1920.

WESTERN AUSTRALIA.

REPORT

OF THE

PRICES REGULATION COMMISSION.

Presented to both Houses of Parliament by His Excellency's Command,

[FOURTH SESSION OF THE TENTH PARLIAMENT.]

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REPORT OF THE PRICES REGULATION COMMISSION.

The Honourable Minister.

12th August, 1920.

Sir,

We have the honour to present our report upon the operations of the Price Regulation Commission to date. Your Commissioners, consisting of Messrs. G. R. Ross (Chairman), J. Anderson, and J. W. Burgess, were appointed on the 5th January, 1920, for a period of six months, and were further appointed until 31st December, 1923. The first act of the Commission was to recommend the issue of Proclamations declaring what goods should constitute "Foodstuffs" and "Necessary Commodities" and to proclaim areas for the purpose of the Act. These were duly gazetted on the 5th January, 1920, and have stood unamended to this day.

At the outset of the Commissioner's work it was hoped that, in view of the shortness of the time available for the investigation and the need for the Commissioners to co-operate with other bodies, the Commissioner's work would be easier and more satisfactory. This has proved to be the case, as the Commissioners have been able to work more harmoniously and to give their full attention to the investigation of the prices of goods. The Commissioner's work has been carried out with a view to the interests of the consumer and of the producer in Western Australia, and the results have been generally satisfactory.

Determination of Prices.

We have found that the prices of goods are determined by the cost of production and distribution, and that the price of goods is influenced by the cost of transportation and the demand for goods. The Commissioner has been able to ascertain the cost of production and distribution of goods in Western Australia, and has been able to find the factors which influence the price of goods in Western Australia.

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extending over the month of February, a proclamation was issued on the 5th March fixing the price of flour, bran, and meal, and other wheat products. Further, as a result of these investigations the price of bread was advanced to 3½d. per lb. loaf, including broaching. This additional 1¼d. being equivalent to the increase in the price of flour to the baker. On the 5th March the Master Bakers' Association made further application to be allowed to increase the price of bread to 6d. per 2½ lb. loaf. The application was not granted. Again on the 23rd June an amended application was made to be allowed to add bread at 6d. only and 6d. baddock. The remise for this latest application being the higher cost of impositions used in the manufacture of bread, higher distribution expenses due to the increased cost of fodder, shoeing, repairs, etc. After careful consideration the application was refused.

During the flour milling inquiry it was ascertained that the working hours of employees were 48 per week, but subsequent to the issue of the proclamation already referred to, an award was made by the Federal Arbitration Court fixing the hours in this industry at 44 per week. This, the mill proprietors claim, adds to the cost of production, and an increased selling price is requested; but at the time of writing this report the inquiry has not been finalised.

Beans and Flour.—Owing to the drought in New South Wales, heavy contracts were entered into by millers and merchants in this State for the supply of beans and flour to New South Wales at prices very much in excess of the proclaimed price in Western Australia—over 3,500 tons having been shipped to the Eastern States during the year ending 30th June, 1929. This had the effect of creating a serious shortage of these commodities in this State, to the detriment of the pig raising, poultry farming, dairying, and other kinds of industries. With the breaking of the drought, and consequent increased demand for fodder, the position in this State was much improved; but, in our opinion, to successfully administer the Act, it is very necessary that the Commission should have extensive powers to ensure consumers in this State receiving an adequate supply of commodities produced locally at the prices proclaimed. The Commission found it necessary to take action against certain merchants for exceeding the fixed price for pelard, and in one case a fine of £25 was inflicted, the other case being adjourned pending the hearing of an appeal against this decision.

Boots.

