the provisions of the Industrial Efficiency Motor-spirits Licensing Regulations totalled only 450, as compared with 700 received during 1939, 900 during 1938, and 1,800 in 1937. This falling-off is, of course, due to the restrictions in the consumption of motor-spirits imposed under the Emergency Regulations. It is significant that applications for transfers (193) account for 43 per cent. of the total applications. The average in previous years has been 23 per cent. Very few applications to open new reselling-points were received, but applications to extend operations by reselling in drums amounted to 84. Fifty-three licenses were surrendered or revoked by the Bureau.

Wholesale sales—that is, sales by importers to resellers and commercial users—dropped 20 per cent. on the 1939 total. The same percentage drop would apply substantially to retail sales taken as a whole, but the drop has not spread evenly over all sections of the country. From returns received there appears to be no doubt that legitimate resellers, as such, have suffered a far greater loss than the general average. This applies more especially to town districts. On the other hand, organizations dealing directly with the farming community seem to have fared very well. In some cases increases in sales have taken place. It will be safe to say, therefore, that city areas have suffered a far greater cut relatively than the country districts.

The Petrol Advisory Committee set up by the Hon. the Minister of Industries and Commerce just prior to the last annual report has given consideration to the question of affording some relief to resellers under the present difficult circumstances. The matter has, however, presented difficulties, but certain proposals are being examined at the present time, and it is hoped to reach some solution shortly. Any suggested remedy may involve amendments to existing regulations administered by the Bureau of Industry.

During the licensing year just ended licenses have been issued to resellers totalling 3,737. These may be subdivided into service stations, 376; composite units, 718—*i.e.*, a unit giving complete garage and service facilities; garages, 565; other units, 2,078. As from 1st April, 1941, a new scale of annual license fees has been introduced, thus affording quite a measure of relief to resellers. Briefly, the scale is based on payment of a flat rate of £1 per annum for those operating one pump only, and £2 for those operating two or more pumps.

FISHERIES INDUSTRIES.

The various branches of the sea-fishing industry now come under the licensing provisions of the Industrial Efficiency Act, 1936. The branches concerned and the number of licenses issued under each as at the 30th April, 1941, is as follows:—

Industrial fishing	..	..	..	..	1,812
Fish wholesalers	..	..	..	..	42
Fish retailing	..	..	..	..	678
Fish exporting	..	..	..	..	28
Fish-canning	..	..	..	..	11
Industrial oyster dredging	..	..	..	..	9

Total	..	..	..	..	2,580

Whilst it is true that no actual industrial plan has been introduced as provided for by the Act, the administration is being effected under the Foodstuffs Control Emergency Regulations, and a Committee, with Mr. Jas. Thorn, M.P., as Chairman, continues to act in an advisory capacity to the Bureau of Industry and to the Food Controller.

With the taking-over of a number of trawlers for naval purposes the supply position has been adversely affected and export to Australia from the North Island has been considerably curtailed.

Despite this, however, and the fact that a number of fishermen are serving overseas with the armed forces or are about to take up military duties, the industry appears to be working smoothly and efficiently.

APPLE-JUICE.

Illustrative of the efforts made by the Bureau of Industry to promote industrial welfare in licensed industries was the campaign instituted, in collaboration with the Internal Marketing Division, for the furthering of sales of apple-juice in the Dominion. While it is yet too early to ascertain what success has been achieved, it is sincerely hoped, and indeed anticipated, that the campaign will have materially assisted in putting the industry on a sound and efficient basis and at the same time assisted in the utilization of our surplus apple crop.

ASBESTOS-CEMENT PRODUCTS.

This industry has become of considerable importance since the outbreak of war in view of the shortage of corrugated iron, and as a result the demand for asbestos-cement roofing-materials has increased out of all proportion. The Bureau, appreciative of the unprecedented demand for asbestos-cement roofing-materials, quite recently dealt with and granted an application for a further license in the industry. It is anticipated that when this new unit is in production the position will be considerably alleviated.

DRY-CELL BATTERIES.

Considerable progress has been made in this industry, which is now in a position to more than fulfil the requirements of the Dominion. As a result it is no longer necessary to import this commodity.

WET-STORAGE BATTERIES.

Here again practically the whole of the needs of the Dominion are met by local manufacturers, and the industry appears to be in a very sound position. Consideration has been given to the formation of an industrial plan, and it is anticipated that this will be submitted to the industry for voting at an early date.

MACARONI.

This industry, licensed during the current year, is a new one for the Dominion, and it is hoped that a considerable saving in overseas funds will result from the setting-up of a manufacturing unit in the Dominion. The application of licensing should ensure that the development of the industry will be along sound and economic lines.

NAILS.

The past year has been an abnormal one for the industry in view of the much increased demand for nails resulting from the constructive work carried out in the establishment of mobilization camps throughout the Dominion. Nevertheless, the industry has been able to meet the demand, and it is anticipated that it will be more than able to do so in the future. In this connection efforts have been made by the Bureau to reduce the number of nails being imported into the country.

REFINING OF USED OIL.

This industry was licensed during the year for the purpose of assisting the Government as far as possible in its war effort by the reduction of waste. While no licenses have, as yet, been issued, a large number of units are engaged in the industry, and it is anticipated that the organization of the industry along planned lines will considerably assist in the recovery and utilization of a valuable product which might otherwise be lost.

MANUFACTURE OF SALT.

Consideration is at present being given to applications received to commence in the industry. To date, no unit has commenced production on a commercial scale, and therefore it is too early to ascertain whether or not the industry can be undertaken on an economic and profitable basis. The industry has, however, promise of being a very important one in the industrial structure of the Dominion and would result in considerable savings of overseas funds.

WOODEN HEELS.

The output of this industry is more than sufficient to meet the needs of the Dominion. Steps have been taken by the Bureau to ensure that a reserve stock of heels is maintained sufficient to meet the immediate requirements of the market in the event of the licensee being unable to continue manufacture in an emergency.

PULP AND PAPER PRODUCTS.

