

falling market. But, inasmuch as the tweed trade, in respect of practically all sales, was able to show that the prices charged were not unreasonable having regard to replacement values, it was not possible to take any restrictive action which would have been other than an official negation of the principles laid down by the Court of Appeal.

In Victoria the Fair-profits Commission refused to endorse the replacement principle, and upon the Commission's recommendation control was instituted in May, 1920. The main reason for this action is probably indicated by the following paragraph taken from Report No. 5, signed by the Commission on the 27th April, 1920 :—

“The wholesale market in these commodities is in an abnormal condition. In the first place, under the arrangements made between the central wool committee and Australian woollen-mills, wool has been and is at present supplied to the manufacturer at a price far below world prices for wool. As a result the Australian manufacturer will, till 30th June next, be in a position to sell his products at a price much below that at which a corresponding British tweed could be landed in Victoria. This condition of affairs makes and has made it possible for manufacturers and wholesalers to make undue profits, by bringing prices for Australian tweeds up to the parity of world prices. But such a course of action would mean to the consumer not only an actual unnecessary increase of manufacturing and wholesale prices, but also an increase on that increase, by reason of the retailer's customary percentage addition to cost in fixing retail prices. To control Australian tweeds and not imported tweeds would be a direct encouragement not to deal in the former. In the second place, supplies of tweeds, both Australian and imported, are much less than the local demand. Consequently the manufacturer of or trader in this article has an assured market for all he can supply, and wholesalers, at any rate, are almost universally ‘rationing’ their customers. In this condition of affairs it appears to the Commission to be necessary to exercise control over the price of tweeds.”

The Commission recommended a margin of profit considerably below that which has been taken in New Zealand during recent years. As previously indicated, this could only be done upon the basis of denying the validity of the arguments supporting the principle of selling at replacement values.

Since compiling the figures used in this chapter the Department has had to take into consideration a complete change in the condition of the clothing-markets. The figures cover a period of rising prices, and it is true that up till the middle of the year 1920 very good profits were made. This period of trading prosperity was, however, followed by a sudden and severe fall in prices and uncertainty in the producing markets, accompanied by a serious financial stringency. Consequently, this class of trader—not unlike others—has been involved in substantial losses.

Wholesale warehouses have to meet the heavy requirements of retailers, and consequently it is never possible for the wholesale houses to reduce stocks beyond a certain degree. The position of these houses was therefore rendered very difficult by the sudden turn in the market, and the quitting of their considerable stocks has resulted in heavy losses, offsetting the reserves accumulated on the rising market. Moreover, the stocks not sold must be discounted to replacement costs, and if the market continues to decline further losses will result.

MISCELLANEOUS INVESTIGATIONS AND MEASURES OF CONTROL.

HIDES.

By Order in Council dated the 12th March, 1917, the New Zealand Government, on behalf of the Imperial Government, commandeered all hides and calf-skins suitable for the requirements of the Government at a valuation to be made by a Government valuer. At the same time provision was made that tanners already carrying on business in New Zealand would be granted permits to obtain hides that were offered for sale to the Government. The exportation of those goods was prohibited.

The arrangements made resulted in the better class of hides being selected by the local tanners, and second-quality hides being left for the Imperial Government, and gradually conditions became worse from that Government's point of view. On account of the shortage of ships and delay in shipping, the hides purchased were becoming slippy and weevilly—with prospects of considerable loss. The Department of Imperial Supplies arranged to have them reconditioned and crust-tanned in order to preserve them.

Shortly afterwards the Imperial Government terminated its scheme of purchase, but the schedule prices still remained in force, and there continued to be an embargo on the export of hides from New Zealand. Farmers and freezing companies, however, appealed for a free market, and on the 6th December, 1918, a notice was published removing the embargo on export and making it permissible to export hides and calf-skins to British possessions.

After a brief relaxation of control it was considered necessary to institute some measures to retain a supply of hides for New Zealand's requirements. Early in March, 1919, regulations were issued to provide that before any export could be made the hides must be offered to representatives of New Zealand tanners and refused by them, at prices specified in the schedule to the regulations.

From time to time, however, there was a serious conflict of various interests concerned: The farmers and freezing companies declared that they were being exploited for the benefit of the tanners, and they appealed for a free market and world's parity prices; the tanners wished to have local supplies for leather; and the general public desired cheap footwear. To reconcile these divergent interests was a difficult problem.

Further regulations were gazetted in October, 1919, giving tanners a pre-emptive right to purchase 50 per cent. of each grade of hides and calf-skins offered for sale, and this purchase was to be at the official schedule of prices. The *Gazette* notice also provided for the prohibition of export of leather by tanners. In general, export was permitted only on permit from the Board of Trade, and these permits were granted only for leather unsuitable for the Dominion's requirements.