

1951
NEW ZEALAND

**REPORT OF ROYAL COMMISSION APPOINTED TO
INQUIRE INTO AND REPORT UPON THE DESIRABILITY
OF ESTABLISHING AN ADDITIONAL MEAT-EXPORT
SLAUGHTERHOUSE IN SOUTHLAND**

*Laid on the Table of the House of Representatives by Command of His
Excellency*

*Royal Commission to Inquire Into and Report Upon the Desirability
of Establishing an Additional Meat-export Slaughterhouse in
Southland*

GEORGE THE SIXTH by the Grace of God, of Great Britain, Ireland, and
the British Dominions beyond the Seas, King, Defender of the
Faith.

To Our Trusty and Well-beloved JOHN HECTOR LUXFORD, Esquire,
of Auckland, Stipendiary Magistrate; BERNARD CHARLES
ALTON McCABE, Esquire, of Tauranga, Registered Surveyor;
and ERNEST DAWSON WILKINSON, Esquire, of Auckland, Public
Accountant: GREETING:

Know ye that We, reposing trust and confidence in your impartiality, integrity and ability, do hereby nominate, constitute, and appoint you the said

John Hector Luxford,
Bernard Charles Alton McCabe, and
Ernest Dawson Wilkinson

to be a Commission to inquire into and report upon the desirability of establishing an additional meat-export slaughterhouse in the Southland Land District taking into particular account:—

(a) The present meat-export slaughterhouse facilities available in the said district to producers of stock in the district:

(b) The present and future potentialities of the said district for the raising and fattening of stock for slaughter at a meat-export slaughterhouse:

(c) The degree of competition which has existed or may exist in the future in the purchase of stock for slaughter at meat-export slaughterhouses in the said district:

And generally to inquire into and report upon any other matters arising out of or affecting the premises which may come to your notice in the course of your inquiries and which you may consider should be investigated in connection therewith:

And we do hereby appoint you the said

John Hector Luxford

to be Chairman of the said Commission.

And for the better enabling you to carry these presents into effect, you are hereby authorized and empowered to make and conduct any inquiry under these presents at such time and place as you deem expedient, with power to adjourn from time to time and place to place as you think fit, and so that these presents shall continue in force and the inquiry may at any time and place be resumed although not regularly adjourned from time to time or from place to place:

And you are hereby strictly charged and directed that you shall not at any time publish or otherwise disclose save to His Excellency the Governor-General, in pursuance of these presents or by His Excellency's direction, the contents or purport of any report so made or to be made by you or any evidence or information obtained by you in the exercise of the powers hereby conferred upon you except such evidence or information as is received in the course of a sitting open to the public:

And we do ordain that the powers hereby conferred shall be exercisable notwithstanding the absence at any time of any one of the members hereby appointed so long as the Chairman or a member deputed by the Chairman to act in his stead and one other member be present and concur in the exercise of such powers:

And we do further ordain that you have liberty to report your proceedings and findings under this Our Commission from time to time as you judge it expedient so to do:

And, using all due diligence, you are required to report to His Excellency the Governor-General in writing under your hands and seals not later than the thirty-first day of August, one thousand nine hundred and fifty-one, your findings and opinions on the matters aforesaid, together with such recommendations as you think fit to make in respect thereof:

And, lastly, it is hereby declared that these presents are issued under the authority of the Letters Patent of His late Majesty dated the eleventh day of May, one thousand nine hundred and seventeen, and under the authority of and subject to the provisions of the Commissions of Inquiry Act, 1908, and with the advice and consent of the Executive Council of New Zealand.

In witness whereof We have caused this Our Commission to be issued and the Seal of New Zealand to be hereunder affixed at Wellington, this 13th day of July, in the year of Our Lord one thousand nine hundred and fifty-one, and in the fifteenth year of Our Reign.

Witness Our Trusty and Well-beloved Sir Bernard Cyril Freyberg, on whom has been conferred the Victoria Cross, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Knight Commander of Our Most Honourable Order of the Bath, Knight Commander of Our Most Excellent Order of the British Empire, Companion of Our Distinguished Service Order, Lieutenant-General in Our Army, Governor-General and Commander-in-Chief in and over New Zealand and its Dependencies, acting by and with the advice and consent of the Executive Council of New Zealand.

[L.S.] B. C. FREYBERG, Governor-General.

By His Excellency's Command—

K. J. HOLYOAKE, Minister of Agriculture.

Approved in Council—

T. J. SHERRARD, Clerk of the Executive Council.

Extending Period Within Which the Royal Commission Appointed to Inquire Into and Report Upon the Desirability of Establishing an Additional Meat-export Slaughterhouse in Southland Shall Report (Notice No. Ag. 5103)

GEORGE THE SIXTH by the Grace of God, of Great Britain, Ireland, and the British Dominions beyond the Seas, King, Defender of the Faith.

To Our Trusty and Well-beloved JOHN HECTOR LUXFORD, Esquire, of Auckland, Stipendiary Magistrate; BERNARD CHARLES ALTON McCABE, Esquire, of Tauranga, Registered Surveyor; and ERNEST DAWSON WILKINSON, Esquire, of Auckland, Public Accountant; GREETING:

WHEREAS by Our Warrant of date the 13th day of July, 1951, issued under the Authority of the Letters Patent of His late Majesty, dated the 11th day of May, 1917, and under the authority of and subject to the provisions of the Commissions of Inquiry Act, 1908, and with the advice and consent of the Executive Council of New Zealand, you, the said

John Hector Luxford,
Bernard Charles Alton McCabe, and
Ernest Dawson Wilkinson

were appointed to be a Commission to inquire into and report upon the desirability of establishing an additional Meat-export slaughterhouse in the Southland Land District:

And whereas by Our said Warrant you were required to report not later than the 31st day of August, 1951, your findings and opinions upon the matters thereby referred to you:

And whereas it is expedient that the time for so reporting should be extended as hereinafter provided:

Now, therefore, we do hereby extend until the 30th day of September, 1951, the time within which you are so required to report:

And we do hereby confirm the said Warrant and Commission save as modified by these presents.

In witness whereof We have caused these presents to be issued and the Seal of New Zealand to be hereunto affixed at Wellington, this 15th day of August, in the year of Our Lord one thousand nine hundred and fifty-one, and in the fifteenth year of Our Reign.

Witness Our Trusty and Well-beloved Sir Bernard Cyril Freyberg, on whom has been conferred the Victoria Cross, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Knight Commander of Our Most Honourable Order of the Bath, Knight Commander of Our Most Excellent Order of the British Empire, Companion of Our Distinguished Service Order, Lieutenant-General in Our Army, Governor-General and Commander-in-Chief in and over New Zealand and its Dependencies, acting by and with the advice and consent of the Executive Council of New Zealand.

[L.S.] B. C. FREYBERG, Governor-General.

By His Excellency's Command—

K. J. HOLYOAKE, Minister of Agriculture.

Approved in Council—

T. J. SHERRARD, Clerk of the Executive Council.

To His Excellency the Governor-General of New Zealand.

MAY IT PLEASE YOUR EXCELLENCY,—

Your Excellency's Warrants dated the 13th day of July, 1951, and the 15th day of August, 1951, appointed us to be a Royal Commission to inquire into and report upon the desirability of establishing an additional meat-export slaughterhouse in the Southland Land District, taking into particular account—

(a) The present meat-export slaughterhouse facilities available in the said district to producers of stock in the district.

(b) The present and future potentialities of the said district for the raising and fattening of stock for slaughter at a meat-export slaughterhouse.

(c) The degree of competition which has existed or may exist in the future in the purchase of stock for slaughter at meat-export slaughterhouses in the said district.

We were also required generally to inquire into and report upon any other matters arising out of or affecting the premises which might come to our notice in the course of our inquiries and which we might consider should be investigated in connection therewith. And Your Excellency extended the time within which we were required to report until the 30th day of September, 1951.

We have the honour respectfully to report to Your Excellency that we have made full inquiry into the matters referred to us, and, after taking into account the questions which Your Excellency directed should be so taken, we are of opinion that the establishment of an additional meat-export slaughterhouse in the Southland Land District is desirable.

We have the honour further to inform Your Excellency that our opinion is based upon the reasons and conclusions which are set out in the report of 109 numbered paragraphs attached hereto. We have set out in this report certain recommendations and comments based upon or arising out of the evidence adduced before us and the documents produced to us, which we respectfully submit for Your Excellency's consideration.

This is the unanimous report of Your Excellency's Commission.
Whereunto we have set our hand:

JOHN HECTOR LUXFORD, Chairman.
BERNARD CHARLES ALTON MCCABE, Member.
ERNEST DAWSON WILKINSON, Member.

Signed at Auckland, this 14th day of September, 1951.

L. W. WOODS,
Secretary to the Commission.

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LIST OF PARTIES APPEARING BEFORE THE COMMISSION AND COUNSEL REPRESENTING THOSE PARTIES

Federated Farmers (Southland)	Sir Wilfrid Sim, K.C., Wellington, and with him Mr. R. B. Bannerman, Gore.
Southland Sheep-farmers' Company	Mr. H. K. Carswell, Invercargill.
Alliance Freezing Company (watching brief)	Mr. Carswell.
New Zealand Meat Producers' Board	Mr. G. G. G. Watson, and with him Mr. Ian H. Macarthur, Wellington.
Southland Frozen Meat and Produce Export Company, Ocean Beach Freezing Company, South Otago Freezing Company, and Southland Butchers' By-Products Company	Sir Arthur Donnelly, Christchurch, and with him Mr. B. W. Hewat, Invercargill.
New Zealand Refrigerating Company	Mr. L. F. Moller.
West Otago Federated Farmers	Mr. E. R. Young, Tapanui.
Eastern Southland Meat Producers' Committee	Mr. H. L. Smith, Gore.
Otago and Southland Freezing Workers' Union	Mr. T. R. Pryde, Invercargill.

REPORT

REFERENCES

NOTE.—Throughout this report, references to this report are given to the paragraph number—for example, (*Report* 32), which means paragraph 32 of this report—while references to the record of the evidence presented to the Commission are given as page numbers in the record—for example, (*Evidence* 7K6), which means page 7K6 in the record of evidence.

PART ONE—EVENTS LEADING UP TO THE COMMISSION

1. The farmers of the Southland Land District, through their official organization, Southland Province Federated Farmers of New Zealand, Incorporated (hereinafter referred to as Federated Farmers), have for many years desired to establish a farmer-controlled meat-export slaughterhouse (hereinafter referred to as a freezing-works). There were two reasons for this desire. First, the farmers of Southland, in common with those in other parts of New Zealand, adhere to the principle of "producer-control" of the primary products. Secondly, they have throughout the years material to this inquiry honestly and sincerely believed that the three freezing-works in the Southland district have been operated in a manner which has prevented the full progressive development of the fat-stock industry of the district, with the result that the producers have been prevented from reaping the full reward of their labour and enterprise; they also honestly and sincerely believe that unless and until a new farmer-controlled freezing-works is established in the district the things about which they complain will continue in the future.

2. A movement came into being in or about the year 1938 for the sole purpose of eradicating the farmers' causes of complaint by finding ways and means to establish a farmer-controlled freezing-works in the district. From that year onward Federated Farmers has persistently and consistently pressed to attain this objective. Indeed, except during the war years, the attainment of this objective has been that organization's paramount aim and concern. Federated Farmers became more persistent and emphatic after the end of World War II, with the result that representatives of the Meat Producers' Board (hereinafter called the Meat Board) visited Invercargill to confer with the Meat and Wool Section of the Federation. (NOTE.—The relevant functions of the Meat Board have been dealt with in Part Three (*Report 33*).) This conference, which took place on 16th March, 1946, is an important event. Mr. Grigg, the Chairman of the Meat Board, said at the beginning of the meeting that:—

The purpose of this meeting was to put the farmers' case before the Board and to obtain from the Board members present, advice and guidance on the subject.

(See page 1, Schedule A, following *Evidence V6*.) After an exhaustive review of the situation, the Meat and Wool Section members passed the following resolution:—

That this meeting is agreed that the proposed licence be not granted to any proprietary or other company in the meantime and that the question of a co-operative works be fully discussed with the Meat Board and the branches.

(See page 10, Schedule A, *ibid.*) The meeting then discussed pros and cons, and later Mr. Grigg made an important suggestion—namely, that Federated Farmers should seriously consider the formation of a proprietary company in which the farmers of Southland should hold a portion of the subscribed capital. In support of this suggestion he said:—

The outlet for the meat product had to be studied and the buyers of meat were generally influential concerns. Should there be a glut in the market, these operators could easily withdraw if their capital were not involved and leave the processing only works in trouble to dispose of their meat. But if these companies had their capital tied up in a works, they could not withdraw without loss. Thus their interest would be maintained always through the protection of their investments.

Mr. Tapper, of the Meat and Wool Section, then said:—

This was a good reason for farmers to support a 50/50 company.

Mr. D. Brown (also of the Meat and Wool Section) asked:—

What sort of company the Board would favour?

Mr. Begg, a member of the Meat Board, replied:—

That was a matter for the Southland farmers to decide for themselves.