A large factory at Penrose is now approaching completion, and within the next few weeks it is expected that fibreboard (wallboard) will be available to the extent of New Zealand's present tonnage requirements.

In conclusion, it may be stated that the Industrial Efficiency Act has already demonstrated that it is capable of materially assisting in the development of industries throughout the Dominion. It is claimed that it has been effective in promoting the orderly development of those industries which have already been brought under the administration of the Bureau of Industry, and it would seem that with the application of industrial planning the effectiveness of that administration will be even more beneficial in the future.

MINISTRY OF SUPPLY.

During the last twelve months there have been notable changes both in the supply organization and in the supply position.

Control has been expanded by the appointment of a Munitions Controller; the overseas organization of the New Zealand Ministry of Supply has been enlarged by the opening of offices in Washington, New York, and Ottawa, in North America, while in India, following upon a New Zealand delegation which attended the Eastern Group Conference, called by His Excellency the Viceroy of India, New Zealand has accepted membership on the Eastern Group Supply Council with headquarters at New Delhi, India, and Mr. F. R. Picot, late Director of Internal Marketing and Food Controller, has taken up the appointment.

As part of New Zealand's "all in" war effort the Supply Control Emergency Regulations 1939, Amendment No. 1, provided for the control of industries, the requisitioning or purchasing of property, and the waiving of conditions of contracts, while provision is also made for the setting-up of a Supply Advisory Council to advise the Minister of Supply on any matters referred to it by him.

The War Cabinet has authorized the establishment of a Supply Council, such as was envisaged in the amendment to the Supply Control Emergency Regulations, its functions to be the centralizing of all orders for the requirements of the armed forces, the control of such commodities as may be needed for defence purposes, and the responsibility of deciding priorities in regard to defence supplies and in regard to shipping, while the Council is also authorized to deal with possible economies and substitution in our present consumption and with the reclamation and utilization of waste. The question of requisitioning or commandeering supplies required for defence purposes would also be one of its functions.

One of the most momentous decisions made by the United States of America in recent years has been the passing of the Lease-Lend Act, under which supplies for Great Britain are made available without the necessity of immediately finding dollar credits. With the object of clearing up the position in so far as it related to New Zealand, and in an endeavour to improve the supply position from that source, a Ministerial delegation comprising the Hon. F. Langstone, the Right Hon. J. G. Coates, Mr. C. Duncan (Director of Marketing), Mr. L. J. Schmitt (Secretary of Supply), and Mr. J. P. D. Johnsen (Customs Department) recently left New Zealand for the United States and Canada.

In June of last year a Ministerial delegation consisting of the Hon. D. G. Sullivan (Minister of Supply), Mr. L. J. Schmitt (Secretary of Supply), Major Erridge (Army Department), the late Mr. E. T. Spidy (Munitions Controller), Mr. E. C. Fussell (Reserve Bank), and Mr. J. Cable (Engineer) visited Australia with the object of clarifying the position in regard to supplies from that country and also for the purpose of placing large defence and munitions orders.

In addition to the above, arrangements have been made for periodical meetings of Ministers to be held in either Australia or New Zealand with the object of co-ordinating the two countries' war activities with special reference to munitions and supply matters. The first meeting of this Consultative Committee is to be held in the very near future.

The Hon. R. Semple recently visited Australia in connection with vital supplies of steel and other essential metals, particularly the importation of the necessary materials for construction of steel minesweepers and universal carriers in this Dominion.

The Eastern Group Conference was convened at New Delhi, India, in October, 1940, on the invitation of His Excellency the Viceroy of India, with the approval of all Dominion and Colonial authorities concerned. The New Zealand delegation consisted of Major-General Sir John Duigan, Chief of General Staff, as Leader, and the following advisors: Mr. F. R. Picot (Internal Marketing Department), Mr. J. R. Middleton (Ministry of Supply), Major H. E. Erridge (Army Ordnance), and Mr. A. B. Taylor (Treasury).

The Conference surveyed the resources and capacity of the Empire countries east and south of Suez. These investigations, covering a wide range of subjects, including armaments and munitions, military and engineering stores, and also commodities of major importance such as metals, chemicals, fibres, timber, &c., have been summarized in the form of reports which will provide the basis for further action and implementation by the Eastern Group Supply Council, which all participant countries unanimously agreed to establish on the recommendation of the Conference.

During recent months New Zealand has had the advantage of a visit by members of the British Supply Mission to India, and having particular reference to the expansion of the Dominion's munitions programme. A full report was rendered to the Eastern Group Supply Council and to the British Government by members of the Mission, and as a result it may confidently be expected that production of important munitions items will be considerably expanded in the very near future.

During the past year the internal supply position has become more difficult in many basic lines, and in certain items it has been necessary to curtail usage for specified purposes. Under the various Supply Regulations notices have from time to time been gazetted limiting the use of cordage, rope, twine and thread; wrought iron or steel tubes; screwed steel conduit; copper sheet; and certain types of timber.

Under the Building Control Regulations and amendments the erection of new buildings containing upwards of half a ton of reinforcing steel or estimated to cost over £2,000 is not permitted without the prior consent of the Building Controller. Full use is made of existing local authorities in the granting of permits, but in the case of a dwellinghouse involving the use of galvanized corrugated iron such local authorities may not issue a permit without the prior consent of the Building Controller.

The activities of the Supply Controllers have been extremely varied, and individual difficulties met with from time to time have been overcome, as, for instance, in the packing of various commodities for export to the forces or to the British Government. Here the question of containers has been of paramount importance, and it has been found necessary to utilize substitute packings for an increasing number of local consumption goods; particularly in this respect of tins, and every endeavour is now being made to pack in cardboard cartons, and in some cases in glass jars. Again, considerable difficulty has been met with in obtaining a sufficiency of timber for cases, and here the activities of the Timber Controller in rationalizing boxmakers and the supply of timber in various centres has assisted in overcoming this shortage. Encouragement has been given by publicity and otherwise to the reusing of the cases where possible.

With regard to the production of military clothing and footwear, woollen-mills, clothing-factories, and boot-factories have been working at top pressure to meet the ever-growing needs of the Forces.