The serious rise in the price of leather began in 1928. At that time the Federal Government formed a Leather Industries Board and fixed the basic rate of hides at 35½d. per pound. This control was maintained for nearly two years, when the embargo against exports was removed. Shortly after, American buyers began operating in all the hide markets in Australia, and abnormal increases in the price of hides took place. Prices advanced to 2s. 3½d. per pound in the State, with the natural result that leather of all kinds advanced in the same ratio. But hides, largely used in the manufacture of ordinary footwear, rose from pre-war price of 12½d. to 2s. 6d. per 18 in July of this year; chrome place kid from 11d. to 2s. 6d.; wilson hide, 2s. 6d. to 3s. 4d.; s. from 1s. 10d. to 2s. 6d.; and factory sole leather from 1s. 3d. to 3s. 6d. Similar rises took place in all classes of upper leathers, particularly in the better class, such as patent, and glace kid, and there was a general increase in grained, threads, etc., used in the manufacture of footwear. While it must be admitted that the selling price of footwear has risen enormously, due in the first place to the higher cost of materials, it has been greatly affected by the rise in the cost of labour, largely on account of the shortage of labour through enlistment of men in the A.I.F. At this time, the Commission is satisfied that after a careful investigation of selling prices throughout Australia, prices charged are not excessive. Where available, wholesalers and retail traders have been asked to send in returns covering the selling price, and generally it was found that profits only represented a fair margin.

The experience of the Commission points to the fact that even in Australia this State has been served by reason of the heavy stock on hand at the time of the big increase in the price of footwear.

With the continued vigilance of the Commission on this question, and close control of importations still arising, it is already noted that some reduction in selling price has been effected, and owing to the easier market for hides a further reduction is looked for in the near future.

Pork.

Until the 31st July the price of butter, both locally manufactured and imported, was fixed by the Federal Prices Commission. Since that date central has been relinquished by the Federal authority, and its position is now controlled by this Commission. Early in the year the maximum prices prevailing in this State were: wholesale 3s. per pound; 2s. 6d. for retail. To this must now be added 1s. per pound for the past three months. On the 24th May a proclamation was issued by the Commission, without reference to the State, charging the price of butter to 2s. 7d. Prior to this date the price had been 2s. 6d., and in consequence of the announcement, many producers, having in mind the increased cost of labour, taking place, had been in active regard to the selling of stocks held in Western Australia, and had knowledge that fairly considerable quantities of stocks of butter purchased at the old price were in hand. Immediately representations were made to the Federal authorities urging the suspension of order, and, eventually, the request was granted, and the proclamation amended to the 1st July. This higher price operated in respect of stocks on hand, it would have represented approximately £3,000 additional profit. In consequence, it is only fair to state that the Commission subsequently received an assurance from holders of stocks that they were never intended to take advantage of the new conditions.
Insurable position is due to the advantageous purchase made by the local beet pool for some months past, and to the Commission agreeing to average shipments. Seeing that the Imperial Government has decided to purchase butter from Australia at 20c. per lb. for the 20th March, it is certain that as soon as the local pool's purchases at the old price have been sold the Commission will be called upon to review the position.

Jan.

On the 21st May, the Commission fixed by proclamation the maximum retail prices for imported jute at 6s. 6d. per ton. This action was deemed necessary, in view of the tendency to advance prices to those operating in the Eastern States, without commissioner's consent. When the Commonwealth Government agreed to an increase in the price of sugar to the Colonial Sugar Refining Company the price of jute in the Eastern States advanced immediately, and at the time of this report jute is being sold in Melbourne as high as 2s. 1d. per lb. (276.3 cts.). Our inquiries revealed that local importers had made large contracts in November last with jute manufacturers for supplies of jute at their old wholesale prices, namely, 13s. 6d. per ton, as against the new price of 15s. 6d. per ton. The Commission was satisfied that the stocks of jute available at the old price would be sufficient to supply the State's requirements for some time, and the effect of the proclamation issued by the Commission has been that the public have been purchasing jute far cheaper than in any other State of the Commonwealth. Representations have been made by importers that contract jute is now gone into consumption, and request a review of the position. To enable this, we are now importing fresh supplies of jute at 2s. 1d. per lb. in New York. The Commission is debating the question as to whether the authorities are going to fix a new ceiling price and the Commission has decided to alter their previous decision.