(See page 10, Schedule A, *ibid.*) The meeting continued to discuss matters relating to the establishment of the new freezing-works, and Mr. Grigg, in answer to a specific question, said that a proprietary concern would be considered by the Meat Board, but suggested that Federated Farmers try to introduce a co-operative system first and then consider other alternatives. (See pages 11 and 12, Schedule A, *ibid.*)

3. It is generally conceded by all concerned that during the 1945-46 killing season the fat-stock producers in Southland had justifiable cause for complaint owing to the loss they suffered and the inconvenience to which they were put because of delays arising from congestion at the local freezing-works caused by the lack of adequate killing facilities. It is also generally conceded that the trouble was, in some measure, due to causes associated with

the war years which had just drawn to a close. The Southland Frozen Meat Company, however, had round about this time made an application to the Minister of Agriculture in accordance with the provisions of section 36 of the Meat Act, 1939, for leave to extend its works at Maitāura and Makarewa so as to bring about an increase of 3,000 head of stock in the possible daily rate of killing. The Commission is not able to say whether this application was made by the company of its own volition or whether it was stimulated by the movement of Federated Farmers to establish a new farmer-controlled freezing-works. The Minister referred the application to the Meat Board in terms of the Act. The Board, no doubt realizing that the granting of the application might prejudice Federated Farmers' scheme to establish a new freezing-works, arranged for a meeting between Mr. Evans (the Board's General Manager) and delegates from the provincial executive of Federated Farmers and its Meat and Wool Section for the purpose of discussing the application and obtaining the approval of the delegates thereto. This meeting took place on 15th July, 1946, in Invercargill. A copy of the minutes of the meeting appears as Schedule B immediately after Schedule A (*ibid.*) in the evidence. The following is an excerpt from page 1 of Schedule B:—

Mr. Evans intimated that the Board had had an application from the Southland Frozen Meat Company for permission to extend their works. . . . Mr. Evans intimated that the Board had agreed to the request subject to an approach being made to Federated Farmers in Southland to see if they would ratify this increase.

Apparently a discussion followed this announcement, for the minutes continue thus:—

All members of the Federation present were insistent to know whether the agreement to such increase would prejudice the claims of the producers regarding a new works. Mr. Evans was equally candid and thought that this possibility existed.

Mr. Evans also informed the meeting that the Ocean Beach Company had made an application to extend the facilities at its works, but that this application "had been turned down because of tags not acceptable to the Board." Mr. Evans made it clear to the meeting that he was authorized to obtain Federated Farmers' unqualified consent to the extensions, and nothing else. The meeting, however, was not prepared to give its unqualified consent then and there, but decided to adjourn to 18th July, 1946, "when all present would have an opportunity of considering the matter, and anything further that Mr. Evans might have to put before the meeting."

4. The meeting resumed on 18th July, 1946, and Mr. Evans there made the following statement:—

With regard to the application before the meeting, a point which has to be considered was the time factor which would apply in connection with the building of a new works. Then again, in view of the shortage of materials at present, the possible viewpoint of the Government in connection with the materials which would be required for a new works had to be considered. It was quite possible that the Government would take the view that the space situation could be met with the very small expenditure of material and expert labour that would be required to extend the present facilities in Southland, rather than the considerable expenditure of materials and expert labour that would be required to build a new works.

At this stage Mr. Evans reminded the meeting:—

That he was not putting up these arguments as indicating that he was opposed to a new works, but merely to draw the attention of the meeting to obstacles which might be placed in the way of having a new works built.

(See page 2, Schedule B.) The minutes disclose that a full and well-rounded discussion followed relating to the difficulties that the fat-stock producers in Southland had experienced because of the lack of adequate killing space at several local freezing-works. Several motions and amendments designed with the subject-matter of Mr. Evans's mission were put to the meeting and lost. The following motion, however, was eventually put and carried:—

That Federated Farmers agree to the increase of the freezing-works in Southland out by Mr. Evans, in view of the urgency of the position in Southland.

Mr. Baird, the mover of this resolution (see page 7, Schedule B), when speaking to the motion:—

That a letter should be sent to the Board requesting it to consider seriously the emphatic desire of the farmers of Southland for a new works and requesting them to give full consideration to this when dealing with the applications for increased facilities of freezing-works in or adjacent to Southland.

5. On the same day as this resolution was carried, Mr. Anderson, secretary of Federated Farmers, sent two letters to the Meat Board. The first letter contained a copy of the resolution passed at the meeting; the second letter set out Mr. Baird's suggestion (as recorded above) and added the following paragraph:—

It cannot be over-emphasized that the producers in Southland regard themselves to be on a cleft stick in the matter of application for increased killing facilities, as such facilities are vitally necessary, but at the same time the extensions to existing works are not in their considered opinion the answer to the meat problem which faces them. They do firmly and emphatically believe that added competition plus added facilities, which only a new work can give, are the answers to the meat question as it affects Southland.

(See letters following Schedule B, *ibid.*, *Evidence.*)

6. The secretary of Federated Farmers had, at some time before the meeting was held, communicated with the sub-branches to ascertain the views of their members about the constitution of the company which it was proposed to form for the purpose of obtaining a licence to establish and operate a farmer-controlled new freezing-works. All the sub-branches were consulted, but fewer than half of them were able to express an opinion. According to the secretary's evidence, fifteen sub-branches favoured a co-operative company, ten a proprietary company, and five a company in which half the share capital would be held by farmers and half by some existing freezing-works companies (*Evidence L4.*) (The last-mentioned class of company is hereinafter referred to as a 50/50 company.) Some time after these replies had been received, the Meat and Wool Section of Federated Farmers decided that it would, in the circumstances, explore the possibility of coming to an arrangement with an existing freezing-works company to establish a new works in Southland subject to certain specified terms and conditions. (*Evidence L4.*) This decision was also referred to in detail by Mr. David Brown (*Evidence 2A1*). Mr. Brown produced a copy of the resolution passed by the section on 8th August, 1919. That resolution is as follows:—

That in view of the decisions from the branches not being in any way conclusive, the section make a decision regarding a new licence.

The section then considered five further motions relating to this matter. Those motions may be summarized thus:—

That the Canterbury Frozen Meat Company, Limited, and Thos. Borthwick and Sons (A'sia), Limited, be asked to establish a new freezing-works in Southland on certain terms and conditions, including the following:—

- (a) Cost of erection to be borne by company.
- (b) One-third of space available each week to be allotted as Federated Farmers may direct.
- (c) Meat producers in Southland to have the right to purchase the works, at a price to be fixed by arbitration, at any future time if they are not satisfied with the treatment received.

(NOTE.—The full terms and conditions appear on page 2 of Schedule C which follows page V6 *Evidence*.) It is interesting to note that motions relating to an approach being made to three other companies, including the Southland Frozen Meat Company, were not carried.

7. In pursuance of the resolutions to approach Borthwicks and the Canterbury Frozen Meat Company, appropriate letters were sent to both companies. In due course they replied declining to consider the proposal. The immediate subsequent events are set out in Mr. Brown's evidence (*Evidence* 2A2-3), and may be summarized thus:—

(a) Continuous complaints about delays in getting fat stock into the Southland works were being received by Federated Farmers; on 16th April, 1947, the executive sent a telegram to the Meat Board pointing out the seriousness of the position and asking: "Is Board prepared to implement both short- and long-term policy for Southland?"

(b) On 23rd April, 1947, the Board replied stating that it considered that the time was not yet ripe to formulate a long-term policy because none of the alterations designed to increase materially the killing capacity at the Ocean Beach works had yet been provided.

(c) In August, 1947, the executive of Federated Farmers compiled a detailed statement and sent it to the Meat Board and to the Electoral College. This statement was a criticism of the Board's short-term policy; it also advocated the erection of a new freezing-works in Southland on the ground that such a course would be a wise long-term policy. The concluding words of the statement are important; they are as follows: "It is proposed that such new freezing-works should be owned on a 50/50 basis or thereabouts, by an established meat operator and the producers of Southland. An established operator is prepared to build on this basis and the producers are prepared to support these works."

(d) This statement was considered by the Meat Board on 28th August, 1947, when the following resolution was passed by the Board: "This Board is prepared to support an application for a new licence by applicants approved by the Board when materials are available for building and if, at that time, the producers are still of the opinion that it is required."

8. At some time between the rejection by the Canterbury Frozen Meat Company, Limited, and Borthwicks of the proposal to which reference has been made (*Report* 6) and the month of August, 1947, the executive of Federated Farmers or the Meat and Wool Section had had informal discussions with W. and R. Fletcher (New Zealand), Limited (hereinafter referred to as Fletchers), with a view to forming a 50/50 company which would erect and operate the proposed new freezing-works. The Meat Board notified Federated Farmers of the resolution passed on 28th August, 1947, and on 10th September, 1947, the Meat and Wool Section passed the following resolution:—

Agreed that the only operator apparently actively interested in the licence for a new freezing-works in Southland at present was W. and R. Fletcher (New Zealand), Limited (Vesty). Resolved that the provincial executive be recommended to write to W. and R. Fletcher (New Zealand), Limited, in the matter of a licence for a new freezing-works.

The secretary of Federated Farmers wrote to Fletchers on 11th September, 1947, along the same lines as he had written to Canterbury Frozen Meat Company, Limited, and to Borthwicks.

(See page 2, Schedule B.) The minutes disclose that a full and well-reasoned discussion followed relating to the difficulties that the fat-stock producers of Southland had experienced because of the lack of adequate killing space at the several local freezing-works. Several motions and amendments designed to deal with the subject-matter of Mr. Evans's mission were put to the meeting and lost. The following motion, however, was eventually put and carried:—

That Federated Farmers agree to the increase of the freezing-works in Southland, as set out by Mr. Evans, in view of the urgency of the position in Southland.

Mr. Baird, the mover of this resolution (see page 7, Schedule B), stated when speaking to the motion:—

That a letter should be sent to the Board requesting it to consider seriously the emphatic desire of the farmers of Southland for a new works and requesting the Board to give full consideration to this when dealing with the applications for increased facilities of freezing-works in or adjacent to Southland.

5. On the same day as this resolution was carried, Mr. Anderson, the secretary of Federated Farmers, sent two letters to the Meat Board. The first letter contained a copy of the resolution passed at the meeting; the second letter set out Mr. Baird's suggestion (as recorded above) and added the following paragraph:—

It cannot be over-emphasized that the producers in Southland regard themselves to be on a cleft stick in the matter of application for increased killing facilities, as such are vitally necessary, but at the same time the extensions to existing works are not in their considered opinion the answer to the meat problem which faces them. They do firmly and emphatically believe that added competition plus added facilities, which only a new works can give, are the answers to the meat question as it affects Southland.

(See letters following Schedule B, *ibid.*, *Evidence.*)

6. The secretary of Federated Farmers had, at some time before this meeting was held, communicated with the sub-branches to ascertain the views of their members about the constitution of the company which it was proposed to form for the purpose of obtaining a licence to establish and operate a farmer-controlled new freezing-works. All the sub-branches were consulted, but fewer than half of them were able to express an opinion. According to the secretary's evidence, fifteen sub-branches favoured a co-operative company, ten a proprietary company, and five a company in which half the share capital would be held by farmers and half by some existing freezing-works company. (*Evidence L4.*) (The last-mentioned class of company is hereinafter referred to as a 50/50 company.) Some time after these replies had been received, the Meat and Wool Section of Federated Farmers decided that it would, in the circumstances, explore the possibility of coming to an arrangement with an existing freezing-works company to establish a new works in Southland subject to certain specified terms and conditions. (*Evidence L4.*) This decision is also referred to in detail by Mr. David Brown (*Evidence 2A1*). Mr. Brown produced a copy of the resolution passed by the section on 8th August, 1946. That resolution is as follows:—

That in view of the decisions from the branches not being in any way conclusive, the section make a decision regarding a new licence.

The section then considered five further motions relating to this matter. Those motions may be summarized thus:—

That the Canterbury Frozen Meat Company, Limited, and Thos. Borthwick and Sons (A'sia), Limited, be asked to establish a new freezing-works in Southland on certain terms and conditions, including the following:—

(a) Cost of erection to be borne by company.

(b) One-third of space available each week to be allotted as Federated Farmers may direct.

(c) Meat producers in Southland to have the right to purchase the works, at a price to be fixed by arbitration, at any future time if they are not satisfied with the treatment received.

(NOTE.—The full terms and conditions appear on page 2 of Schedule C which follows page V6 *Evidence*.) It is interesting to note that motions relating to an approach being made to three other companies, including the Southland Frozen Meat Company, were not carried.

7. In pursuance of the resolutions to approach Borthwicks and the Canterbury Frozen Meat Company, appropriate letters were sent to both companies. In due course they replied declining to consider the proposal. The immediate subsequent events are set out in Mr. Brown's evidence (*Evidence* 2A2-3), and may be summarized thus:—

(a) Continuous complaints about delays in getting fat stock into the Southland works were being received by Federated Farmers; on 16th April, 1947, the executive sent a telegram to the Meat Board pointing out the seriousness of the position and asking: "Is Board prepared to implement both short- and long-term policy for Southland?"

(b) On 23rd April, 1947, the Board replied stating that it considered that the time was not yet ripe to formulate a long-term policy because none of the alterations designed to increase materially the killing capacity at the Ocean Beach works had yet been provided.

(c) In August, 1947, the executive of Federated Farmers compiled a detailed statement and sent it to the Meat Board and to the Electoral College. This statement was a criticism of the Board's short-term policy; it also advocated the erection of a new freezing-works in Southland on the ground that such a course would be a wise long-term policy. The concluding words of the statement are important; they are as follows: "It is proposed that such new freezing-works should be owned on a 50/50 basis or thereabouts, by an established meat operator and the producers of Southland. An established operator is prepared to build on this basis and the producers are prepared to support these works."