Difficulties have been experienced this winter in meeting the full needs of consumers of electricity, particularly in the North Island, owing to the increasing demand on the part of industrial and primary production needs, and, while supplies of coal have been sufficient, the most strenuous endeavours on the part of the Mining Controller have been necessary to maintain supplies for domestic use, for industrial uses, and for subsidiary electric-power plants.

The sugar position has been well catered for, notwithstanding certain difficulties in the way of shipping space both from Queensland, which now supplies all our raw sugar, and coastal from Auckland to South Island ports.

The rationing of petrol has been continued, but over the holiday period provision was made for coupons to be used over a two-monthly period instead of the usual monthly period.

The munitions programme has grown apace, and it is a noteworthy fact that factories are engaged from one end of New Zealand to the other in the making of components or finished articles ranging from buckles to hand-grenades, universal carriers, and now minesweepers.

With the coming into operation of the Eastern Group Supply Council, and following upon Mr. Picot's arrival in India, a constant stream of inquiries is received by the Ministry of Supply covering ascertained shortages of one or more countries in the Eastern Group, and in a number of instances New Zealand has been able to make supplies available to meet such deficiencies. Cases in point are greatcoats, pullovers, socks, blankets, telephone insulators, barbed wire (subject, of course, to supplies of barbing wire being made available), and other items. There have, too, been cases where, although New Zealand has been able to offer supplies, these have been more readily met by Eastern Group countries closer to the deficient territory. Again, and conversely, the Council is now operating in such a way as to facilitate the supply of much needed raw materials for munitions production in this country.

In North America the strengthening of the supply liaison service and its close co-operation with the British Purchasing Commission and the American authorities handling Lease-Lend, a noticeable improvement is already in evidence that New Zealand will receive raw materials and completed goods, some of which have in the past been almost unobtainable.

In so far as reserve stocks are concerned, some progress has been made during the year in increasing the range of commodities covered, such as tanning-materials, further supplies of tins, and numerous food items, which will be distributed as widely as possible.

RECLAMATION OF WASTE MATERIAL.

In June, 1940, the Hon. the Minister of Supply set up a National Council for the Reclamation of Waste Material, which operates on a voluntary basis through eleven provincial boards and appropriate district committees. A Liaison Officer represents the Department on the Council.

The Council arranges for the collection of waste materials in demand for war and essential purposes, and the net proceeds are paid over to the Patriotic Fund.

For the period ending 31st March, 1941, the collection of scrap metal was the first call on the organization, and over 200 tons were made available to the Ministry of Supply. In addition, the collection of waste paper was commenced, and the reclamation of 200 tons per week is the objective. One of the urgent drives was for cleaning rags required for aerodromes and the army, and the work was carried out with the co-operation of the Girl Guide Association with conspicuous success, and the collection is still in progress with the object of securing 200 tons.

Miscellaneous waste received materially assists the fund. Up to the 31st March, 1941, the amount handed to the National Patriotic Board was £5,041 14s., and the objective for the current year is £10,000.

The Chairman of the Council is Mr. Charles Todd, and the Deputy-Chairman is Mr. J. W. Collins, formerly the Secretary of the Department of Industries and Commerce.

INDUSTRIES COMMITTEE (IMPORT-CONTROL).

The administration of Import Control, or more correctly styled Import Selection, has again been directed largely through the Special Industries Committee set up when the policy of import-control was introduced in 1938. The difficulties associated with ensuring the supply of raw materials for our expanding secondary industries within the Dominion's economy have been considerably increased, first, as a result of heavy demands for materials directly associated with the war effort, and later as a result of difficulties arising from the supply position in England. The shipping situation has further accentuated the difficulties arising from the supply aspect. The fact that, notwithstanding all these difficulties, the supply of raw materials for our industries has been provided so as not to cause any known serious dislocation in the production of our manufacturing industries, emphasizes the success attained in the licensing system. This success has been largely assisted by the co-operation and co-ordination which has been strongly in evidence between the Industries Committee, all Controllers, the Supply section, and officers of the Customs Department.

It is also pleasing to report that there is strong evidence of unity and fullest co-operation between the New Zealand Manufacturers' Federation and members of the Industries Committee. The present indications are that the difficulties associated with supply in the next licensing period will be greater than in previous periods, which is only to be expected as a natural consequence of the growing war effort. The machinery of administration will, however, be able to ensure that best results possible are obtained.

NEW ZEALAND MANUFACTURERS' FEDERATION AND DISTRICT ASSOCIATIONS.

Throughout the year contact has been maintained with the Manufacturers' Federation and the district associations in the four main centres. The federation and its affiliated organizations have proved a valuable means of centralizing the views of industry on those matters which engage the attention of the Departments concerned and in furnishing information of a helpful nature. Rapid changes under the conditions of war are brought about as the result of variations in the supply of raw materials, expansion of domestic industry to meet the demands for articles in respect of which the source of supply has been cut off, and the production of articles and commodities of a nature falling within the category of requirements for the fighting services.

The federation and its affiliated organizations have functioned to allow such changes to be accomplished as smoothly as possible without dislocation of industry. The formation of trade groups within the structure of the federation and representative of particular industries will allow the whole weight of experience to be thrown on problems as they occur.

Acknowledgment is here made of the co-operation extended by the federation and the district associations to the Bureau of Industry, the Industries Committee, and the Ministry of Supply in their consideration of the various problems which arise from time to time.

TOBACCO INDUSTRY.

As in previous years, close contact has been maintained between the Department and the tobacco-growing and manufacturing industry, and because the Chairman of the Tobacco Board, Mr. L. J. Schmitt, and the Secretary, Mr. H. L. Wise, are also officers of the Department, this liaison has been especially close.

PRICES OF LEAF.