Fertilisers

On the 30th June last, the price of superphosphate and fertilisers by 10s. 6d. per ton. The grounds for the increase were higher labour costs of phosphatic rock, organic manures, sulphate of ammonia, potash salts, and increased wages. Complete information was submitted showing that the cost of phosphatic rock from Christmas Island had advanced from 28s. 6d. to 36s. per ton. Furthermore, as only a portion of the season's requirements could be obtained from this island, approximately 4,800 tons had to be secured from the Ocean Islands. The rate of freight on these shipments has increased from 5s. 11d. per ton on ships sailing first grade super. Wages increased from 18s. 6d. per day to 23s. per day, with a prospective further increase to 25s. Details taken from the wages sheets of one company showed that these advances in wages represented an increase of 2s. 6d. per ton. Sulphate of ammonia advanced from 23s. to 25s. per ton. This was due to the fact that the commission has been in a position to purchase for use in some of the mixtures, and this increases the cost, although only in a small degree: handling charges and bagage equal an increase of 2s. 6d. per ton for general increase and storage costs, such as stores, etc. Information furnished under this head did not, in the opinion of the Commission, warrant the total amount asked for, and it was finally decided to agree to grant the company an advance of 3s. 6d., making the list price for the coming season 0s. 15d. The increase in the mixed manures is consequent upon the high price paid for the basic elements contained therein, and only represents the actual equivalent of the increased cost paid.

During last season portion of the "super" was bagged in second-hand bags, for which an allowance of 6s. 6d. per ton was made. The Commission was informed that farmers preferred new bags, but the supplies are still prepared to make a similar allowance if acceptable to the grower, making the price of 8s. 6d., which represents 2s. 6d. per ton not advance over last season's price list.

In regard to bone manures, as this was due entirely to higher cost of imported materials (local supplies being totally inadequate), the Commission offered no objection to the advance. In this connection, however, it was ascertained that one manufacturer had enough materials purchased at the old price to manufacture about 400 tons, and the Commission insisted on these being sold at the old rate.

Kerosene, Benzene, etc.

On the 6th February this year an application was made by one of the oil companies for an increase in the selling price of kerosene and power kerosene. In the former they desired to advance from 17s. 6d. to 18s. 6d. per case, and in the latter from 18s. 6d. to 19s. 6d. per case. It was found on inquiry that the application by this company was based largely on the unfavourable rate of exchange, the 1s. 7d. sterling during the earlier part of February being quoted as low as 2.5 dollars 26 cents in New York. The shipment of kerosene in respect of which the increased selling price was sought was landed on 3rd September last year or "Austral Pool," the rate of exchange being at that time over four dollars. Subsequently the company amended their application and asked to be allowed to increase the price of kerosene from 17s. 6d. to 18s. 6d. per case. The company contended that the amended price was necessary to enable them to clear the balance of the stock held in stores to prevent a severe financial loss. Their representations were carefully inquired into, but it was difficult for the Commission to determine the financial relationship existing between the local company and the company at the port of shipment. After giving every consideration to the documents made available by the company, and taking into consideration that the shipment in question was landed in the State in September, 1913, it was resolved to refuse the application. Considerable resentment was shown by the local representatives of the company, and a shipment of kerosene ex-route to Forsanana was diverted to another port.

An application by the same company, on practically the same grounds, to increase the price of motor spirit from 25s. to 26s. 6d. per case was also refused. It may be well to here note that a similar application was made to and granted by the Necessary Commodities Commission in New South Wales. This lack of co-ordination between the States, fortunately remedied, was extremely embarrassing at times, and we were forced to the opinion that the State which exercised the most rigid control was often deprived of necessary articles because of a better price being obtainable elsewhere. This particular incident happened early in the history of the
Commission's work, but, as pointed out in the opening paragraphs of this report, a more satisfactory position has been brought about between the various prices controlling bodies.

In May applications were received from two other companies operating in this State for advances of 2c. 6d. per case in the selling price of moor spirit and brandy. These applications were in respect of shipments arriving at increased cost, and supporting documentary evidence was furnished to the Commission. After we were satisfied that old stocks had been sold, the applications were approved. In June an advance of 3c. 6d. per case in the price of kerosene was approved by the Commission. The advance was due to the arrival of shipments at a higher invoice cost.