(d) This statement was considered by the Meat Board on 28th August, 1947, when the following resolution was passed by the Board: "This Board is prepared to support an application for a new licence by applicants approved by the Board when materials are available for building and if, at that time, the producers are still of the opinion that it is required."

8. At some time between the rejection by the Canterbury Frozen Meat Company, Limited, and Borthwicks of the proposal to which reference has been made (*Report* 6) and the month of August, 1947, the executive of Federated Farmers or the Meat and Wool Section had had informal discussions with W. and R. Fletcher (New Zealand), Limited (hereinafter referred to as Fletchers), with a view to forming a 50/50 company which would erect and operate the proposed new freezing-works. The Meat Board notified Federated Farmers of the resolution passed on 28th August, 1947, and on 10th September, 1947, the Meat and Wool Section passed the following resolution:—

Agreed that the only operator apparently actively interested in the licence for a new freezing-works in Southland at present was W. and R. Fletcher (New Zealand), Limited (Vesty). Resolved that the provincial executive be recommended to write to W. and R. Fletcher (New Zealand), Limited, in the matter of a licence for a new freezing-works.

The secretary of Federated Farmers wrote to Fletchers on 11th September, 1947, along the same lines as he had written to Canterbury Frozen Meat Company, Limited, and to Borthwicks.

9. A final arrangement was reached between Federated Farmers and Fletchers. Before giving a summary of this arrangement, there is a further matter to which reference should be made. Federated Farmers had sponsored the formation of a company which was duly incorporated in 1947 under the name of "The Southland Sheepfarmers' Company, Limited" (hereinafter referred to as the Sheepfarmers' company). This company had an authorized capital of £10,000. The memorandum and articles of association of the company were not placed before the Commission (except two of the articles). The evidence, however, of Mr. Anderson (*Evidence K3*) gives all the relevant information. It would seem that this company was formed after negotiations had been opened with Fletchers. The two articles which were produced at the hearing enable the directors to decline to register any transfers of or accept any application for shares which may be contrary to the intention that shares shall be transferred or allotted only to *bona fide* producers or *bona fide* co-operative companies of primary producers. (See Exhibit 4 following *Evidence Q2*.)

10. The final arrangement between Federated Farmers and Fletchers may be summarized thus:—

(a) A new company having an authorized capital of £500,000 divided into two shares of £250,000 each was to be incorporated. The primary object for which the company was to be established was to carry on the business of a freezing-works proprietor in all its branches (NOTE.—The capital was subsequently increased to £700,000 divided into two shares of £350,000 each.)

(b) Fletchers and the Sheepfarmers' company were to take one share each.

(c) Fletchers was to enter into a deed with the new company covenanting (among other things) to put through the works each season not less than 300,000 carcasses of export stock whenever required by the Sheepfarmers' company to do so.

11. The Sheepfarmers' company increased its capital to £350,000 to enable it to take up its share in the proposed new company. The producers in Southland freely applied for shares in the Sheepfarmers' company. Mr. Anderson stated in evidence that 2,184 farmers had applied for shares having a face value of £280,780; but that no shares had, so far, been allotted "because it is pointless to do so until we know the future of the company." (*Evidence L1 and M4*.) The new company was duly incorporated under the name of the "Alliance Freezing Company (Southland), Limited" (hereinafter referred to as the Alliance company). The date of incorporation was not proved at the hearing, but as the produced copy of the memorandum of association is dated 27th February, 1948, it may be assumed that the company was incorporated on or about that date.

12. The Alliance company on 28th May, 1948, applied under section 26 of the Meat Act, 1939, for an undertaking by the Minister of Agriculture that he would consent to the issue to it of a meat-export slaughterhouse licence. The application was accompanied by plans of the works proposed to be erected. The Minister, in order to comply with the provisions of the Act, referred the application to the Meat Board for it to consider whether or not it would recommend the granting of the application. The application was considered by the Meat Board at a meeting held on 3rd June, 1948. The directors of the Alliance company and representatives of Federated Farmers appeared before the Board at this meeting with a view to obtaining a favourable

recommendation to the application. The Board declined finally to dispose of the application at that meeting, and deferred further consideration of the matter until the company had supplied twelve copies of its memorandum and articles of association. The Board stated in a letter to the secretary of the company that in addition to the twelve copies it "would like the opportunity of perusing all agreements outside of the memorandum of association that may have been made between the company and W. and R. Fletcher (New Zealand), Limited. The Board would also appreciate your advising whether, in the event of a licence being granted to your company, meat operators other than Messrs. W. and R. Fletcher, Limited, would be allowed to process stock at the works." (See letter dated 3rd June, 1948, in file of letters following page 6Z4 Evidence.) The file of letters does not disclose the date on which the required information was supplied by the company, but it seems clear that it was supplied some time before the meeting at which the Board decided not to recommend the granting of the application.

13. It is necessary to refer to what took place between the Alliance company and the Board after 3rd June, 1948. The Board agreed to meet the directors and representatives of Federated Farmers at a meeting to be held on 2nd July, 1948. This meeting took place, but no final result was obtained. On 19th July, 1948, the company wrote to the Board pointing out the urgency of its application for a licence and asking for as early a decision as possible. It would appear from this letter that the Board had intimated that it intended to publish a public notice inviting all interested persons to submit evidence in support of or in opposition to the granting of the licence. This notice was duly published. It stated that the Alliance company had applied for a freezing-works licence, and added: "The Board hereby notifies that any person, company, corporation or other body desiring to tender evidence in the matter should, in the first instance, submit same in writing to the secretary of the Board . . . on or before 28th July, 1948." (See file of letters, *ibid.*)

14. On 9th August, 1948, the Meat Board wrote a letter to the Alliance company stating in answer to the company's request to be allowed to examine the evidence submitted in opposition to the granting of the licence that "all submissions would be treated as confidential to the Board and would not be supplied to interested parties." The Board also stated that "it had been decided to give all parties the right to appear singly before the Board on Tuesday, 24th instant, with the proviso that verbal evidence is to be confined to amplification of the written submissions." (See file, *ibid.*) The Alliance company protested against the procedure proposed by the Board, on the ground that it put the company in the position of contesting the case against it without knowing what that case was. (See letter dated 13th August, 1948, on file, *ibid.*) The Board, in spite of this and further and more specific protests by the company, refused to modify its decision, but did supply to the company a summary of the contents of the written statements that had been submitted in opposition to the granting of the licence. (See file, *ibid.*) The company had submitted a full and complete statement of all relevant facts in support of the application. A copy of the statement was produced to the Commission and was found to contain much of the statistical detail that was given by witnesses during the present inquiry.

15. The Board, acting on the advice of its solicitors, proceeded with its consideration of the Alliance company's application on 24th August, 1948, and decided that it would not recommend the granting of the licence. It subsequently decided, again acting on the advice of its solicitors, that it would not disclose the reasons for refusing to recommend the granting of the licence,

although it was requested to do so by the Minister of Agriculture. (*Evidence* 11B1). Mr. Grigg was questioned closely by Sir Wilfrid Sim about the reasons for the Board's refusal to recommend the granting of the licence. Mr. Grigg stated that the fact that Fletchers was a "partner" in the company was not a reason for the Board's refusal. On page 11B2 of the *Evidence* the following appears:—

Sir Wilfrid Sim: Fletchers position in the Alliance company was not a factor in your decision to turn it down?

Mr. Grigg: In my opinion—I cannot talk for the other members—it was on the facts as put before us that we made that decision.

Sir Wilfrid Sim: And one important factor was that Fletchers was a co-applicant in the Alliance company?

Mr. Grigg: No! If it had been any other applicant the position would have been the same so far as I am concerned.

16. Earlier in Sir Wilfrid Sim's cross-examination, however, Mr. Grigg made it clear that it would be contrary to the policy of the Board and of the Electoral College (which elected the elected members of the Board) for the Board to approve the granting of "a licence which was going to be half share with Fletchers." Mr. Evans, the Board's General Manager, was asked the following question:—

And the question of Fletchers did not play a prominent part in the decision?

Mr. Evans replied:—

On the examination of the facts as to whether a works was wanted, no. The Board in its office did, in my opinion, maintain an impartial outlook towards that, but they did know, and they had told the farmers that it was against their policy—the policy of the Board—to have to accept W. R. Fletchers as partners. (*Evidence* 12F1.)

(NOTE.—The subject of the Board's refusal has been dealt with in Part Three of this report.)

17. In consequence of the Board's refusal to recommend the granting of the licence, the Alliance company presented a petition to Parliament (supported by 629 farmer signatories) praying that the licence be granted. The petition was referred to the Agricultural and Pastoral Committee of the House of Representatives, which heard voluminous evidence and also addresses by counsel for and against the granting of the prayer of the petition. The Committee's report was laid on the table of the House on or about 12th October, 1949. The Committee's opinion was that no recommendation should be made. (NOTE.—A copy of the Committee's report is annexed to this report as Appendix A.)

18. Sir Wilfrid Sim made the following comments on the proceedings before the parliamentary Committee:—

This inquiry sat towards the end of the session 1949 and one is obliged to comment that the hearing, with all respect, was in its nature hurried, rather helter-skelter. . . . Time was so short that no cross-examination was permitted of witnesses, and generally it was felt that probably the Committee itself would acknowledge that it was not satisfactory. (*Evidence* C3.)

19. During the hearing of the petition to Parliament reference was made to a document known as "the Scott-Mathieson report." This is a report made in 1938 by two technical officers, one of the Department of Agriculture and one of the Meat Board, who had been directed by the Minister of Agriculture to make a comprehensive investigation into the operations of the freezing-works of New Zealand from an economic and administrative point of view. The report was based to a large extent on information given by the proprietors of the various freezing-works strictly on the understanding that it would not be made public nor disclosed to any company or organization other than the one which supplied the information. For this reason the Department of Agriculture has treated the report as a secret document. It was, however,

made available to the members of the parliamentary Committee which dealt with the Alliance company's petition. Whether as a result of this or otherwise (which, the Commission does not know), parts of the report became known to some of the executive officers of Federated Farmers. The Commission has dealt with the effects of this leakage in Part Two of this report. Consequently, it is not necessary at this juncture to do more than repeat what was said by the Chairman during the hearing of this inquiry when he gave the Commission's reasons for deciding that the Scott-Mathieson report was not relevant to the matter into which the Commission was inquiring. The Chairman said:—

The cross-examination [of Mr. D. Brown] suggests that there has been a leakage of the contents of the report, in spite of its confidential nature. That there has been some leakage seems probable, and in the circumstances, unavoidable. But the . . . letter from the Director-General of Agriculture to the Secretary of the Commission proves to demonstration that if there has been any leakage, no member of the Department of Agriculture was responsible for the happening. (*Evidence* 5H3.)

20. Reference has already been made to the decision of the Southland Frozen Meat Company and the Ocean Beach Freezing Company to extend their respective works. These decisions were taken about the time that the movement to establish a new freezing-works began to gather force. Reference has also been made to the conduct and operations of these two companies in Part Four of this report. It is necessary, however, to make a short reference to the extensions which these companies have completed since 1946 and to the extensions now in the course of construction or proposed to be constructed in the near future. There can be no doubt that Mr. Anderson correctly described the position of the producers of Southland in his letter of 18th July, 1946, to the Meat Board. (*Report* 5.) More facilities were urgently required, but Federated Farmers feared that if the extra facilities were provided by extensions to existing works, the granting of a licence for the establishment of a farmer-controlled works (which in their opinion was the real solution of the problem) would be postponed indefinitely, if not refused altogether.

21. The extensions to which Federated Farmers had given their approval in 1946 (*Report* 3-5) did not materially relieve the situation. Further applications had been made by the two companies. Indeed, the Ocean Beach company, whose works had to a large degree become obsolete, applied for approval to carry out a scheme which when completed would to all intents and purposes amount to a reconstruction. (See Appendix VI, report of Department of Agriculture following *Evidence* 2U5; see also report of J. Hellyer following *Evidence* 6Z4; see also schedule following *Evidence* 10A3.) The fears of Federated Farmers are reflected in their communications to the Minister of Agriculture. Mr. Anderson produced two telegrams received by him from the Minister on 30th April, 1948, and 12th May, 1948, in which the Minister stated that he could not hold up his approval to the extensions at Ocean Beach and other Southland works, as he considered that the extensions were essential. The Minister added, however, at the end of his telegram of 12th May, 1948:—

I repeat that I do not consider that the carrying out of such work will in any way prejudice the claims of those desirous of establishing a new company.

22. As a result of the Meat Board refusing to recommend the granting of a licence, and of the refusal of the parliamentary Committee to make a recommendation on the Alliance company's petition to Parliament, representations were made by Federated Farmers to have a Royal Commission set up to inquire into the desirability of establishing an additional freezing-works in Southland. These representations were favourably received, and on the appointment of this Commission the two freezing companies were directed to suspend work on certain of the extensions which had been authorized, pending consideration being given to the report to be submitted by the Commission.

PART TWO—CAUSES OF UNREST AMONG THE FARMERS OF SOUTHLAND

23. Sir Arthur Donnelly, in opening the case for the Southland freezing companies, said:—

What are the causes . . . for the long-standing, deep-seated, and tragic differences, misunderstandings, and ill feeling between the farmers of Southland and these freezing-works companies? (*Evidence 7J1.*)

Sir Arthur was, in the Commission's opinion, justified in using this descriptive language. The Commission considers it necessary to answer the question asked by Sir Arthur, because a remedy for the existing unfortunate relationship cannot be found unless the cause is ascertained.