By collaboration between the Government and the Board, the prices of leaf were raised successively each year from the 1935-36 season until they reached their present level in 1939. In 1940, on the recommendation of the Board, the Government agreed that the minimum average prices to be paid by all manufacturers for leaf of the 1940 harvest should be on the same basis as in the preceding year—namely, 1s. 10½d. per pound for flue-cured and 1s. 7½d. per pound for air-dried leaf—and this year the Government recently acceded to a recommendation by the Board that the minimum average prices to be paid for leaf of the 1941 harvest be maintained on the same basis as in 1940. This decision has since been given effect to by the issue of a Price Order by the Price Tribunal, as was done in connection with the leaf of the previous season. A *minimum price*, below which tobacco-leaf cannot be sold or purchased, has been fixed each year by the Government. In 1936 the minimum was fixed at 1s., but for

1937 and succeeding seasons the minimum was increased to 1s. 2d. per pound. The minimum was again fixed at 1s. 2d. per pound for the 1941 buying season, this being done through the Board of Trade (Raw Tobacco Price) Regulations 1941. These regulations are designed to prevent the sale and purchase of leaf at very low and uneconomic prices that are unpayable to the growers. While the regulations are issued primarily in the interests of, and for the protection of, growers, they have also been of definite advantage to manufacturers, inasmuch as they have protected them from unfair competition which would otherwise have been created by the sale of manufactured tobacco and cigarettes from leaf bought at very low prices unpayable to the growers.

EXPANSION OF PRODUCTION OF LEAF.

Efforts have been made to bring about a substantial expansion in production during the 1940-41 and future seasons, this being both desirable and necessary, having regard to war conditions, to the possibility of interruption of supplies of leaf from America, and to the necessity for conserving sterling funds. Certain recommendations were recently made by the Board to the Government in connection with the possibility of expanding the production of leaf. The Board made a recommendation that, with a view to ensuring that at least 20 per cent. of the total leaf used by each manufacturer will consist of New-Zealand-grown leaf, the Government introduce regulations to provide that as from a fixed date, say, 1st January, 1941, individual manufacturers may not clear from bond for entry into manufacture imported leaf exceeding four times the quantity of New-Zealand-grown leaf used in manufacture by them during a period of six months following that date. The Government has since given effect to a recommendation by the Board that the minimum percentage of twenty be raised to 22½ per cent. during the period of six months commencing 1st July, 1941. The Government expects manufacturers to use New Zealand leaf to a maximum and not necessarily to restrict themselves to the minimum of 22½ per cent. which has been decided upon.

AVAILABILITY OF ADDITIONAL LAND.

With a view to providing data for the assistance of the Government and of the Board in steps taken to expand the production of leaf, the Board arranged for aerial and soil survey maps to be prepared by the Cawthron Institute. These have been prepared and have already proved very useful to manufacturers desiring to increase their tobacco contracts with growers. These maps reveal that, in so far as the Kaiteriteri and Motueka Subdivisions are concerned, without interfering with the cultivation of hops and orchards shown on the land-utilization maps, there are 897 acres suitable for tobacco-growing in the first and second grades of soil which were in pasture, fallow, and other crops last season. In so far as other tobacco-growing areas of the Nelson district are concerned, no figures are yet available, but this information will be forthcoming in the near future. With the steps that have been taken by the Government there is now reasonable certainty and surety in the industry, both from the point of view of growers and manufacturers, and manufacturers may be expected to place contracts year by year for a steadily increasing amount of leaf, thus ensuring a steady expansion on the growing side.

TOBACCO RESEARCH.

Further progress has been made with the equipment of the Tobacco Research Station at Umukuri. A glasshouse, tool-shed, garage, and pumping-station have been erected and an irrigation plant installed. The erection of a laboratory building, which will provide office and laboratory facilities for the work of the station, has also been proceeded with. Under the administration of the Department of Scientific and Industrial Research, and with the full collaboration of the Cawthron Institute, good progress has been achieved by the Tobacco Research Committee during the year in carrying out an extensive programme of tobacco research. The investigations have been effected partly at the Field Station at Umukuri and partly in the laboratories of the Cawthron Institute, according to the facilities available. The Tobacco Research Committee comprises representatives of the Departments of Industries and Commerce, Agriculture, and Scientific and Industrial Research, the Tobacco Board, manufacturers, and growers.

BROCHURE.

During the year a brochure has been published and circulated by the Tobacco Board to the growers entitled "Hints to Growers on the Care of Tobacco after Harvesting." This publication was prepared in collaboration with growers, manufacturers, and the Tobacco Research Officer. The issue of further brochures by the Board is contemplated, one covering operations from the seed stage to planting out in the field, and the other dealing with the cultivation of tobacco from planting out to curing.

ADOPTION OF STANDARD GRADES OF LEAF.

Although it was considered desirable that standard grades of leaf should be adopted, after considerable deliberation it was decided by the Tobacco Board that this was impracticable at the present time, because it was realized that it is not practicable to have a basic average price fixed for the crop, and at the same time to have fixed grades and fixed prices in relation to those grades. Recommendations, however, were adopted and have since been adhered to by the manufacturers whereby each individual manufacturer determines the grades of leaf suitable to him and exhibits a range of samples of acceptable leaf, together with descriptions and samples of each grade.

EXPORT OF LEAF.

Last year, on account of the policy adopted by the Government in relation to import control, and in view of the resultant increase in demand that was then expected and which has since eventuated for the consumption of locally-grown leaf, no leaf of the 1939 crop was exported. Since that time, with the outbreak of war and the consequent interruption of shipping, combined with the necessity for conserving overseas funds, it has become still more necessary that the whole domestic crop be retained in New Zealand. There were therefore no exportations of leaf of the 1940 crop.

LEVY ON LEAF.

Year by year since 1937 the Board has sought to assist growers by either reducing or eliminating the levy on leaf. In 1937-38 the levy was reduced from $\frac{1}{2}$ d. to $\frac{1}{4}$ d. per pound on leaf of the 1938 harvest used for local manufacture. In 1939 the Board decided to waive the levy in respect of leaf of the 1939 crop. This procedure was again adopted in connection with the leaf of the 1940 harvest, but recently, in order to meet its share of the expenditure in connection with the research programme, it was decided that a levy of $\frac{1}{4}$ d. per pound be made on all leaf of the 1941 crop sold for local manufacture.