**Fresh Milk.**

Perhaps no question has been the subject of more applications and depostions to the Commission than that relating to the price of fresh milk, particularly in the allocation of the price paid by the public between the producer, the depot keeper, and the distributor. The system which is now general throughout the metropolitan area is for the grower to forward milk to a depot, where it is stored in cool storage, and from there sold to the retailer for distribution. This system is accepted as being satisfactory by all parties concerned, but when the Commission arrived at the point of fixing the charge for such service it was surprising to find the lack of unanimity amongst the dairymen and milk vendors. The producers contended that the depot keeper was there for the convenience of the retailer, while the retailer was equally strong in his manifestations that the depot keeper was created by the grower. The Commission decided that the service of the depot keeper should be remunerated to the extent of 11d. per gallon, and of this the retailer should contribute one-third and the grower one-third. In the first investigation of the milk question it was evident to the Commission that the piperather in the past had not been receiving a fair proportion of the price charged to the public, and though not unmindful of the necessity of providing a fair and reasonable return to those engaged in distributing the product, the Commission considered that the producers were entitled to a higher price than formerly. This improved position was offered without any increased price being charged by the public, and today the producer is receiving a more equitable return for his services. At the same time, the Commission do not view favourably the present method of milk distribution, and expressed the opinion in a report submitted to you that the question of the control of the milk supply should be taken up by the local authority to (1) ensure a pure milk supply; (2) a reasonable control to the producer; (3) the elimination, as far as possible, of the middle man; and (4) to substantially reduce the high cost of distribution by the establishment of some systems of depots. The Commission is pleased to learn that at your request Dr. Ackinson, the Commissioner of Public Health, has investigated the question from a public health viewpoint, and has reported in favour of the proposal. The Commission has also discussed the matter with Dr. Ackinson, who has expressed his opinion in a scheme which has for its object the cheapering in the public of such a staple article of diet, and, at the same time, ensuring a pure supply. It is hoped that before long legislation will be introduced on the lines suggested.

**Condensed Milk.**

Several advances in the price of condensed milk have been granted by the Commission. This description is imported from the Eastern States, and is the matter of production costs the Commission has relied on investigations made by similar authorities in the State of manufacture. The principal reasons for the increases have been the higher price of sugar, increased prices paid by the confectioners and confectioners, and the advance in the price of tin, and increased freight from Eastern States. The manufacturers having satisfied the Price Controlling Authorities elsewhere on the question of increased production costs, this decision was then left to the retail price on the landed costs. As in all other instances, the Commission have based their decision to permit any advances operating until old stocks had been cleared, and, further, would not allow the cost of room rent to this State being advanced on the more notification of telegraphic advice from the condensers that advances had been given elsewhere. Before increase were permitted, we required statutory certificates that the consignments had been manufactured from higher cost raw materials. These decisions were the means of preventing immediate increases in price, and making available to the public several consignments at the old price, which meant a saving of many hundreds of pounds. In connection with the question of increased milk, we have recently learned of a proposal from manufacturers for a reduced clerical standard, and although this question is, strictly speaking, not one for the Commission, we view the possibility of a reduced standard in connexion with why not a reduced price! It is certain that when applications were made to advance the price on the basis of the costs that would be incurred in the production of condensed milk, an article to conform to the standard was to be manufactured by the manufacturer. The Commission has taken the matter up with the authorities in the Eastern States, but so far no reply has been received.