24. The detailed evidence of the large number of Southland fat-stock producers was not seriously shaken by close and competent cross-examination; nor was it traversed by evidence called on behalf of the Meat Board or of the freezing-works companies. The Commission is satisfied that most, if not all, of the farmers of the district sincerely and honestly believe that the freezing-works companies have run their businesses solely in their own interests, with the result that the fat-stock producers have had to adopt farming practices to fit in with the time-tables set unilaterally by the companies, instead of the companies setting the time-tables to fit in with good farming practice. There are, of course, two sides to this question, but if the companies had made an endeavour to meet the executive of Federated Farmers with a view to minimizing any problems which could not be adjusted or resolved wholly, the differences, misunderstandings, and ill feeling to which Sir Arthur Donnelly referred might not have developed to a state which could fairly be described as "tragic."

25. The blame for allowing the breach between the two interests to develop in the way it has must, in the Commission's opinion, rest upon the companies. The farming community is, generally speaking, made up of men who, from the very nature of their calling, become somewhat limited in their outlook. They have to concentrate upon the effects of the forces of nature rather than on human relationships. Human relationships, however, are fundamental in business management, and those responsible for the business management of the two Southland freezing-works companies should have known just what was likely to result if they failed to win and maintain the full co-operation and confidence of the men who produced the fat stock for the works.

26. Sir Arthur Donnelly questioned a number of the farmer witnesses about the desirability of their now meeting the companies with a view to settling their differences; he also pressed this offer in his opening address. The offer was, in the Commission's opinion, made too late, and Federated Farmers might be justified in thinking that the offer was not sincere.

27. The Commission has already referred to the origin of Federated Farmers' movement designed to bring about the establishment of a farmer-controlled freezing-works. For quite a long while there was little evidence of serious ill feeling, because it seemed that the establishment of the new freezing-works was assured as soon as the farmers of the district had come to a decision upon the constitution of the company that would erect and operate the works. The proposal was affirmed in principle by the Meat Board on 28th August, 1947 (*Report 7 (a)*), subject to certain conditions which Federated Farmers would be justified in regarding as merely formal. Federated Farmers were also justified in assuming that when the Alliance company had been formed and the agreement between Fletchers and that company had been signed there could be no further obstacle to the achievement of the aims for which the movement had

been started. The whole scene, as viewed by Federated Farmers, changed when the Meat Board refused to recommend the granting of the Alliance company's application. Indeed, the change became apparent when the Board formulated the procedure it would follow in dealing with the application. Federated Farmers sensed that strong forces were at work to prevent the granting of the licence when the Board refused the request of the Alliance company to examine the evidence submitted in opposition to the granting of the licence and to have the right to cross-examine those who had submitted that evidence. These fears were confirmed when the Meat Board refused to state its reasons for not recommending the grant of the licence.

28. The Commission's views on the legality of the Board's actions relating to the manner in which it dealt with the Alliance company's application have been stated in Part Three of this report, but may be summarized thus:—

(a) The Board's functions in the matter were administrative and not judicial.

(b) The Board was under no legal obligation to undertake a public or any other formal inquiry before coming to a decision on the application; nor was it under any legal obligation to state the grounds upon which its decision was based.

(c) The Board, in coming to a decision, was entitled to have regard to any general or particular policy it had adopted of its own volition or by reason of any direction or recommendation made to it by its principal constituents, the members of the Electoral College. (NOTE.—It may be assumed that every elected member of the Board had, before election, expressed to the Electoral College his views and intentions on all matters of policy.)

29. Although the Board's actions in relation to the manner in which it dealt with the Alliance company's application were strictly within its legal powers and rights, the Commission considers that it made a grave psychological error in following the course it did, and that this error accentuated the differences, misunderstandings, and ill feeling between Federated Farmers and the Southland freezing-works companies. The Commission wishes, however, to state definitely and unreservedly that the Board throughout has acted with one desire and purpose—namely, to promote what it honestly believed would be in the best interests of the meat-export industry in New Zealand in general and the Southland district in particular. It is pleasing to note that at no time during the long hearing before this Commission were the *bona fides* of the Meat Board or of any of its members challenged or questioned. In the light, however, of the general picture of events discernible from the evidence given to this Commission, it is clear that the Board's actions have produced, so far as Southland is concerned, the exact opposite result to that which it sought to achieve.

30. It is axiomatic where a statutory body enters upon an investigation to determine whether or not an application should be granted, and decides to hear evidence from all interested parties, that nothing less than a hearing similar in all respects to an ordinary judicial proceeding will suffice. There is no half-way house. The Board, unfortunately, decided upon a "half-way house" hearing, in spite of the vigorous protests of the Alliance company. It is not surprising, therefore, that Federated Farmers refused to accept and abide by the Meat Board's decision. Indeed, it may be said that the proceedings before the Board illustrate the truth of the rule, "Justice must not only be done; it must appear to be done."

31. The next matter to which reference should be made is the effect of certain parts of the Scott-Mathieson report (or the supposed meaning of those parts) becoming known to some of the leading members of Federated Farmers. There is no evidence that any member saw the report; indeed, it may be assumed that none of them did. The report was mentioned, however, at the hearing before the parliamentary Committee, and it seems certain that members of Federated Farmers were told by some one a great deal about the disclosures the report was supposed to contain. It has already been stated in Part One of this report that the Commission gave a ruling excluding the admission of this report, on the ground that it was not relevant to the question contained in the order of reference. This ruling, which was announced in open court, contains the reasons upon which it was based, and also certain comments relating to the report. (NOTE.—A memorandum setting out particulars of this ruling and the comments on the report is annexed hereto as Appendix "B.") If, as appears from the comments made by the Commission in that memorandum, Federated Farmers inferred that the report exposed the fact that interlocking agreements had been entered into between the South Island freezing-works companies for the purpose of enabling them to exploit the Southland farmers, it follows that the misunderstood or inaccurate information given to Federated Farmers further accentuated the differences, misunderstandings, and ill feeling between its members and the Southland freezing-works companies.

32. Whether or not the opinion the Commission has expressed in its memorandum and the comments and recommendations it has made in this report meet with the approval of the several parties who appeared, the fact remains that the "tragic differences, misunderstandings, and ill feeling" must, in the interests of New Zealand in general and Southland in particular, come to a speedy end. The Commission adopts the words of Sir Arthur Donnelly where he said—

Whether there be a new works or not, it cannot be built for four or five years, and the farmers and the present companies are tied together for those four or five years, and there is no commercial divorce, as it were, which this or any other tribunal can decree for either party. (*Evidence 7J1.*)

The Commission has seen and appreciated the calibre of the men who represent the farmers and the companies respectively. There should be no reason, now that the main causes of their troubles have been exposed, why ways and means cannot be found to ensure full co-operation, one with the other, in the future.

PART THREE—FUNCTIONS AND POLICY OF THE MEAT BOARD

33. The Commission is not concerned with the general functions of the Meat Board outside its special functions relating to the licensing and control of freezing-works which process meat for export. These special functions have been conferred on the Board by the Meat Act, 1939, and its amendments. That Act prohibits every person from carrying on the business of a meat-export slaughterhouse except in premises duly licensed for the purpose. The Minister of Agriculture (with the approval of the Board) has power, on the grant or renewal of a licence, to attach conditions to be fulfilled or complied with by the licensee. The Minister also has power at any time during the currency of the annual licence to—

- (a) Authorize alterations and additions to licensed works.
- (b) Control the quantum of the "throughput" of any licensed works.

34. The actual licensing authority is the local authority in whose district the freezing-works is situate. The local authority, however, cannot grant a licence unless the Minister has, on the recommendation of the Meat Board, approved the grant being made. The local authority is required to take certain prescribed steps before it is lawfully entitled finally to hear and determine an application for a licence. It may well be that the determination of such an application is subject to the rules applicable to judicial proceedings, but it is not necessary for the Commission to express any opinion on that question.

35. Provision has been made in the Meat Act, 1939, to enable an application to be made for a licence with respect to a freezing-works to be erected in the future. In that case the Minister of Agriculture is empowered, on the recommendation of the Meat Board so to do, to give an undertaking that he will approve the granting of the licence when the freezing-works has been erected in accordance with the plans and specifications submitted to him. The Act specifically requires the Minister, in every case before giving or refusing his approval, to take into consideration the matters set out in section 26 (2) (a), (b), and (c), but is silent as to the matters (if any) the Board should consider before it decides upon the recommendation it will make to the Minister.

36. When the constitution of the Board and the statutory provisions relating to the election of its elected members are looked at, it becomes clear that the Board is an administrative body entitled to carry out such policy as it sees fit to adopt, provided that such policy is not repugnant to or inconsistent with any of its statutory functions. (NOTE.—The elected members form a majority: they are elected by an Electoral College the members of which are elected respectively by the producers of the several districts into which New Zealand is divided by the Act.)

37. The evidence which has already been referred to in Part One of this report (*Report* 16) shows that the Board had decided as a matter of policy that it would not recommend the Minister of Agriculture to approve the establishment of a new freezing-works if the applicant for the necessary licence were an overseas company. This policy may be said to have been adopted by the Board because it was the policy of the Electoral College, and no candidate for Board membership would have a chance of election unless he pledged himself to support the policy of the Electoral College.

38. Mr. Grigg stated emphatically that the Board decided to decline to recommend the granting of a licence to the Alliance company solely on the grounds that the Board did not consider on the evidence submitted to it that the establishment of an additional freezing-works was desirable or necessary. The Commission does not doubt in the slightest degree Mr. Grigg's sincerity, but it was impossible for the elected members of the Board to have come to that decision without being influenced, subconsciously at least, by the fact that an opposite decision would have meant abrogating the policy they had pledged themselves to support. The Board's decision, it would seem, would have been the same even if the Board had come to the conclusion that an additional freezing-works was necessary, for the simple reason that Fletchers would, in effect, be a half-owner of the new works. No evidence was tendered by the Board to the Commission to show that the Board's decision was based on any fact that was not in its possession when it passed the resolution of 28th August, 1947 (*Report* 7a), except the fact that Fletchers was the "partner" shareholder in the 50/50 company.

39. The Board was, of course, legally entitled to have regard to its policy when considering the Alliance company's application. Whether, having regard to the public interest, it was wise or fair in doing so is another matter. This question has been considered by the Commission, and it has formed the opinion that the Meat Act, 1939, should be amended by specifically defining the matters to be considered by the Board before it can lawfully decide whether or not it should recommend the granting of a new licence. This opinion is based on the following grounds:—

(a) The system of licensing industrial businesses has been adopted for two main purposes. First, to assure that the person or body corporate carrying on the business is fit and properly qualified to do so; secondly, to prevent any economic waste likely materially adversely to affect the public interest. The public benefit accruing from the achievement of these two purposes may be regarded as far outweighing the possible disadvantage of restricting free competition and the consequent creation of monopoly values in the licensed businesses. In order, however, fairly to administer the system of licensing industrial businesses the licensing authority should not, except where the special circumstances of the case compel it to do so, refuse to grant a new licence to a suitable applicant solely on the ground that the additional needs of the public can be met by an extension of the facilities already provided by existing licensed businesses. The decisive question is whether those additional needs would enable the proposed new business to carry on without loss within a reasonable time and without seriously adversely affecting the financial stability of any of the existing licensed businesses. The policy of the Meat Board, so far as Southland is concerned, abrogates this principle, in that its policy is to provide for all increased demands by extensions to the existing freezing-works. (See Mr. Evans; *Evidence 12T2*.)

(b) The policy of the Meat Board that no new licence be granted to an overseas company or to a New Zealand company in which an overseas company owns a substantial number of the shares may operate against the public interest. Mr. Grigg and Mr. Evans made it clear that the Board's policy does not affect in any way at all any freezing-works already in existence. That is to say, that approval will be given to the carrying-out of any necessary extensions to any existing works, notwithstanding that it is owned or controlled by an overseas company.

40. The policy of the Board is probably the direct outcome of the long-standing fear of the farming community in New Zealand that powerful overseas companies are attempting to get complete control of the meat-export business of New Zealand and so be in a position to exploit the producers. Whether or not there was any justification for the fears of the farming community is not relevant to this inquiry. There can be no doubt, however, that after the Meat-export Control Act, 1921-22, came into force and all freezing-works had to be licensed, the fat-stock producers were given protection against any possible exploitation, and that protection has been intensified by the Meat Act, 1939. The continued prejudice against any further expansion of the enterprise of British overseas meat-export companies in New Zealand by the establishment of new freezing-works may not be in the interests of Commonwealth relations, and the Meat Board would be well advised to reconsider its policy. This policy seems hard to reconcile with the Board's proposal to sponsor the formation of a company for the purpose of establishing retail meat-shops in England for the sale of New Zealand meat. It is also

difficult to reconcile the Board's policy with its approval of a reconstruction of the Ocean Beach works. These works are owned by a New Zealand company, but half the shares are owned by an overseas company. According to the evidence, this overseas company has either bought or is negotiating to buy the remaining half of the shares. (*Evidence* 9R4.)

41. The principle of "producer control" is deeply embedded in the minds of New Zealand's primary producers. Indeed, "producer control" was the slogan which probably played the most important part in establishing what has become one of the most powerful, influential, and useful organizations in the country: Federated Farmers of New Zealand, Incorporated. This organization is able to afford strong protection against any scheme or policy which might prevent a farmer from reaping the full reward of his labour. It would be unfortunate, however, if the policy of "producer control" were interpreted to mean that an overseas company which is willing to join in an equal partnership with a section of the Federation in establishing a new freezing-works urgently needed in a district is barred from doing so.