STATISTICS OF TOBACCO-GROWING.

As was stated in last year's report, a long-range plan for the industry was fully implemented during 1939 as a result of considerable effort on the part of the Government and the Board. The result of the encouragement thus extended to the growing industry is now beginning to be evidenced in a marked increase in production, and the following table provides a comparison between the year under review and previous years. The figures for 1941 are not final figures and must therefore be considered as approximate:—

Statistics of Tobacco-growing

Season.	No. of Licensed Growers.	Acreage.	Contracts Placed		Quantities Purchased		Totals.
			For Local Manufacture.	For Export.	For Local Manufacture.	For Export.	
			lb.	lb.	lb.	lb.	lb.
1935-36 ..	499	1,969	1,242,855	287,000	1,118,118	79,043	1,197,161
1936-37 ..	508	2,770	2,501,075	119,000	1,539,425	70,068	1,609,493
1937-38 ..	442	2,563	2,203,500	215,000	1,895,831	171,996	2,067,827
1938-39 ..	342	2,225	2,118,500	119,000	1,423,610	Nil	1,423,610
1939-40 ..	339	2,570	2,480,000	Nil	2,185,918	Nil	2,185,918
1940-41 ..	381	2,963	2,913,700	Nil	Harvesting operations in progress	Nil	Estimate 3,000,000 (approx.)

As indicated above, the 1940-41 crop was a record in the history of New Zealand tobacco-production. The above table is particularly interesting, showing as it does that production has increased during the last four or five years although the number of licensed growers has fallen considerably. At the time of writing indications for the 1940-41 season are that there will be a 12-per-cent. increase in the number of growers and a 15-per-cent. increase in the area planted. A gradual and regular extension such as this will not only increase the usefulness and importance of the growing side of the industry, but it will also develop it along sound lines, whereas a very sudden increase in production might have undesirable repercussions.

WHEAT, FLOUR, AND BREAD.

The rationalization scheme for the wheat, flour, and bread industries which was introduced in 1936 has been continued upon the same basis as last year. In June, 1940, breadmaking was declared a controlled industry under the provisions of the Supply Control Emergency Regulations. The control now introduced means, *inter alia*, that no person shall commence to carry on business in the industry or sell or transfer the control of any undertaking or of any part of an undertaking in the industry unless he has the prior consent of the Minister of Supply.

Since control was introduced there have been quite a number of voluntary amalgamations and regroupings within the industry, all of which have tended to bring about a greater measure of efficiency. In particular, substantial savings in delivery costs are being effected and there are schemes now under consideration for the rationalization of the industry in particular areas.

It is possible that in some centres delivery companies will be promoted which will take over bread delivery.

The price of wheat to the grower remains the same as last year—*i.e.*, 5s. 9d. per bushel f.o.b. for March sales of Tuscan. This price also applies to the next harvest, an announcement having been made early in order that growers might know where they stood in so far as autumn sowings this year were concerned.

The 1940 harvest is expected to yield 8,400,000 bushels from 244,000 acres, which quantity falls just short of New Zealand's requirements of round about 9,000,000 bushels. The quality of the wheat harvested and flour gristed this year is good. The shortage in our requirements has been made up by importations from Australia and because of war conditions a substantial volume of emergency stocks of wheat has also been imported and stored. Stocks of flour for national emergency purposes have been built up at points not readily served by mills.

The membership of the Wheat Committee this year is the same as for the previous years.

It is expected that a large area of wheat will be sown for harvest in 1942, and indications point to the desired area of 300,000 being reached or even passed. A good autumn contributed largely to this position.

During the past two years the mechanization of wheat farms has proceeded at an accelerated rate and a large proportion of the crop is now grown on farms equipped with the latest and best agricultural machinery.

Flourmillers continue to spare no effort in improving their milling technique, and the quality of flour and other wheaten products made in New Zealand to-day pays full tribute to their efficiency.

LINEN FLAX.

Prior to 1939 Great Britain maintained a larger export trade in linen goods than any other country. Of her requirements in fibre only 10 per cent. was produced within the Empire, the balance being imported mainly from Russia. Linen flax is also an essential war commodity, and therefore in view of the European situation in 1935, and Russia's increasing industrial development, it became desirable that Great Britain should become less dependent on foreign sources. Attention was paid, therefore, to the possibility of increasing Empire production, and such precautions were fully justified when in 1938 Russia prohibited further exports, and when in 1939 virtually the whole of the imports to Great Britain were cut off.

Investigations into the growing of linen flax in New Zealand were first instituted by the Department of Scientific and Industrial Research at the Agronomy Division, Lincoln, in 1936. Thereafter it became a co-operative effort in which the Fields Division of the Department of Agriculture undertook field trials and the multiplication of seed, and the Agronomy Division paid particular attention to problems associated with the growing of flax and the processing of straw in the production of fibre.

These investigations demonstrated the possibility of establishing a new industry in New Zealand, and it was decided to erect a small experimental factory at Waikuku in co-operation with the Andrews Twine Works, a subsidiary of Messrs. Donaghy's, Ltd. A Linen Flax Committee was set up and an officer sent abroad to study the industry at first hand and purchase the machinery necessary for the first unit.

During 1939 the situation in Europe became increasingly grave and it was decided to extend operations in New Zealand to include a second factory at Blenheim. Finally, however, in May, 1940, the British Ministry of Supply requested New Zealand to grow 15,000 acres, a task of considerable magnitude in view of the fact that up till then no fibre had been produced commercially. Nevertheless, the offer was accepted, and Great Britain shipped to New Zealand 500 tons of seed, all of which arrived safely and was sown the following spring.

An organization was set up under the Minister of Industries and Commerce to deal with this new industry, and a Committee nominated representative of the various departments concerned. It was decided that all field operations embracing the growing of the crop would be undertaken by the Fields Division of the Department of Agriculture. The erection of factory buildings was supervised by the Public Works Department, and the manufacture of machinery was placed in the hands of the Railway Department.