**Soap.**

On the 13th January applications were made by local manufacturers to advance the price of 6d. per ton. The applications were followed by an exhaustive inquiry by the Commission into the cost of producing this commodity, the investigation being extended to include the landed costs of soaps manufactured elsewhere. The Commission considered that whereas in January, 1939, tallow was purchased at £5 per ton, in January of the following year the price had advanced over £2 per ton. It was further ascertained that those persons who controlled tallow supplies in this State were taking advantage of the generous demand to ship large quantities of fats to the Eastern States and overseas. meats were made by the Commission by perusal of the receipts in soap manufacture that large stocks were accumulating in the Eastern States and this stock is being shipped to the States to the disadvantage of the local manufacturer. By this means an artificial shortage was being created to the disadvantage of the local manufacturer. There seems to be no doubt whatever on this statement, as subsequent events proved. In this connection the Commission are of opinion that both Federal and State Governments should take steps to counteract this undesirable practice, and the industry is in need of protection. The Commission's investigations justified the proposal that the price of quality soap being increased by 6d. per ton. On 10th March
Further application was made by the local soap manufacturer for an advance in the same grounds as were contained in the previous application, and a further increase of 4d. per ton was allowed. During the months of May and June the price of tobacco dropped considerably, and inquiries were at once intensified, with a view of reducing the price of soap. It was contended by the manufacturers that ingredients other than tobacco, such as the mixing of wages, had increased to such an extent as to nullify the reduction in the price of tobacco; but after further discussion with the manufacturers, a reduction of 5s. per ton for June was agreed to from 3rd to 21st July. Control was also exercised over soap imports from the Eastern States, and a selling price comparable with that of the locally manufactured articles was only allowed. With a decided demand over the whole of the country, and the large accumulation in Australia, there is every indication that the price of soap will be further reduced. The price of candles was also largely influenced by the price of tobacco, and a further similar rise and fall in prices has taken place.

Tea

Shortly after the Commission commenced operations articles appeared in the daily press forecasting that tea would reach 3s. per pound retail, the reasons assigned being the failure of the crops in various countries, the unprecedented demand in the United States of America for tea, and the unfavourable rate of exchange. These articles were evidently inspired with the object of impressing the Commission with a view to obtaining a very large increased demand which would assist in lifting up the price. A proclamation was immediately issued calling for a census of all tea stocks in the country, and this census disclosed that tremendous quantities of tea were being held by merchants and stockbrokers. An inquiry was made by the Ministry into the landed cost of bulk tea and the costs incurred in blending and packing. The prices of tea in different parts of the country, the quantities and qualities of the various teas used in each blend were ascertained, and details of the quantities and qualities of the tea in bond in the different ports of the country were secured. As the result of the knowledge thus gained the Commission fixed a maximum price of 2s. 6d. per pound for best grade. The control exercised by the Commission in respect to this commodity was exercised by certain tea merchants, but in the Commission's opinion justification for the action was implied in the fact that tea has now ceased in the market. With the better outlook in the various tea-growing countries, and an improved rate of exchange, a further reduction on the maximum price was expected. The Ministry in connection with the tea control that concluded the consumers in this State only to be supplied in the matter of a shipment of Eastern tea that landed on the steamer "Europe" at Sydney, September 10th, 1910. Owing to the marine engineer's strike the boat was detained at sea for 10 weeks during the whole of the industrial dispute, and it was not until March of this year that the steamer's cargo was discharged at Fremantle. The price of tea was then much higher than when the shipment was sold and landed, and a further 6d. per ton was added to the then existing price. The price was then raised to 3s. 3d. per pound, as it represented a reasonable margin of profit on the landed cost. The firms in question were required to supply the names of retail firms securing supplies, in order to prevent the public, and there can be no doubt that the fact of such a large quantity of this blend of tea being available at a lower price had a controlling influence over some firms who showed a disposition to form a higher price. This incident of shipment of tea by the "Europe" was not an isolated one. In fact, it applied practically the whole of the cargo of foodstuffs on that vessel, but the Commission consistently declined to allow any portion of the cargo to be advanced because a higher f.o.b. price was prevailing when the vessel arrived at Fremantle, this can be safely said that a considerable amount was saved to the community in this respect.

Tobacco

On January 20th this year the Commission was advised by a local distributing house that the price of tobacco would be advanced after the expiration of seven days. The grounds for the application were the phenomenally high price of tobaccos leaf. Sydney being the principal manufacturing centre in Australia for tobacco, no details of the landed cost of raw materials and manufacturing costs could be produced. It was ascertained, however, that the Commission in Sydney had agreed to the increase in the selling price as from the 20th January. Immediately on receipt of this information steps were taken by the Commission to ascertain the stocks of tobacco on hand landed at the old price. These investigations elicited the fact that over 40,000 lbs. of tobacco at the old price were still on hand, and the company concerned answered that the application could not be granted until the whole of this stock was disposed of at the old price. A systematic check of the stock was continued for some time, and, finally, the Commission agreed on the 8th March to allow the new price to operate. Considering that the increase asked for ranged from 4d. to 1s. 6d. per pound, it will be seen that a large amount of money was saved to the purchasing public.