42. The Commission considers that a statutory body corporate like the Meat Board, constituted to carry out functions in the public interest, should not adopt a policy which may result in unfair discrimination, unless such a policy is specifically authorized by statute.

PART FOUR—THE SOUTHLAND FREEZING-WORKS COMPANIES

43. The Southland Frozen Meat Company, Limited, owns and operates the Makarewa works and the Matakura works. The Ocean Beach Freezing Company, Limited, owns and operates the Ocean Beach works at Bluff.

44. The Southland company has been a well-conducted and successfully operated company which has carried on its business for more than sixty years. Notwithstanding the unfortunate differences which have arisen between the company and the producers, for which the company must, for reasons already stated, bear the blame, the Commission nevertheless pays a tribute to the present and past directors and officers of the company for the skilful and prudent way they have steered it through good times and bad times, and have won for it the distinction of being among those companies whose shares are eagerly sought by the public. This company has been responsible to a large degree for the development of the fat-stock industry in Southland, and has maintained its works in a high state of efficiency. The only criticism that would be justified (apart from its blame for allowing the trouble between it and Federated Farmers to arise) is that its policy has become too conservative, and that it has of recent years failed to appreciate that fat-stock production in Southland has begun so rapidly to reach new peaks.

45. The Commission is not able to pay a similar tribute to the Ocean Beach Company. That company, however, has at long last decided to put its works in order, and is at the present time in the course of carrying out that decision. The Commission knows nothing about the financial success or otherwise of this company. When Sir Wilfrid Sim applied for an order that the company produce its annual accounts for inspection, the company strenuously opposed the application. It is true that this Commission refused to make an order that the company produce its annual accounts, for reasons which are contained in a memorandum read in open court. (See memorandum following page 6Z4 *Evidence*.) Nevertheless, the Commission considers that the company should, as a matter of courtesy, have given some information as to its annual profits or losses.

46. It is, of course, clear from the evidence of Mr. Kirk, the manager of the works, that the friction between the two shareholders who hold the whole of the share capital of the Ocean Beach Company equally between them has been the real cause of the unsatisfactory condition into which the works were allowed to fall. (*Evidence* 9R4-5.) The possibility of similar friction arising in any 50/50 company is a matter for consideration, which matter has been dealt with in Part Nine of this report.

PART FIVE—FACTORS AFFECTING A NEW LICENCE

ADEQUATE THROUGHPUT

47. In order to determine whether the establishment of an additional freezing-works in Southland is desirable, the first and paramount questions of fact to be considered are—

(a) What is the number of sheep, lambs, and cattle which may reasonably be expected to be ready for killing for export during the 1951-52 season and during each of the succeeding four seasons?

(b) What is the estimated maximum capacity of the existing works during the 1951-52 season and during each of the succeeding four seasons, taking into account such extensions as will be completed before the opening of the 1952-53 season?

(NOTE.—These two questions have been framed on the assumption that the earliest date on which a new freezing-works could be ready to begin operations is January, 1956.)

(c) Whether the number of sheep, lambs, and cattle in excess of the estimated capacity of the existing works at the beginning of the 1955-56 season and during the next succeeding five years will be sufficient reasonably to justify the conclusion that the new works would be operated without undue loss within the said period of five years.

These questions have been fully discussed and dealt with in Parts Six and Seven of this report, and, for the reasons there appearing, the answer to the third question must be in the affirmative.

AVAILABILITY OF LABOUR

48. The question next in importance to be considered is, "Is the additional staff required to operate a new freezing-works likely to be available?" The evidence establishes that the main staffing problem which confronts all freezing-works in New Zealand relates to slaughtermen and their assistants. A slaughterman's daily capacity for himself and his assistants is a fairly general average number. It follows, therefore, that the number of slaughtermen and assistants required will be governed mainly by the number of animals killed each season, and that there will be little (if any) difference if the killing is done in four instead of three freezing-works. (See Mr. Gilkison: *Evidence* 8A2.)

49. The Commission wishes to draw attention to Mr. Evans's evidence where he says that some of the difficulties of finding labour for the freezing-works in Southland would be met by requiring all stock for local consumption to be killed at one of the freezing-works instead of at the public abattoirs. (*Evidence* 12Q3.) The Commission can do no more than recommend that this proposal be further investigated by the Department of Agriculture. It would seem that if the proposal were adopted, at least one freezing-works would be able to keep a permanent staff of slaughtermen and assistants all the year round, and so provide a useful service to the fat-stock producers of the district, which at present cannot reasonably be provided.

AVAILABILITY OF MATERIALS

50. It was stated by counsel representing the Meat Board and the Southland freezing-works companies that there is a general shortage of building material and freezing-works equipment. It seems clear, however, that both material and equipment could be made available if the Building Controller sees fit to issue a building permit and the appropriate Minister of the Crown issues such import licences as may be necessary. All that the Commission can presume in this regard is that the controlling authorities, when considering any application for a building permit or an import licence, will treat the erection and equipment of an additional freezing-works in Southland as a work of national importance, and give it the priority it deserves.

COMPLETION OF APPROVED EXTENSIONS

51. The Commission wishes to emphasize the urgent necessity for the Southland company and the Ocean Beach company to complete with all reasonable despatch the extensions to their respective works which have been approved by the Minister. The Commission recommends that if a licence to establish an additional freezing-works is granted, that a close watch be kept by the Meat Board and the Department of Agriculture upon the ability of the existing works to cope with the fat stock from time to time ready for killing, until the new freezing-works is ready to begin operations, so that such additional killing space as may be required will be made available.

PSYCHOLOGICAL QUESTIONS

52. The Commission has considered whether the incentive of the fat-stock producers is likely materially to be diminished in the future if a farmer-controlled freezing-works is not established. This question involves a consideration of the psychological effects of the deep-seated lack of confidence of the producers in the administrative management and conduct of the Southland company and the Ocean Beach company. This lack of confidence is real and is not without some justification. (*Report 23.*) A sense of grievance has developed among some of the leading members of Federated Farmers (including some who were called as witnesses) to a degree not far short of "obsessional," and it must be assumed that of the rank and file members of the Federation a substantial percentage is in a similar state of mind. Just how far this has diminished production in the past (if at all) is impossible to say, but the likelihood of a material diminishing of production in the future if the existing state of affairs continues is one that cannot wholly be disregarded. It would not be the first time people have "cut off their noses to spite their faces." Maybe this aspect should not influence the Commission a great deal, but, in a limited degree, it must be added to the list of matters which support the making of a recommendation that the establishment of an additional freezing-works in Southland is desirable.

LACK OF COMPETITION

53. Sir Wilfrid Sim, in his opening address, and most of the farmer witnesses called by him, referred to the lack of competition in Southland in the past and the consequent loss of the producers; also how this loss will disappear in the future if a new farmer-controlled freezing-works is established in the district. The evidence, however, does not support Federated Farmers' contentions in this regard, and the Commission has eliminated "lack of competition" from the list of matters that would justify a new freezing-works being established.

OTHER WORKS ADVERSELY AFFECTED

54. The effect upon existing freezing-works if an additional works established in Southland is an important matter for consideration. Indeed the Minister of Agriculture is bound by the Act to take this matter into consideration, and this Commission feels it must do the same. The existing works which could possibly be affected are those in Southland, Otago, and Canterbury. The question the Commission must determine before it can say that an additional works in Southland is desirable is that none of the existing works will be or is likely to be materially adversely affected by the new works. The Commission considers the establishment of a new freezing-works is not likely to reduce the throughput of the existing works anywhere near to a number that would prevent either the Southland company or the Ocean Beach company from earning a reasonable commercial rate of profit. If there is a reduction in the annual rate of profit hitherto earned by either company, the reduction should not continue for more than five years at the most, because the increased demands for killing space should by then have more than made good the reduction in throughput.

55. The only evidence relevant to the Otago and Canterbury companies is that disclosed in Appendix IV of the report of the Department of Agriculture (see exhibit following page 2U5 *Evidence*) and that given by Mr. F. L. Nicolson (*Evidence* 8N2 and following pages). The report of the Department of Agriculture shows that the numbers of sheep and lambs from the Southland district processed in Canterbury works for the stated years were as follows:—

	1948-49.	1949-50.	1950-51.
Pareora works	42,045	62,897	87,863
Belfast works	Nil	8,162	9,398
Smithfield works	5,849	11,762	44,673
Islington works	Nil	5,434	1,767

The report shows that the numbers of Southland stock processed in the Otago works for the same years were as follows:—

Burnside works	107,032	117,368	186,514
Pukeuri works	5,003	Nil	30,693
Balclutha works	48,778	53,009	87,768

The total throughput of sheep and lambs of these seven works was as follows. (NOTE.—The numbers sent to each works from Southland are shown in parentheses):—

	1948-49.	1949-50.
Pareora	594,223 (42,045)	694,173 (62,897)
Belfast	336,845 (Nil)	320,326 (8,162)
Smithfield	438,299 (5,849)	477,496 (11,762)
Islington	580,748 (Nil)	568,652 (5,434)
Burnside	569,770 (107,032)	608,874 (117,368)
Pukeuri	432,794 (5,003)	417,901 (Nil)
Balclutha	342,677 (48,778)	401,756 (53,009)

(See Return of Live-stock Slaughtered in South Island works following page 7Q4 *Evidence* for all works except Balclutha; for Balclutha see report of Department of Agriculture, Appendix III, *ibid.*) It was generally conceded that, owing to the abnormal conditions arising out of the industrial troubles in all parts of New Zealand during the early part of the year 1951, the figures for the 1950-51 season should not be taken into consideration. The annual minimum throughput necessary to enable a freezing-works to operate successfully is, according to the evidence, 400,000 lambs. (*Evidence* 12L1 and 7H3.) On this basis, the only company likely adversely to be affected by the establishing of a new works in Southland is the Balclutha company, and only then if the

producers who have sent stock to Balclutha in the past cease to do so because of the new works being established. The Balclutha works is the natural place to which a number of producers in the eastern areas of Southland would send their fat stock for killing, and it is unlikely that the present practice would be altered. Indeed, no evidence was called which suggested that any producer intended or was likely to intend change from the Balclutha works when the new works begin operations.

56. The opposition of the Balclutha company to the establishment of a new works in Southland can be justified only on the ground that extensive additions to its works are now in the course of construction. The evidence shows that the extensions when completed will increase the annual throughput of the works to 600,000 head of stock. (*Evidence* 8V3.) The validity of this ground of opposition is doubtful, because it is hard to believe that the company would have decided to spend such a large sum of money on extension (amounting to £153,528—see statement 3 following page 8W4 *Evidence*) unless it was satisfied that the probable annual increase in production in its area justified the expenditure. That such an increase is expected was admitted by Mr. Nicolson. (*Evidence* 8W1-2). Notwithstanding that the throughput of the Balclutha works was below the "economic minimum" in the 1948-49 season and only 1,756 above it in the 1949-50 season, Mr. Nicolson said that his company's net profit in 1949-50 was £15,300, and that "profits [were] usually £9,300 or something"; further, a reserve of about £80,000 had been built up. (*Evidence* 8V1-2.)

CAPITAL AND OPERATING COSTS OF NEW WORKS

57. During the hearing, evidence was given respecting the probable cost of erecting and equipping a new freezing-works designed to handle a daily kill of 4,000 to 4,500 sheep and lambs and 200 cattle. In 1947 the cost was estimated at £800,000. On account of subsequent increases in building and equipment costs, the estimate at the time of the hearing had been increased to approximately £1,200,000.

58. A number of witnesses were examined concerning the probability of a new company with such a high capital cost incurring annual operating losses, but none of these witnesses appeared to possess sufficient knowledge of the freezing industry to enable them to speak with authority on this matter. The farmer witnesses for the Alliance company (the applicant for a licence) frankly admitted that they had not given consideration to the likely financial results of operating a new works. They appeared to rely upon the financial interest of their intended partner, Fletchers, as providing sufficient assurance of the ultimate success of the proposed venture. While frankly acknowledging the possibility of operating losses in the early years of the venture, they regarded these as an insurance against the losses allegedly occasioned the farmers of the district in past years because of inadequate killing facilities. It is impossible on the evidence adduced or upon any information which could be obtained to determine whether or not a new freezing-works in Southland will operate at a loss for any particular period after its inception or at all. It is possible that it may operate at a loss for some years, but the Commission considers that the probability of the works operating at a profit within ten years is a fair and reasonable business risk, and further that ten years is a reasonable time within the meaning of paragraph 39 (a) of the report.

59. A study of the statistics of price indices, together with a careful consideration of the circumstances of the present time in relation to building costs, does not provide any ground for belief that these costs are likely to fall within the foreseeable future. Indeed, all of the available evidence indicates the probability of further increases in costs. It is common knowledge that in all parts of New Zealand a great deal of new construction work has been planned and will proceed immediately the necessary material is available. This indicates that the fear of rising costs of construction has not diminished the industrialists' confidence in the future. Indeed, never at any time in the history of New Zealand has there been such a strong demand for new constructional work to meet the expanding needs of all sections of the community.

60. The Commission recognizes that the cost of constructing and equipping a new works will greatly exceed that of any existing comparable works. It does not regard this as a sufficient reason for refusing a licence for a new works which is justified on other, and sufficient, grounds.

