

EXTRACT FROM PAGES LXV—LXXVI AND PAGE XCI OF COST OF LIVING COMMISSION REPORT 1912—SEE
PAGE 4 OF ADDRESS BY MR. H. F. O'LEARY, K.C.

The evidence that the Commission has been able to collect proves conclusively that trusts, monopolies, and combines operate extensively in the commerce of this country.

This restraint of trade in the Dominion has only become acute during recent years. In the United States of America and other countries it has proved to be the greatest curse of modern civilization, enabling unscrupulous individuals to amass immense fortunes at the expense of the people. Under free and competitive trade the best and most economical methods of distribution from the producer to the consumer will succeed, and the whole community will benefit.

An isolated, highly protected, and sparsely populated country like New Zealand, so far distant from the world's markets, especially lends itself to the manipulations of trusts and combines. It is a comparatively easy matter for a few wealthy individuals in any given industry or business to secure control of the output, and by slightly raising prices to levy *secret taxation* on the whole community.

Trade combinations in America were, in the first instance, adopted for the purpose, amongst other things, of eliminating unnecessary expenses in the cost of manufacture and distribution, and had this been the sole object of such combinations the consumer would have benefited, as all improved services, such as labour-saving machinery, cheaper transport, railage, postal, cable, telegraph, and banking facilities are directly beneficial to the whole community. But the operations of these associations and combinations in New Zealand as disclosed by our investigations have had an exactly opposite effect, for their avowed object is to *corner supplies and increase prices* to the detriment of the people.

While the common object of these associations is so to regulate industry that it may become more profitable to those in whose interests it is regulated, the Commission must not be understood to condemn all form of combination, as, for instance, a combination of traders who buy in concert in order to obtain maximum discounts, cheaper transportation, and other legitimate objects of a like nature, such benefits being passed on to the consumer. But what appears to your Commissioners to be particularly reprehensible is the practice common in New Zealand of combinations in different branches of trade not merely fixing selling-prices but *fixing penalties* for breaches of the agreement to sell as arranged, or bringing *pressure to bear on suppliers to refuse supplies to independent traders* who do not conform to their selling conditions.

Acting upon legal advice, individual members of the Merchants' Association of New Zealand refused to give evidence. The Commission has definite proof that the members of this association have banded together for the purpose of restraining trade in their own interests, and boycotting independent traders. Where they have succeeded in securing control of imported and locally produced commodities their operations have been followed by *increased prices*. In no single instance have they reduced the price of any commodity to the public. They have obtained control and fixed higher prices for at least the following commodities—viz., sugar, matches, cocoa, Keiller's marmalade, Colman's mustard, Colman's starch, Keen's spice, Keen's blue, Robinson's groats and barley, oatina, gerstena, Neave's food, Mellin's food, Edmond's baking-powder, sapon, Levers' soaps, Reckitt's polishes, local starch, soap, candles, proprietary teas, Highlander milk, tobacco, cigarettes, and certain brands of cigars.

It was proved to the satisfaction of your Commissioners that the Merchants' Association are bringing constant pressure to bear upon local, British, and foreign suppliers to refuse supplies to independent traders who refuse to join the "ring." As an instance of their methods the following letters are quoted. It should be explained that these letters were at first given to the Commission in confidence, but that that embargo was subsequently removed.

While, as already stated, your Commissioners cannot definitely measure the extent to which prices have been raised by the operations of the various branches of this association, voluminous evidence was tendered us clearly showing that *prices have been raised to the public* immediately the association secured the control of various commodities.

Another equally deplorable state of affairs is that certain favoured large retailers, able to buy many of the necessaries of life on exactly the same terms as the wholesale merchants, instead of passing on the saving to the public, retail the goods at the same prices as the smallest of their competitors, who have in many instances to pay 15 per cent. more for the same goods through the Merchants' Association, and who are debarred the opportunity of buying from the same source in the same quantities as the favoured ones.

The evidence before the Commission proves that the Sugar Co. have accorded preferential buying conditions to the Merchants' Association, and to favoured retail firms who buy through them, by which the company gives a larger discount to members of this association than to independent traders who may buy in much larger quantities, but who will not join the association. *The object is to stifle competition* in distribution, and guarantee definite profits to wholesale dealers who are members of the association, as against other outside merchants. Could these outside traders buy on the same terms as these favoured individuals, the price of sugar would probably be materially reduced to the public.

This Commission to question 12—"What causes generally have brought about the increased cost of living?"—answered that one of the *chief factors* was "Local combinations, monopolies, and trusts, commercial and industrial, which both raise prices directly to the consumer and *tend to discourage initiative and self-reliance.*"

This Commission to question 13—"What steps should be taken with a view to reducing the cost of the necessaries of life?"—recommended, *inter alia*, as follows:—

"Your Commissioners are of opinion that an amendment to the Commercial Trusts Act is necessary and should be widened to embrace *all commerce*, and include the following additional provisions:—

- "(1) That it is illegal for any combination of traders to arrange selling-prices to the retail trade or the public with a direct or indirect penalty to any trader refusing to do so. (NOTE.—This would not prevent traders in any business mutually arranging to sell at uniform prices, without obligation or penalty to any one refusing to do so.)
- "(2) That every person commits an offence who makes it a condition of sale that the goods are to be resold at prices fixed by the vendor. (NOTE.—This would not prevent a vendor from arranging a scale of prices for large and small quantities, but it would establish the principle that the purchaser has an *unrestricted right to his own property*. It would encourage a number of retail distributors to co-operate in buying maximum parcels, and thus be in a position to sell cheaper to the public.)
- "(3) The term '*agent*' requires stricter definition, as it is now used to defeat the spirit of the Act. Individual members of the Merchants' Association of New Zealand are called '*agents*,' to secure them special discounts in the sale of oatina and gerstena, which would otherwise be illegal under the Commercial Trusts Act.
- "(4) The Act should contain a provision giving power to the Governor in Council to gazette prohibitions to any selling-conditions cunningly devised to defeat the spirit of the Act where the public interests are prejudiced."

JOHN ALEXANDER NORRIE, Grocer, Timaru, cross-examined.

Mr. O'Leary.] How long have you been in business?—Twenty-three years—nine years service store and fourteen years cash and carry—cash over the counter.

What is your overhead?—Last year is the highest that I have had since I commenced cash and carry, 8 per cent. approximately.