The operation of the industry as a whole was left in the hands of the Linen Flax Management Committee under an arrangement whereby the Fields Division undertook the growing of the crop, the Linen Flax Section under the Department of Industries and Commerce assumed the responsibility of processing the crop, and the Marketing Department attended to the marketing of all produce.

The personnel of the Linen Flax Section, with headquarters in Christchurch, comprised a Director, seconded by the Department of Scientific and Industrial Research; a Works Superintendent, seconded by the Public Works Department; an Engineer, seconded by the Railways Department; and a Secretary-Accountant. Later a Belgian specialist was appointed as technical instructor.

The Department of Agriculture was successful in contracting for and growing 13,000 acres; factories were erected, together with the necessary housing for workmen, by the Public Works Department at the following centres: Blenheim, Oxford, Leeston, Methven, Washdyke, Mikikihi, Balclutha, Tapanui, Winton, and Otautau. In addition, a small factory was erected by Messrs. Donaghy's, Ltd., at Waikuku. Of the above, retting-tanks, involving considerable capital expenditure, were erected at Blenheim (6), Waikuku (2), Makikihi (6), Balclutha (3), Otautau (6), the figures indicating the number of tanks at each centre.

The Railway Department manufactured and installed all machinery, the largest items being 15 turbine scutchers, breakers, and tow-shakers, 20 deseeder, 40 flax-carts, boilers, and tank-reticulation, and, in co-operation with Messrs. Andrews and Beaven, the construction of 100 flax-pullers at cost.

The crop on about 30 per cent. of the acreage sown proved to be too short for fibre and was harvested for seed only, leaving approximately 9,000 to be pulled for fibre. As the average yield of crop per acre is about 2 tons, this represents the handling of some 18,000 tons of crop at the factories.

Three methods of fibre production are possible:—

- (a) Tank-retting as adopted at Blenheim, Waikuku, Makikihi, Balclutha, and Otautau. The capital cost is high, but the process, although technical, is straightforward and the finished product attains the highest value:
- (b) Dew-retting as adopted at Oxford, Leeston, Methven, Washdyke, Tapanui, and Winton, in which the capital cost is low but the labour-costs high. Dew-retted fibre is lower in value than that from tank-retting:
- (c) Natural flax in which the straw undergoes no processing beyond scutching. The cost of production is low, but the value of the fibre is also very low.

All factories are now in operation and are producing fibre, and the first shipment of flax left New Zealand early in June.

It is only to be expected that many difficulties would be encountered in the establishment of this new industry about which so very little was known in this country. Nevertheless, these are being overcome or evaded.

Thus serious technical difficulties have been encountered in the production of natural flax, and since efforts at dew-retting have been proved more successful than was expected a change-over from natural flax to dew-retting is being adopted. Even dew-retting is attended with risks which are absent in tank-retting, and it has been decided to extend tank-retting and to fall back on dew-retting only when the quantity of straw is greater than can be handled through the tanks.

Therefore steps are being taken to install tanks at all existing factories with the exception of Leeston, and these additional tanks should be in operation by October, 1941.

Early in 1941 the British Ministry of Supply requested New Zealand to extend very materially the sowings for the season 1941-42. Very careful consideration had to be given to this proposal, partly in relation to its effects on other primary products, the high capital cost involved, and the fact that at that time the factories were only commencing operations and it was impossible to forecast costs of production or judge the quality of fibre that we might be able to produce in New Zealand.

It was decided eventually to extend operations at all existing factories to the uttermost limit and, with the addition of six new factories, aim at an acreage of at least 25,000 acres. It is envisaged that in the season 1941-42 the following seventeen factories will be in operation :—

Factory.	5-ton Tanks, 40/41.	5-ton Tanks, 41/42.	40/41 Acreage.	Minimum 41/42 Acreage.
Blenheim	6	6	844	1,250
Seddon .. .. .	..	5	..	1,000
Waikuku	2	2	1,000	600
Oxford .. .. .	..	5	1,300	1,500
Leeston .. .. .	..	..	752	600
Methven .. .. .	..	5	1,300	2,000
Geraldine .. .. .	..	5	..	1,000
Fairlie .. .. .	..	5	..	1,000
Washdyke .. .. .	..	6	1,500	2,000
Makikihi	6	6	1,200	2,000
Balclutha	3	3	1,000	1,000
Gore .. .. .	..	5	..	1,000
Clydevale .. .. .	..	4	..	1,000
Woodlands .. .. .	..	5	..	1,000
Winton .. .. .	..	5	1,300	2,000
Tapanui .. .. .	..	6	1,500	2,000
Otautau	6	6	1,000	1,500
Balance of total area to be absorbed over all factories	..	..	..	2,550
Total	23	79	12,696	22,450

All fibre produced in New Zealand is graded and valued prior to shipment by a grader appointed to this country by the British Ministry of Supply. In general it may be said that the straw grown in New Zealand is of satisfactory quality a little marred by unexperienced handling. The quality of fibre produced, except in the case of natural flax, must be regarded as satisfactory in view of the inexperience of the factory-managers, and the standard will, no doubt, improve as experience is gained. Most of the fibre is of a warp type, the main feature of which is strength, and thus, fortunately, is the type of fibre most desired by Great Britain at the present time.

MOTION-PICTURE INDUSTRY.

During the past year a number of applications for permission to secure licenses to operate motion-picture theatres have been received by the Department for investigation. The usual inquiries were conducted and reports referred to Mr. W. F. Stilwell, S.M., who in turn furnished his recommendations to the Hon. the Minister. Due to building difficulties on account of the war, the position with regard to new applications has in a measure been controlled to the extent to which raw materials for the construction of buildings are available. During the year, therefore, there have been no new theatres started, and as the supply situation in regard to materials so controls the position there appears little likelihood, unless in exceptional circumstances, that new theatres will be erected for some little time. Finality, therefore, in regard to the proposals to amend the regulations, referred to in the last annual report, has been deferred. The Film Industry Board, on which this Department is represented, has met frequently during the year, and a number of mutual problems affecting all interests within the industry have been adjusted. The Film Industry Board has expressed its willingness to assist the Government in any way it desires, as its contribution to the war effort, and it is anticipated that this industry will be able to play a material part in bringing the Government's war effort prominently before the public through the medium of the motion-picture theatres.