PART SIX—PRESENT AND POTENTIAL STOCK-CARRYING CAPACITY OF SOUTHLAND

61. The probable future development of the farming industry in Southland, especially in regard to the fattening of stock for export, vitally affects the matters before the Commission. Much evidence has been adduced on the subject, and statistics supplied by the Department of Agriculture have been of great assistance. Some of these statistics were previously supplied to the Agricultural and Pastoral Committee of the House of Representatives in October, 1949, and have now been brought up to date as far as possible by the Department of Agriculture. These statistics have been adopted by all concerned, and the tables prepared from the information contained therein have been set out in Appendix C at the end of this report.

62. An examination of these tables shows a phenomenal increase in Southland sheep figures as compared with other land districts in New Zealand. The killings of fat lambs and sheep for export have nearly doubled in the past fifteen years—namely, from 1,186,000 to 2,310,000. In addition to this, a further 200,000 to 300,000 fat sheep and lambs from Southland are killed each year in works outside the district. (*Report 54.*)

63. This increase in sheep and lamb killings is not reflected in the numbers of other fat stock killed for export. In common with other South Island districts, killings of fat cattle, calves, and pigs show little increase, and the Commission considers that this position is unlikely to alter to any major extent for many years, if at all. Under present conditions Southland is predominantly a fat-lamb and wool district, and while, no doubt, some increase in cattle would be an advantage, it is unlikely that any major increase in numbers will occur in the foreseeable future. The difficulty and expense of feeding cattle through the winter, allied to the disadvantage of running grown cattle on the easily pugged clay soils of Southland, act as a powerful deterrent against retaining cattle until they have reached a killable condition. The Commission must therefore base its decision entirely on the present and probable future killings of fat sheep and lambs.

64. In assessing the probable future potential it is necessary to consider the area of land available for production of fat stock. Reliable evidence has been adduced showing that fat lambs and sheep are produced on an area of approximately 1,450,000 acres, of which some 500,000 acres are producing reasonably near to full capacity, while the balance is in a partially developed condition, capable of development to a varying degree. A map of these areas was produced by the Department of Agriculture during the hearing and was not challenged. This area of 1,450,000 acres produced in 1950 2,310,000 fat lambs and sheep for export, plus a further 200,000 killed in works outside the district, and estimates of increases during the next ten years are based almost entirely on this particular area. In addition, due regard must be given to the long-term effect of the probable development of large areas of bush, scrub, and tussock land in various parts of the district. Much of the tussock-run country is incapable of development to fat-stock standard, and must continue to supply store sheep to the fattening areas, while much of the bush country will be useless for farming purposes. There is, however, a long-term potential in both these classes of land which must play its part in the future of the fat-stock industry.

65. While it is impossible to state accurately either the extent or the period of this development, it is probable that a further 500,000 acres can be included in this category. When, therefore, this present and potential fattening area of approximately 2,000,000 acres is taken into consideration, it is apparent that, unless major unforeseen deterrent forces intervene, the killings of fat lambs and sheep for export must reach impressive figures. While the Commission hesitates to make any definite estimate of ultimate capacity, it has no hesitation in stating that present figures are likely to be doubled and freezing-works in Southland will, at some stage in the not too far distant future, require to deal with at least 4,000,000 fat lambs and sheep annually.

66. The remarkable increase during the past fifteen years can be attributed to four main causes:—

(a) *Destruction of rabbits.* While this pest is still evident in outlying areas, it is safe to say that this problem has been resolved in a large portion of the main fattening areas. The work of "killer" Rabbit Boards and the efforts of farmers themselves have effected a remarkable increase in stock-carrying capacity, the full effects of which have yet to be realized.

(b) *Land drainage.* The use of mechanical excavators and land-clearing machines in large numbers, and the ability of the farmers in recent times to finance the operation of these machines, are playing an important part in the development of large areas of low-producing bush, scrub, and swamp country. The extent of this work and the speed of carrying it out are likely to increase, because the Catchment Board can now undertake the major works necessary to provide the proper outfalls to enable individual farmers to drain their land.

(c) *The increasing use of lime and fertilizer.* This in itself has increased production substantially; indeed, it has been a major factor and, with bulk distribution of lime and aerial top-dressing, will play an ever-increasing part in the development of areas which have not yet been brought to their full production.

(d) *The comparative prosperity of sheep-farmers and the encouragement they have received in undertaking development work.*

67. In assessing future potential, no account has been taken of the effect of any advance in agricultural science. The possibilities in this direction cannot be ignored, but are so vague and uncertain that they cannot be reduced to figures.

68. It should also be stressed that fat stock should be slaughtered as early in the killing season as possible in order not only to conserve winter feed, a very real problem in Southland, but also that the farmer may buy his replacement stock in good time to prepare it for the mating season. This desirable practice has not been implemented to the necessary extent in the past, and carrying capacity and production have been prejudiced accordingly.

69. The statistical evidence shows that the fat-stock industry in Southland is an expanding industry. It has expanded greatly during past years and will continue to expand for some years to come. The figures set out in Tables A to C (see Appendix C) demonstrate this development. Table A shows an increase in breeding-ewes between 1925 and 1950 of 1,723,000 (from 899,000 to 2,622,000). Table B shows during the same period an increase in lamb killings of 1,624,000 (from 391,000 to 2,015,000). Table C shows the marked increase of killings in Southland compared with other South Island districts. The increase in killings of sheep and lambs in the three Southland works between 1935 and 1950 was 1,123,500; the increase in the ten Otago and Canterbury works was 1,006,000.

PART SEVEN—PRESENT KILLING CAPACITY

70. The Commission engaged Mr. J. Hellyer, works manager of the Whakatū Freezing-works in Hawke's Bay, as a qualified and independent authority, to make an examination and furnish a report upon the several freezing-works in the Southland district. In his report Mr. Hellyer assesses the present daily killing capacity of these works as follows (see page 5 of his report following page 6Z4 Evidence):—

	Present Daily Killing Capacity.	
	Lambs.	Cattle.
Makarewa	9,000	200
Mataura	7,000	100
Ocean Beach	9,000	200
	25,000	500

71. Evidence adduced at the hearing before the Commission showed the following:—

(a) That the season for killing lambs in Southland is comparatively short.

(b) That it is customary in the freezing industry to measure the capacity of a works for killing sheep and lambs in a season by multiplying the daily killing capacity measured in terms of lambs by 100. For instance, assuming the daily killing capacity of a works to be 9,000 lambs, its killing capacity for the season is obtained by multiplying 9,000 by 100, which equals 900,000 lambs.

(c) That where the killings comprise both sheep and lambs it is customary to express killings in terms of lambs for purposes of uniformity and complete comparability, the conversion of sheep to lambs being effected by the following formula: 1 sheep = $1\frac{1}{3}$ lambs.

72. A statement was furnished to the Commission designed to show the capacity of the freezing-works in the districts of Auckland, Hawke's Bay, and Southland to handle the killings of sheep and lambs made during the 1949-50 season. This statement was submitted in the following form (see table following page 10A3 *Evidence*) :—

—				Capacity Daily Kill.	Sheep.	Lambs.	Total Sheep and Lambs.
Auckland Province—							
A.F.F. Company, Horotiu .. .. .	..	..	..	12,000	65,411	436,806	..
A.F.F. Company, Southdown .. .. .	..	..	..	10,000	93,552	268,413	..
A.F.F. Company, Moerewa .. .. .	..	..	..	5,000	27,781	101,126	..
Hellaby, Westfield .. .. .	..	..	..	7,000	137,764	292,750	..
Westfield Freezing Company .. .. .	..	..	..	13,000	253,444	645,947	..
				47,000	577,952	1,745,042	2,322,994

$$\text{Ratio : } \frac{2,322,994}{47,000} = 49.4$$

Hawke's Bay—							
Whakatu .. .. .	..	..	..	13,000	172,431	685,785	858,216
Tomoana .. .. .	..	..	..	13,000	229,250	628,132	857,382
				26,000	401,681	1,313,917	1,715,598

$$\text{Ratio : } \frac{1,715,598}{26,000} = 66$$

—	Hellyer's Report : Capacity.	Agricultural Report.	
		Sheep.	Lambs.
Southland: Present Capacity, 1950—			
Makarewa	9,000	102,460	735,207
Mataura	7,000	86,169	621,382
Ocean Beach	9,000	105,952	658,431
		25,000	294,581
			2,015,020

= 2,309,601 sheep and lambs.

$$\text{Ratio : } \frac{2,309,601}{25,000} = 92.4$$

73. No attempt was made in the foregoing statement to convert killings of sheep to the equivalent of lambs. As it was agreed by all competent witnesses before the Commission that this would require to be done before the results could be ascertained on a comparable basis, the required conversion is made hereunder. (1 sheep = 1½ lambs.) As, however, there was disagreement among witnesses concerning the daily killing capacity of certain of the works in the Auckland district, the Commission has decided to include in the statement in respect of the Auckland district only the figures relating to the

works of the Westfield Freezing Company, which appear to have been accepted by all of the witnesses. The conversion referred to above provides the following comparison:—

District.	Capacity Daily Kill (in Lambs).	Notional Kill Capacity for Season.	Actual Kill, 1949-50 Season (in Lambs).	Ratio of Actual Kill to Notional Capacity.
Auckland— Westfield Freezing Company works only ..	13,000	1,300,000	983,872	75.7
Hawke's Bay— Whakatu and Tomoana works	26,000	2,600,000	1,849,492	70.1
Southland— Makarewa, Mataura, and Ocean Beach works ..	25,000	2,500,000	2,407,795	96.3

The foregoing statement shows very clearly that the facilities available in the Southland district for the killing of sheep and lambs in the 1949-50 season, in relation to the sheep and lambs available for killing, were not equal to those provided by the other works shown in the statement. This aspect of the matter receives further emphasis when account is taken of the fact (accepted by all of the qualified witnesses before the Commission) that the killing season for sheep and lambs in the Southland district is shorter than that for any other district in New Zealand. It must, however, be borne in mind that the killings are not spread evenly over the duration of the season, as there is invariably a peak period, which may occur at different times in different districts.

74. Set out hereunder in the form of a table are figures which have been obtained from returns furnished by the Department of Agriculture, with the killings by months for the 1949-50 season of sheep and lambs expressed in all cases in terms of lambs (1 sheep = $1\frac{1}{3}$ lambs):—

Month.	Auckland : Westfield Only.	Hawke's Bay: Two Works.	Southland : Three Works.
October	8,742	5,947	135
November	19,439	156,468	1,863
December	178,030	326,700	1,097
January	263,740	458,861	471,660
February	249,884	362,952	526,997
March	112,692	248,946	550,240
April	53,849	166,414	331,101
May	42,977	73,251	384,709
June	19,041	23,788	139,631
July	15,314	23,431	141
August	12,695	2,670	109
September	7,469	64	112
	983,872	1,849,492	2,407,795

This table shows very clearly the following:—

(a) That the killing season in the Southland district for practical purposes extends for six months only.

(b) That the peak in the Southland district is both higher and flatter than that for either of the other two districts. This would appear to indicate that considerable pressure was placed upon the available facilities in Southland to meet the requirements in killing, and it would appear to substantiate strongly a great volume of evidence adduced by farmer witnesses of the inability of the existing works in Southland to meet the reasonable demands of the industry.

75. A further table is submitted to show the three months of the season in each district in which the highest kills were recorded for the 1949-50 season and the total kill made during those months:—

District.	Capacity Daily Kill.	Killings in Three Peak Months.				Total Kill in Three Peak Months.
		December.	January.	February.	March.	
Auckland— Westfield Freezing Company	13,000	178,030	263,740	249,884	..	691,654
Hawke's Bay— Whakatu and Tomoana ..	26,000	326,700	458,861	362,952	..	1,148,513
Southland— Makarewa, Mataura, and Ocean Beach	25,000	..	471,660	526,997	550,240	1,548,897

The most significant feature of the foregoing table is the fact that the works in Southland—with a daily killing capacity of 1,000 lambs less than that of the Hawke's Bay works—actually effected a kill of 38.34 per cent. greater than that of the Hawke's Bay works. This would also appear to show quite definitely that the Southland works were operating under great pressure during the months referred to.

76. It is noticeable from the above table that the killing season for the Auckland and Hawke's Bay districts is at least one month earlier than that for Southland. A further significant feature is the evenness of the kills in the Southland works during the three peak months—January, February, and March—especially when account is taken of the fact that both January and February would be shorter working months than March; January by reason of certain holidays, and February because of the lesser number of days in the month. Having regard to these circumstances, it would appear that the Southland works were operating at full capacity during the three months of the peak killings. In the case of the other two districts there is a considerable variation in the monthly killings during the peak period, which would appear to indicate that the works were not operating under the same pressure as occurred in Southland.

77. Having regard to the foregoing tables and the evidence adduced, the Commission is of opinion that the facilities provided in the Southland district during the 1949-50 season were not equal to handling the sheep and lambs available for killing without incurring delays which should have been avoided.

78. In order to provide a reasonable service, the Commission considers that some reserve of killing space is necessary to deal with the seasonal peak, and that such reserve has not been made available to Southland farmers. Mr. Gilkison produced a statement showing the percentage of unused capacity at the Makarewa and the Mataura works during the years 1947 to 1951 (see statement following page 7Q4 *Evidence*). This statement was produced to show that not only was there no congestion at these works, but there was space to spare. This suggestion, however, was negatived by Mr. Evans, who said that the unused capacity shown in the statement produced by Mr. Gilkison was normal in all works. He went on to say, however, that "there would be rather more of it farther north," as only the Southland companies were able to keep "full boards" right through the season. (*Evidence* 12P3.)