Timber

In January the Commission dealt with an application from the Timber Merchants' Association for an advance of 30 per cent. in the price of timber produced locally. The main reasons advanced in support of the application were increased wages and railway freight. Evidence was taken from the principal timber millers and the secretaries of industrial unions. Balance sheets were examined, and eventually the Commission approved the application. A further request was made in May for an additional 15 per cent. advance on the grounds of continued increase in wages and the cost of raw materials. This association asked that the advance should operate within seven days of the date of the application. As the Commission could not undertake to give a decision within that time in view of the lengthy investigations involved, the applicants were informed that the rates then ruling were not to be exceeded until they were advised to the contrary. This intention was acknowledged. The work of investigating the claims proceeded, in conjunction with other inquiries, but it was impossible to give a decision within the time asked for. It was then learned that the association had advanced prices without further advising the Commission, and upon the matter being brought to their notice it was claimed by the timber merchants
greater turnover in all classes of softgoods; gross profits show a substantial increase, but against this an increased interest in the softgoods trade. The Commission has, various times in reply to deputations, recom- mended greater discretion by the purchasing public and the limitation of demands to actual necessities for the present high prices, pointing out that until an equilibrium between supply and demand is estab- lished, prices would continue to advance despite price control. We would again emphasise the need of this economic act if prices are not to be still further ad- vanced, as the production of textiles, very little of which is manufactured in Australia, is still below the demand, and so long as the excessive demand that has been experienced during the past 12 months continues, it cannot reasonably be expected that prices will return to anything approaching normal rates. Aggregate profits are greater than previously, while at the same time the normal percentage profit normally obtained in the softgoods trade has been secured, thereby securing a better net profit return, especially in the retail softgoods trade. Owing to the variety of stocks carried and articles handled by the larger establishments, it has been impossible for the Commission to effect any detailed control, although a closer examination has been made of all the leading stores by medium of balance sheets and books of accounts, the Commission has been able to deal systematically with lines generally stocked in drapery establishments. Prices have undoubtedly been high; this is a large measure due to the enormous rise in cotton and wool, but the Commission feels that the results disclosed that larger profits than usual have been obtained.

General.

The withdrawal of millions of men from civil and industrial occupations during the war caused a serious decrease in the production of all commodities, except those requisitioned for defence require- ments. The inflation of credit throughout the world and the consequent depression of the currency, combined with an increased demand for a decreased supply of commodities, are the cause of the economic conditions existing today. This can only be remedied by an increased production, alternatively, by a decreased demand. Since the Armis- tent of November, 1918, the Central Powers have suffered most from the shortage of foodstuffs and commodities have been endeavouring to buy materials and products in the world's markets, and having secured financial support are buying raw materials and products in all the markets of the world, and are experiencing difficulties in securing sufficient stocks to meet the abnormal demand. The demand for textiles of all classes during the past two years has been unparalleled and their only difficulty has been in securing sufficient stocks to meet the abnormal demand. When prices began to advance in Australia, stocks were held in this State, and consumers benefited thereby in being able to purchase at low prices in comparison with elsewhere. It was only when the advanced rates for stocks had been paid by buyers in this State that the com- boundary realised the big increase in values that had taken place in other parts of the world. These ad- vances have been due to higher prices demanded by manufacturers, increase in landing charges, and a higher tariff. An examination of the financial state- ments of the traders shows that there has been a much
Outside the common objection to price control, we are pleased to report that we have been assisted in our investigations by those concerned, who have appeared willing to help us in our work of establishing a fair and equitable adjustment of prices as between trader and consumer, and we think it can be fairly claimed that the result of our work is disclosed in the statistical returns already referred to in this report.

The work of the Commission has not been confined to the Metropolitan Area, and most of the leading towns have been visited; traders' books examined, and prices generally reviewed. The Commission has also given attention to traders in more remote portions of the State by means of correspondence.

We have, etc.,

(Sgd.) GEO. RAE, Chairman.
J. ANDERSON.
J. W. BURGESS,
A. MACDONALD, Secretary.