NEW ZEALAND CENTENNIAL EXHIBITION.

As previously reported, the Exhibition closed on 4th May, 1940. Prior to the close of the Exhibition negotiations had been progressing between the Government and the Exhibition Co. with regard to taking over the buildings, and the Government took possession in June. A special Committee was set up to administer the transfer, and the Public Works Department took charge of stores and material and conducted the necessary alterations to put the place in order for the Air Department.

The Exhibition was universally declared a success.

The layout, lighting, and general effects were of a high standard, and, on a comparative basis, ranked with Glasgow, New York, and San Francisco.

Whilst the number of exhibits suffered under the conditions of war, the standard set was a credit to the Dominion and would stand up to comparison with overseas fairs, emphasizing the fact that New Zealand is keeping abreast of the time. It was unfortunate that an unfavourable season, so far as weather was concerned, coincided with the Exhibition period of six months, during which time there were not more than twenty evenings when the beautifully-lit grounds with fountain, reflecting pools, statuary, trees, and flowers forming a great decorative scheme could be appreciatively viewed. The cancellation of the visit of the Welsh Guards Band must also be mentioned as a deterrent factor.

With these disadvantages the attendances were not up to expectation and fell short of the budgeted estimate. Total attendances were 2,641,043, giving an average daily attendance of 17,149. However, despite setbacks, the Exhibition was a success, and it is satisfactory to state that the educational side was fully appreciated and was an accumulative attraction which almost warranted an extension of period. The visits of school-children, numbering approximately twenty thousand, was evidence that the educational authorities recognized the value of the Exhibition, and it can be accepted that Playland will not be the ruling memory which will live in the minds of the young generation. The organization of the visits of school-children was an excellent piece of work and reflected great credit on all concerned. Other organized visits by parties proved successful and, but for prevailing conditions, the policy would have undoubtedly been furthered.

The financial side of the undertaking was greatly relieved by the assistance afforded by the Government. The general support of the Exhibition by the Government was considerable, and the enthusiasm of the Minister of Industries and Commerce, the Hon. D. G. Sullivan, in the capacity of President, was manifest throughout the whole period. Here is the financial statement of the Exhibition Co. :—

<i>Liabilities.</i>		£	s.	d.
Bank overdraft, interest, and liquidation expenses	.. ..	70,080	19	10
Contingent liability for restoration of main Exhibition grounds	.. ..	25,000	0	0
Contingent liability for restoration of Rongotai College grounds	.. ..	6,000	0	0
Total liabilities	.. ..	£101,080	19	10
<i>Assets.</i>				
The whole of the assets (<i>i.e.</i> , buildings, plant, and equipment) were, prior to opening, estimated to net £50,000 if the company had carried out the demolition and disposal. Upon the Government taking over, a special Committee of experts valued the whole of the assets (buildings, equipment, furniture, &c.), at				
	.. ..	65,000	0	0
Leaving a deficiency of	.. ..	£36,080	19	10

Under its guarantee to the bank, the Government meets the bank overdraft and liquidation expenses totalling £70,080 19s. 10d., and also takes over the company's liability of £31,000 for restoration of grounds.

The Government Exhibit was housed in one wing of the buildings, occupying 96,000 square feet, and was controlled by a Committee with Cabinet authority. The Committee system was adopted for conducting the "layout" of the Court and was successful and allowed to function.

Exhibiting Departments were grouped as follows :—

Transport and Communication.—Tourist and Publicity, Railways, Transport, Post and Telegraph, Broadcasting, and Public Works.

Social and Cultural Services : Education, Health, and Housing.

Agricultural and Industrial Development.—Lands and Survey, Agricultural, Forestry, primary products, Scientific and Industrial Research, Public Works (formed into a composite group), Industries and Commerce, Mines, Marine, Labour, and Printing.

Defence : Army, Navy, Air.

Samoa and Cook Islands, Public Trust, and State Advances were separate Pavilions. Maori Court and Physical Welfare (Internal Affairs), Machinery (Public Works Department), and the National Commercial Broadcasting Service were in other buildings. Working post-office, railway and tourist booking bureau, administration offices, staff room, kitchen, and reception-room were established around the main vestibule.

The Government Court essayed to portray the functions and development of Departments, and by common consent achieved its object and, in addition, proved that it is possible to make educational displays attractive.

As the Court was served by five doorways no record of attendances was possible, but a general attendance of 17,000 or over on any one day resulted in a crowded Court, and the popularity of the Exhibit was an increasing factor right up to closing-day.

The many regular visitors included His Excellency the Governor-General and Lady Galway ; the Right Hon. the Prime Minister and Mrs. Fraser ; Sir Harry Batterbee, High Commissioner for the United Kingdom in New Zealand ; Ministers of the Crown and Members of the House of Representatives, and of the Legislative Council. The late Prime Minister, the Right Hon. M. J. Savage, made a special visit to the Court. Conditions curtailed visits from overseas. Amongst those entertained were Lord Willingdon, the United Kingdom Government Representative at the Centennial Celebrations, and Lady Willingdon ; the Papal Legate ; Sir Harry Luke, Governor of Fiji ; Mr. D. R. Grenfell, M.P., Representative of the United Kingdom Branch of the Empire Parliamentary Association ; Commodore W. E. Parry, of the H.M.S. "Achilles" ; and the Lord Mayor of Sydney.