79. The Commission has no reason to doubt the accuracy of these statements, although it does not think that they portray what they are designed to show, because no works could ever expect to operate for any period of time at full notional capacity. Delays due to non-arrival of stock booked for killing brought

about by unavoidable circumstances, breakdowns or adjustments of plant and equipment, and industrial disputes or absenteeism will almost certainly reduce the average daily kill over a period of time to something considerably less than the full notional capacity. These matters must be allowed for when considering the available or potential killing facilities in relation to available or potential killing. It is also most undesirable in an expanding agricultural economy such as that of Southland that actual killings should approach too close to capacity, for if they do, the further development of farm production may be seriously discouraged.

PART EIGHT—POTENTIAL KILLINGS REQUIRE A NEW LICENCE

80. The determination of the question of potential would appear to be the crux of the matters referred to the Commission, and involves a careful consideration and determination of the following matters:—

(a) The potential killings of sheep and lambs in the Southland district during the foreseeable future.

(b) The existing facilities available for this purpose.

(c) The existing facilities in conjunction with extensions already in hand and proposed.

POTENTIAL KILLINGS

81. A report furnished by the Department of Agriculture on the present live-stock production and future potentialities of the Southland district included as Appendix 1 a return of various classes of live-stock, including breeding-ewes, for each year during the period 1920–50 inclusive; and as Appendix 2 the total live-stock slaughterings in the same district during the years 1921–50 inclusive. (See report following page 2U5 *Evidence*.)

82. A statement is submitted hereunder deduced from the above returns showing the annual slaughterings of sheep and lambs in meat-export works in the Southland district for the years 1935 to 1950 inclusive. In this statement separate totals are shown for sheep and lambs, together with the total killings of both classes. In a further column the total killings are represented in terms of lambs by converting the killings in sheep to lambs by use of the formula $1 \text{ sheep} = 1\frac{1}{3} \text{ lambs}$.

Year.	Sheep.	Lambs.	Total Killings of Sheep and Lambs.	Total Killings Represented in Terms of Lambs.
1935	110,699	1,075,034	1,185,733	1,222,633
1936	122,095	1,089,208	1,211,303	1,252,001
1937	112,615	1,019,746	1,132,361	1,169,899
1938	157,865	1,142,449	1,300,314	1,352,936
1939	173,029	1,219,219	1,392,248	1,449,924
1940	231,654	1,370,896	1,602,550	1,679,768
1941	192,108	1,499,997	1,692,105	1,756,141
1942	253,912	1,455,246	1,709,158	1,793,795
1943	162,060	1,473,570	1,635,630	1,689,650
1944	235,956	1,376,966	1,612,922	1,691,574
1945	272,557	1,444,503	1,717,060	1,807,912
1946	255,944	1,581,846	1,837,790	1,923,105
1947	261,153	1,690,994	1,952,147	2,039,198
1948	271,001	1,753,463	2,024,464	2,114,798
1949	222,968	1,894,842	2,117,810	2,192,133
1950	294,581	2,015,020	2,309,601	2,407,795

83. A study of this table shows that there was an almost uninterrupted increase in the annual killings of sheep and lambs for the years 1935 to 1942, up to which latter year the full effects of the recent world war would not have been felt. From 1943 to 1945 inclusive, comparatively little increase in killings is recorded. No doubt this circumstance would be due to the effects of the war with the consequent reduction in available labour and manures. From 1946 to 1950 inclusive there has been a steady and uninterrupted increase in the killings. The figures of breeding-ewes submitted in Appendix 1 show that during the foregoing period—that is, 1935 to 1950 inclusive—the number of breeding-ewes increased from 1,675,367 to 2,622,358, an increase of 946,991. Of the foregoing increase, 397,326, or almost 400,000, occurred during the post-war years of the period 1945-50. The number of breeding-ewes in the Southland district, together with the increase in recent years, are significant figures in determining the future killings, as they have a definite influence upon the number of lambs likely to be available for this purpose.

84. A great volume of evidence was submitted by witnesses for Catchment Boards, County Councils, and also by many farmer witnesses showing the marked increase in carrying capacity and in production from the area in the Southland district which is regarded as fattening land. The statistics submitted in the Department of Agriculture's report provide substantial support of the evidence adduced by these witnesses. The marked improvement in the economic circumstances—particularly of the sheep-farmers of New Zealand—which has occurred during the last several years, together with certain amendments to the Land and Income Tax whereby certain classes of expenditure, calculated to yield increased production, are now allowed as deductions for income-tax purposes, have made possible and encouraged large numbers of Southland farmers to expend considerable sums on drainage work and on other items which appear likely to be reflected in a considerable increase in production in the future. The use of artificial manures, particularly lime, is being resorted to more freely than at any other time in the history of the district. (NOTE.—These matters have been discussed in Part Six of this report.)

85. A full consideration of all these circumstances leads to the conclusion that the rate of annual increase in the breeding-ewes in the Southland district which occurred during the period 1945-50 appears likely to be maintained for some period of time. This view is fully supported by the evidence of Mr. W. Faithful, Fields Instructor, Department of Agriculture, Invercargill. In a memorandum submitted in evidence before the Commission, he estimated an annual increase of 80,000 in the breeding-ewes in the Southland district during the period 1950-55. Appendix 1 to the report of the Department of Agriculture showed the total number of breeding-ewes in the Southland district in 1950 at 2,622,358 and in 1945 at 2,225,032, showing an increase during the five-year period of 397,326, which is an average of 79,465 per annum or, say, 80,000. (For Mr. Faithful's memorandum see *Evidence* 6S7.)

86. The same return showed the average number of sheep slaughtered per hundred breeding-ewes was 14 and of lambs 74. Assuming an annual increase of 80,000 in the number of breeding-ewes, and that the ratio of killings in sheep and lambs remained the same as obtained during the last five years, the total killings in sheep and lambs in 1955 should approximate 2,640,000, arrived at in the following manner:—

Number of breeding-ewes in 1950	2,622,358
Assumed increase in the next five years to 1955:	
five years at 80,000 per annum	400,000

Estimated number of breeding-ewes in 1955 3,022,358

Or, say 3,000,000

87. The killings in sheep and lambs in 1955 should therefore be:—

Sheep—		
3,000,000 multiplied by 14 divided by 100	.....	420,000
Lambs—		
3,000,000 multiplied by 74 divided by 100	.....	2,220,000
		2,640,000
A total of	.....	2,640,000

88. As, however, the killing capacity of the works is always measured in terms of lambs, it is necessary to convert the foregoing number of sheep into lambs. Adopting the formula recognized in the freezing trade (1 sheep = $1\frac{1}{3}$ lambs), 420,000 sheep would represent 560,000 lambs. If we add to this the separate total for lambs of 2,220,000, the prospective figure of killings for 1955, in terms of lambs, is 2,780,000.

89. If a similar rate of increase is assumed until 1960, the potential killings in that year, expressed in terms of lambs, would be approximately 3,150,000.

EXISTING FACILITIES FOR KILLING

90. As already pointed out (*Report 77*), the facilities available for the killing season of 1949–50 were not adequate to deal with the sheep and lambs available for killing without incurring avoidable delays. A great volume of evidence was adduced by farmer witnesses to show the economic loss resulting to the farmers of Southland because their stock could not be killed by the existing works as and when required. The Commission is satisfied that the killing facilities desired by some of the farmers would constitute a counsel of perfection and would not be economically practicable. It is, however, equally convinced that the farmers of Southland are suffering avoidable economic loss through inadequate killing facilities.

91. When Mr. Hellyer, manager of the Whakatū works, was giving evidence, he was examined by counsel respecting the ability of the works in the Hawke's Bay district to handle sheep and lambs available there for killing. (*Evidence 7H4*). In the course of his evidence he expressed the opinion that a works should be equipped so as to meet normal killing requirements at seven to fourteen days' notice. He also mentioned that in his own works farmers were at times disappointed because their stock could not be killed immediately as required, and he added that such disappointments were bound to occur during the peak of the killing season.

92. In a statement submitted earlier (*Report 73*), the notional killing capacity of the works in Hawke's Bay and Southland districts in relation to the actual killings in sheep and lambs for the 1949–50 season was presented. This showed that the Hawke's Bay works were in that season able to handle the total kill in approximately seventy days, working at full notional killing capacity, whereas the works in the Southland district would have required slightly over ninety-six days to accomplish the same result. This comparison seems to show very clearly that the works in the Hawke's Bay district were better equipped to handle the kill available in that district with the avoidance of undue delays than were the works in Southland to handle the kill available in that district.

93. After a careful study of a considerable volume of statistics submitted, the Commission is of the opinion that in order to provide a satisfactory service to the farmers and so avoid undue delays in killing and consequent economic loss the works of the Southland district should be capable of handling the season's kill in approximately seventy-five days, working at full notional killing capacity.

EXTENSION OF EXISTING FACILITIES

94. When Mr. Hellyer made his inspection of the several Southland works, he was provided with full particulars of recent extensions and additions, together with others which have been applied for but not yet granted. He estimated that the maximum killing capacity likely to be attained by the several Southland works was as follows (see his report following page 6Z4 *Evidence*; see also *Report 70*):—

Works.	Maximum Kill.	
	Lambs.	Cattle.
Makarewa	12,000	200
Mataura	8,000	100
Ocean Beach	12,000	200
	32,000	500

(NOTE.—These figures were substantially confirmed by Mr. Evans; *Evidence 11W3-4*.)

In estimating the maximum killing capacity, Mr. Hellyer took into account the possibility and practicability of extensions of the several works. He found (see his report, *ibid.*) that the Mataura works could not be extended beyond a killing capacity of 8,000 in lambs without the erection of new works on a new site, as the land on which the existing works stands is so restricted in area and by reason of other circumstances as to prevent the erection of further buildings.

95. In the case of Ocean Beach, he reported that the works had been almost completely reconstructed, and that with the completion of various improvements and extensions now in hand the works should be capable of a daily notional kill of 12,000 lambs. These works are dependent for their supply of fresh water upon the local rainfall, which is collected and conserved in a catchment area. He was firmly of the opinion that this circumstance would preclude further development of the works in respect of sheep and lambs beyond a daily notional kill of 12,000.

CONCLUSION FOR NEW LICENCE

96. In view of the conclusion that the combined Southland works should be equipped to handle the season's kill in seventy-five days based upon the notional killing capacity, it follows that the Southland works would need to be capable of a notional daily kill by 1955 of approximately 37,000, ascertained in the following manner:

Expected annual kill in 1955, expressed in terms of lambs	2,780,000
Divided by 75	37,067
Required daily killing capacity (say)	37,000

Mr. Hellyer has assessed the maximum daily killing capacity of the existing works when all of the planned extensions have been completed at 32,000, which is 5,000 less than the Commission regards as desirable.

97. The Commission has no doubt, therefore, that by the 1955-56 killing season the actual killings likely to be realized in that season will exceed the expected capacity of the existing works even with planned extensions. By 1960 this excess will be very much greater. There is every prospect that, even with four works operating by 1956, there will again be pressure on space within the following ten years. In such circumstances, a new works is not only justified, but is also a necessity.

PART NINE—CONDITIONS TO BE ATTACHED TO NEW LICENCE

98. If the Minister of Agriculture decides that a licence to establish an additional freezing-works in Southland be granted to any specified person or company, the Commission recommends that the licence be made conditional on the licensee entering into a bond, with approved sureties in a penal sum to be fixed by the Minister, conditioned on the licensee operating the works efficiently and effectively to the limit of its capacity, and complying with all conditions upon which the licence is granted or renewed, for a period of ten years from the date on which it commences operations.

99. The Commission is of opinion that the Minister of Agriculture would be justified in imposing a condition in every licence held by a 50/50 company requiring the two groups of shareholders to enter into a deed of covenant (to be approved by the Minister) to provide that any dispute between the two groups of shareholders in any such company on any matter of policy or management should, on the application of either group, be referred to arbitration, and that the award should be deemed to be a resolution duly passed by the company. The imposition of such a condition may, under the existing state of the law, be *ultra vires* the Minister. As to that the Commission cannot express an opinion, but if there is a doubt about the Minister's powers in this regard, the doubt should be resolved by an appropriate amendment to the Meat Act, 1939.

PART TEN—STOCK AND STATION AGENTS

100. The work of the stock and station agents in Southland in connection with the meat-export industry was referred to from time to time during the inquiry. It appears that the stock and station agents have for many years undertaken, on behalf of their farmer clients, most of the arrangements for obtaining killing space in the several freezing-works and for the drafting of stock. The local association, in answer to a memorandum sent to it by the Commission (*Evidence* 5H1), submitted a full and satisfactory explanation of the procedure of its members. (*Evidence*, memorandum following page 7Q4.) Sir Arthur Donnelly, however, in his opening address suggested that the stock and station agents were in some measure responsible for the ill feeling between the freezing-works companies and the producers. He said:—

The farmers . . . seem to be insulated from the freezing companies by the more or less non-conducting medium of these stock and station agents. Arranging for stock to be killed in works is only a small part of the business these agents have with the farmer. The agents, therefore, . . . in times of congestion and scarcity of space, when under pressure from the farmers, might naturally blame the freezing companies for all that would go wrong. (*Evidence* 7J4.)

101. Mr. Gilkison made a more direct attack on the stock and station agents when, in answer to questions by Sir Wilfrid Sim, he said:—

They are gentlemen who cause us a lot of trouble. If there's any rap coming, it's the freezing company that's to blame, not them.

When Sir Wilfrid asked:—

How do the stock firms cause you trouble?

