

increase in costs since September, 1918, was approximately 13s. 6d. per ton, and the increase asked for was sanctioned accordingly. In December, 1919, a further increase of 9s. per ton was sanctioned on similar evidence. During the year 1920, up to December, four further increases were sanctioned, with the result that in that month the price in Wellington was £7 17s. 6d. per ton. Before sanctioning these several increases the Board was satisfied that there had been further increases in costs which justified these increases in price, and it was clear from the financial position of the companies that the prices obtained were not yielding an excessive margin of profit to the companies.

I proceed now to deal with the increase of £1 16s. per ton ex store Wellington which was sanctioned in December, 1920, to take effect as from the 1st January, 1921. During the year 1920 there was an acute shortage of cement in New Zealand. So acute was it that, according to the reports obtained by the Board in December, there were orders for about 73,000 tons of cement which could not be supplied. This total included orders for over 6,000 tons taken by three out of the five largest distributors of cement in the Taranaki District. The companies were doing their best to supply the demand, but the shortage of coal made it impossible for any of the works to produce to their full capacity. The subject of a further increase was brought before Mr. McDonald, the Chairman of the Board, in November, 1920, by Mr. Luttrell, the managing director of the Golden Bay Cement Company. Mr. McDonald visited the company's works with Mr. Luttrell to satisfy himself as to the necessity for considerable expenditure in the way of repairs. His inspection of the works satisfied Mr. McDonald that a special allowance for repairs ought to be made. On the 1st December, 1920, the Golden Bay Cement Company made a formal application for an increase of £1 16s. per ton, and this was sanctioned on the 4th December, subject to the cement-production costs then in hand justifying the increase, and subject to a further conference with Wilson's Portland Cement Company. On the 8th December, 1920, Wilson's Portland Cement Company applied for an increase of 18s. per ton in the Auckland Province and £1 16s. per ton in all other parts of the Dominion. This was sanctioned provisionally on the 10th December, and with an intimation that the price would be reviewed after the Board's advisory accountant had an opportunity of going into costs with the company's officials. Before dealing with the Golden Bay Company's application, Mr. McDonald had the books and accounts of the company examined by Mr. Dallard, the Board's advisory accountant. In dealing with previous applications for increases the Board had considered only any increase which had taken place in the cost of production. Mr. McDonald thought in December that the time had arrived when other matters should also be considered. Included in these were anticipated increases in cost, the world's market price, and the necessity for inducing the companies to increase their output, and for enabling them all, if possible, to pay dividends to their shareholders. On this basis Mr. McDonald made an approximate estimate of cost in connection with the Golden Bay Company. According to this estimate the cost of a ton of cement f.o.b. at Tarakohe was £7 7s. 4d. The increase of £1 16s. at Wellington was equivalent to £7 10s. f.o.b. at Tarakohe, and it was estimated that the increase would yield to the company an average of £7 14s. 9d. per ton f.o.b. at Tarakohe. Mr. McDonald had a conference with the representatives of the two companies on the 10th December, and these representatives were then informed that the increases asked for were sanctioned to take effect as from the 1st January, 1921.

In view of the acute shortage of cement it was of the utmost importance in December, 1920, that all the works should be kept going. Of the companies concerned the Golden Bay Company was the weakest financially, and it was desirable to sanction any reasonable increase which would enable that company to carry on. Mr. Dallard's report sets forth on page 11 a summary of that company's actual trading for the year ending 30th June, 1920, reduced to a per-ton-of-cement basis. According to that summary the average cost of a ton of cement was £4 11s. 11d., while the average return per ton was £4 12s. 8d., leaving a profit of only 9d. per ton, and this was the net result without proper provision having been made for depreciation and reserves.

In the circumstances the Board was justified, I think, in sanctioning the increase in question. In arriving at that conclusion I am greatly influenced by the fact