Reports from trading Departments indicate satisfactory results. The working post-office proved popular, and on 2nd January, 1940, the day when special stamps were issued, 37,369 first-day covers were posted and, in addition, large sales of stamps were made. The State Advances Corporation had a daily average of 120 positive visitors and conclusive inquiries were satisfactory. The Public Trust Office recorded 18,942 visitors, and the Public Trustee expressed satisfaction with the results achieved. Other items of statistical interest include the visitors' book on the Government Printer's Pavilion with 1,394 as the highest number recorded on one day. The Pageant in the Post and Telegraph Pavilion was shown approximately one thousand times, and the complete programme witnessed by 37,000 people. The number of signatures in the Railway Department's visitors' book is 55,000, and the model trains travelled 4,566 miles, with 53 miles as the highest average in one day. The cinema attendances totalled approximately 150,000. In another Court the physical welfare recreation exhibit was visited by approximately 55,000 people.

The Government Court Committee was vested with disposal authority, but as the Exhibition Buildings were taken over by the Government a general disposal Committee dealt with the matter. Stores and material were assessed by a specially appointed Committee, and the requirements of Defence Departments and private persons were dealt with in that order and models disposed of to the best advantage. Appropriate models and layouts were set aside for Government exhibits in connection with Winter Shows, &c.

On closing day, 4th May, 1940, after the doors were locked, Mr. F. Johnson, the Chairman of the Government Court Committee, met the staff and expressed thanks for assistance afforded by all concerned in making the Court a success.

GOVERNMENT EXHIBIT.

During the Centennial Exhibition period the Government decided that a composite exhibit for agricultural and winter shows, &c., should be organized, the exhibit to be representative of as many Departments as practicable and utilizing models and material from the Government Court.

Existing conditions interfered with the normal activities of the show organizations, and the composite exhibit was staged at Christchurch only.

The New Zealand Industries Fair in Christchurch was held from 10th to 24th August, 1940, and the Government Exhibit occupied 5,000 square feet, which included a modern theatrette complete with sound-equipment and seating-accommodation for seventy.

The whole of the floor, including the main avenue, was covered with linoleum and the ceiling with calico. Concealed neon lighting was used in the theatrette and in the avenue for the length of the Court. A carpeted lounge was provided, and palms and shrubs completed the decorative scheme.

Departments included in the exhibit were represented as follows:—

Health: Standard family diet, action model, with moving pictures on back wall showing health-activity films and a model of the new St. Helen's Hospital in the foreground. The display was linked up with films in the theatrette, and was appreciated by the public.

Hydro-electric: Murals and transparencies.

Labour: I.L.O. model. Models of scaffolding and excavating. A working model of a petrol pump in comparison with old types of liquid-measures.

Lands and Survey: The surveyor's chain used in the original survey of Christchurch and the first plan.

Marine: Lighthouse map of New Zealand. Original bills of lading of first shipment from New Zealand.

Mines: Working dioramas of mining activities, together with range of safety-gear.

National Broadcasting Service: Transparency showing the workings of the Service. Visual volume indicator, which created great interest.

Post and Telegraph: Working post-office and stamp display. A teleprinter and receiver proved a great draw.

Railways: Scale models of trains used at the Centennial Exhibition.

State Forest: Methods of creosoting timber. Dressed panels of New Zealand timbers with photographs of the trees. Models of forest fire, bush sawmill, and murals indicating uses of New Zealand timber. A comprehensive display.

State Housing: Scale models of houses being built.

Tourist and Publicity: The activities of this Department were shown by posters and third-dimensional transparencies, which received favourable comments. Display was linked up with theatrette.

Transport: Road-safety posters and films in theatrette.

The theatrette was invariably crowded, and the total attendance of 16,000 could have been more than doubled if the necessary accommodation had been available.

Films dealing with activities of the following Departments were shown: Forestry, Health, Post and Telegraph, Railways, Tourist and Publicity, and Transport.

Special sessions were given to local Health Department officials, Transport Department, school-children, and farmers.

An indication of the reception accorded this initial Government display is afforded by the Canterbury Manufacturers' Association who, in their letter to the Prime Minister, stated that "The success of the fair was due to the unique display of the Government Court."

The exhibit was under the direction of Mr. W. W. Monks, late electrician, Government Court, New Zealand Centennial Exhibition, who subsequently superintended the screening of Government films at shows held in the South Island as follows: 7th November, Ashburton; 14th to 15th November, Christchurch; 22nd to 23rd November, Nelson; 3rd to 4th December, Gore; 10th to 11th December, Invercargill.

STANDARDS INSTITUTE.

The activities of this section of the Department are fully covered in a separate report, parliamentary paper H.—44a.

LIBRARY AND PUBLICATIONS.

The departmental library, which was completely reorganized during 1940 is proving very valuable to officers in the necessary research involved in their duties. The library is also used by outside inquirers who are seeking specialized information, and to this end is serving the purpose for which it was established.

With the rapid changes taking place due to the war situation the valuable information received by, and disseminated from, the library serves to keep the Department in close touch with the position.

Close touch with other libraries is maintained, and any research necessary is greatly expedited by the facilities instituted by the New Zealand Libraries Association in the Inter-library Loan Scheme. This exchange of technical and economic information is mutually advantageous.

The addition of an office assistant in the library to compile statistical data has proved another worthwhile step, and, generally speaking, the fullest possible use is made of all the information available.

DIRECTORY OF NEW ZEALAND MANUFACTURERS.

Arrangements are now in hand for a new issue of the directory based on information received and covering returns of all factories registered up to the 31st May, 1941.

This new issue will be in a form similar to that in circulation at the present time and covering registrations up to the 30th June, 1939.

MISCELLANEOUS ACTIVITIES.

In addition to the major activities summarized in this report, certain additional features of the work of the Department may be outlined in brief. The Department has directed its attention to the promotion of trade, both internally and externally, and in this connection has dealt with a number of inquiries received from overseas and within the Dominion for New Zealand products. The conditions arising as the result of war have necessitated prompt action in securing other sources of supply when our main source has been cut off. The expansion of production of certain classes of goods for Service requirements, or of a kind formerly imported, has required attention in order to ensure that changes might be implemented to meet such conditions. Throughout the year close contact has been maintained with manufacturers in order to assist them in overcoming the various problems confronting them.

It is appropriate to state at this juncture that the Department functions to promote the manufacturing industries of the Dominion, and to this end will assist manufacturers, traders, and consumers.

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