Mr. Gilkison replied:—

Well, if for instance a farmer wants to get his lambs drafted on Thursday, they don't say, "I'm very busy," . . . but they may be busy over a sale on Wednesday or Thursday. In that case they say, "Oh, we can't get space. You wait till we get space and we will draft them." (*Evidence* 8F4-5.)

Mr. Nicolson said that he considered that the stock and station agents' intervention was one of the causes of friction between the farmers and the freezing-works companies. (See *Evidence* 9N2.)

102. The Commission decided, in view of this evidence, to request the local association to express an opinion on the proposition that the arrangements for obtaining space be made direct between the producer and the freezing-works company, and that the company undertake the drafting of the stock with drafters employed by it. At the same time the Commission requested the freezing companies to submit a memorandum showing the number of drafters each would require, and the difference between the wages payable to the drafters and the commission payable to the stock and station agents. The association sent a memorandum to the Commission in which it said:—

It would not be in the interests of the fat-stock industry to carry out the proposal. In order to maintain the amicable relationship existing between the mercantile firms and the producers, it is essential that firms give the best possible service to their clients, and that this has proved most satisfactory is strongly supported by the fact that, during the present inquiry, there has been no adverse criticism by producers of the part played by our members; in fact, the contrary has been the case. Further, in our opinion, the suggested alteration would be of no financial advantage to the industry. (See memorandum following page 12P4 *Evidence*.)

103. The Southland company submitted a memorandum (following page 13C4 *Evidence*) in which it stated that fifteen drafters would be required for the stock for its two works, involving an annual cost of £18,000, against the sum of £22,050 which the company estimated would be the amount of the commission payable by it to the stock and station agents. (NOTE.—The freezing-works companies in the past have paid this commission.)

104. On the last sitting of the Commission the association forwarded to the Commission a protest against the proposal having been made, and stated:—

This is a matter brought up in the dying hours of the Commission with the apparent object of transferring whatever blame there may be from the freezing companies to the mercantile firms. (See memorandum following page 13Q3 *Evidence*.)

105. The Commission has made reference to this matter in fairness to the stock and station agents. Whether the existing practice is the best that can be devised is a question the Commission cannot answer. The fact remains, however, that there was not a single word of complaint spoken against the agents by the many producer witnesses.

PART ELEVEN—THE SOUTHLAND DISTRICT

106. The members of the Commission made a comprehensive survey of substantially the whole of the Southland district. This was possible because of the adequate arrangements for air and land travel that were made by the Department of Agriculture on the days on which the Commission did not sit. This visual survey enabled the Commission to appreciate and appraise the mass of statistical and technical evidence that was adduced at the hearing, and assisted materially in the preparation of this report.

107. The purpose of adding this Part is to enable the Commission to place on record the favourable impression it formed of the most southerly and (at present) the least appreciated portion of New Zealand. One member of the Commission (Mr. McCabe) had an intimate knowledge of the province because he held the position of Commissioner of Crown Lands in the Southland Land District between the years 1931 and 1935. The other two members were almost total strangers, and expected to find "dead-end" conditions in the province. They found the precise opposite, and Mr. McCabe himself was amazed at the agricultural and pastoral progress that had been made since his departure.

108. There is no other district in New Zealand which has such an efficient network of roads and railways. The great plain, containing approximately 1,000,000 acres of fertile land, presents no road-construction problems, and, apart from damage caused by floods, has no road-maintenance problems comparable to those in all the North Island districts. The climate of Southland, according to a number of the witnesses who gave evidence before the Commission, is "rigorous at times." If that is so, it accounts for the virility and the enterprise and the industry of the Southland people in general and of the farmers in particular. There is probably no district in Australia or New Zealand that has within its boundaries a hydro-electric power potential amounting to a fraction of the power potential of Southland. The sources of the waters to provide this power lie in regions beyond the reach of man's despoiling hands. It may well be that in less than fifty years Southland will become New Zealand's main industrial area as well as one of its main agricultural and pastoral areas.

PART TWELVE—ACKNOWLEDGMENT

109. The Commission wishes to place on record its appreciation of the arrangements made by the Department of Agriculture that enabled a long and complicated hearing to take place at short notice. The Commission is especially grateful to Mr. L. Woods, and his assistant Mr. Lindsay; also to the five shorthand reporters. Long and arduous hours were spent by all of them on the work of the Commission in such a cheerful and efficient manner that it was an inspiration to all concerned.

APPENDIX A—COPY OF REPORT OF THE AGRICULTURAL AND PASTORAL COMMITTEE OF THE HOUSE OF REPRESENTATIVES, 12th October, 1949

I have the honour to report that the Committee has carefully considered the petition, and is of the opinion that—

(1) In the past, conditions in the freezing industry in Southland have not been satisfactory, nor has the labour been sufficient or the general killing facilities adequate for the needs of the primary producers of Southland.

(2) This was due to a variety of causes, some of which could have been remedied earlier by the Meat Board had it exercised its potential authority to a greater extent.

(3) The Committee is satisfied on the evidence presented to it that conditions in these works have improved in recent years and are not now materially different from conditions in the freezing industry in other parts of New Zealand.

(4) As far as actual capacity is concerned, it would appear that, with the present and projected extensions to the existing works, there is no need for any new works to be built in Southland in the immediate future.

(5) To build works for which there is no immediately apparent need would not only be wasteful of labour and material, but would also, when such works came into operation, reduce the throughput of, and draw labour from, the existing works to an extent that would render their operations uneconomic. This would inevitably react to the disadvantage both of the workers in the industry and of the farmers of Southland.

(6) As to the future, the Committee considers that it will be the duty of the Meat Board, in conjunction with the Department of Agriculture, to keep a close and accurate check on the numbers of stock leaving Southland for killing at works north of Balclutha, and also to keep a record of all other relevant data, including the increase in the number of breeding-stock in the province. In the light of this information, the whole position should be regularly and periodically reviewed by the Meat Board and the Government, in consultation with Federated Farmers, Southland. It will then be the responsibility of the Meat Board and the Government to determine when it becomes economic to grant a licence for a new freezing-works.

The Committee further desires to put on record that—

(7) It endorses the announced policy of the Meat Board with regard to the control of freezing-works in New Zealand, and considers that, in the interests of primary producers and of New Zealand's economy generally, any further extension of the control of the meat-processing industry in this country by overseas concerns is undesirable and should be prevented.

(8) And, finally, the Committee also records its approval of the general policy of Federated Farmers to encourage producer control of the processing and marketing of primary products. The Committee therefore believes that the Meat Board should foster the development of New Zealand owned works, especially of those in which the producers have the major control, and should take every opportunity open to it to prepare the way towards co-operative ownership of this industry, in which so many workers are engaged and with which the farmers are so vitally concerned.

After having carefully considered all the evidence submitted, and having come to the foregoing conclusions, the Committee is bound to report that, on the petition before it, it has no recommendation to make.

APPENDIX B—RULING ON THE SCOTT-MATHIESON REPORT

(Evidence 5H3 to 5J2)

The Scott-Mathieson report has been placed before the members of the Commission. I have already intimated to counsel that the Director-General of Agriculture has informed the Commission that document was the result of an investigation, based on information supplied by the various companies and organizations which carry on the business of meat-export slaughterhouse proprietaries, upon the distinct understanding that it would not be made public, nor disclosed to any company or organization other than the one which supplied the information. Consequently the Director-General requested the Commission to consider whether, in the circumstances, the report should be placed on the table of the Commission. We have accordingly examined the report and have come to the conclusion that it is not relevant to the question into which we are inquiring, for these reasons:—

(a) The Committee was set up in 1936 and the period covered by the investigations was between the years 1933 and 1936.

(b) The whole of the report is based, so far as the meat-export trade is concerned, on a free English market. That would be apparent from certain quotations we intend to make presently; consequently the report can have no evidential value during the currency of the existing bulk purchase scheme.

(c) Interlocking agreements referred to in that report expired more than ten years ago. If, however, in the course of the present inquiry counsel for Federated Farmers asks the Commission to order the production of any agreements of a similar nature which have been in existence since 1940 or are in existence at the present time, an order of discovery will be made.

If counsel for Federated Farmers considered that it was necessary—although we cannot see that it would be necessary—that the old agreements be perused, an order of discovery could be made.

There are two further matters relating to the Scott-Mathieson report to which I would refer. The first relates to the cross-examination of Mr. D. Brown, reported on page 204 *et sequitur*. The cross-examination suggests that there has been a leakage of the contents of the report, in spite of its confidential nature. That there has been some leakage seems probable and, in the circumstances, unavoidable. But the following letter from the Director-General to the Secretary of the Commission proves to demonstration that if there has been any leakage no member of the Department of Agriculture was responsible for the happening. I will read that letter:—

I have perused the evidence tendered to the Royal Commission on Friday last and in particular the cross-examination by Sir Arthur Donnelly of Mr. D. Brown, farmer, Drummond, which was intended to indicate that there has been a leakage of the contents of the Scott-Mathieson Report.

The position regarding this Report is as follows:—

1. An original and three copies were prepared.
2. The original Report was supplied to the then Minister of Agriculture (Mr. W. Lee Martin) and is at present held by the present Minister of Agriculture.
3. One copy is held by Mr. W. Mathieson, late accountant to the Meat Producers' Board as his personal copy. He informs me that it has never been out of his possession as he has at all times been concerned to preserve the confidential nature of its contents.
4. One copy has been held by Mr. L. C. Scott, Advisory Officer of my Department. It has been out of his possession on three occasions, viz.

(a) Made available to members of the Fresh Meat Supplies Commission, whose report dated 23rd July, 1948, is contained in Parliamentary Paper 1948 H-36.

(b) Made available to the Agricultural and Pastoral Committee of the House of Representatives in 1949 in relation to the Petition of the Alliance Freezing Company (Southland) Limited. The members of this Committee have been named by Sir Arthur Donnelly.

(c) Now in the hands of members of the present Royal Commission sitting in Invercargill.

5. One copy was made available to the General Manager, Meat Producers' Board. In this connection I enclose copy of a letter dated 13th June, 1938, from the then Minister of Agriculture to the General Manager of the Board. Although this letter does not specifically state that the complete Report was made available, one copy was in fact held by the Board.

6. In addition, a summary of the Report was made available to each member of the Board with an intimation that the full Report would be made available to any member who desired to peruse it. In this connection I also enclose copy of a letter dated 13th June, 1938, from the then Minister of Agriculture to Mr. H. D. Acland, a member of the Board. Similar letters were sent to James Begg, Roslyn, Dunedin; J. D. W. Ormond, Wallingford, Hawke's Bay; T. R. Duncan, Hunterville; Sir W. D. Hunt, Wellington; A. S. Holms, Waimahaka, Southland; Sir William Perry, Masterton; and the late A. E. Harding, Dargaville, all then members of the Board.

I should be glad if you would bring this memorandum to the notice of the Chairman and members of the Commission.

The other matter to which I will refer arises out of Sir Wilfrid Sim's opening address. I will read from pages D3, D4, and E1:—

Page D3, in second paragraph—

Sir Wilfrid Sim: A most important factor in what Southland has suffered in the freezing industry in the past has been due to the absence of competition as between the existing companies—that is, existing Southland, Otago, and Canterbury companies. And this lack of competition has worked to the detriment of the farmer. It will be placed before the Commission that these companies have worked together under interlocking agreements and a closely-knit monopoly has existed in the past, to the detriment of the Southland farmers. How far this monopoly and interlocking agreements are in contravention of the Commercial Trust Act this Commission will not find it necessary to explore, but it will be submitted, gentlemen, as certain that the close association and working together of these Southland, Otago, and Canterbury companies has been very adverse to the interests of the farmers of Southland.

Page D3, last paragraph—

Sir Wilfrid Sim: We hope so, sir. This whole subject of interlocking agreements existing—and monopoly of control by the companies—I have mentioned. It was investigated in 1938—I think that is the date; it may require checking; a good time ago at all events—in a report which is known as the Scott-Mathieson Report.

Page D4, second paragraph—

Sir Wilfrid Sim: This Scott-Mathieson report is one of the foremost documents that we would ask the Commission to place at our disposal, so that we may examine it. It has been understood that the report discussed in detail the existence of the interlocking agreements. It may be that they are accepted as part of the report; I do not know. At all events, sir, it is submitted that if the Commission examines that report it will find proof up to the hilt of the existence of interlocking agreements between the Southland, Otago, and Canterbury companies, and the way in which these agreements operate against the interests of Southland.

Page D4, last paragraph, first five lines—

Sir Wilfrid Sim: Shortly, the result of the companies working in association and agreement has been this: 1. The working of quotas restricting the killing space to Southland stock, with the result that large numbers of Southland stock were taken north of Southland for killing.

Page E1, second paragraph—

The Chairman: When you speak of quotas, are you going to contend and call evidence to show that these are quotas fixed below the maximum capacity of the existing works?

Sir Wilfrid Sim: That is the submission, sir, yes, which we hope will be derived very strongly from the Scott-Mathieson Report itself.

That is the end of the quotation. It seems to us that the inference may be drawn that a sinister influence has been at work among the South Island freezing companies deliberately to exploit the Southland farmers, and that this has been exposed in the Scott-Mathieson report. In fairness to Sir Wilfrid Sim, who was careful to explain that he put his request to the Commission on the common talk about the contents of the report, and in fairness to the South Island companies, we should refer to finding Number 7 of the summary of the report prepared by the authors of the report in forming part of it. Although the finding and the reasons on which it is based are not relevant to the inquiry, and although they criticize the companies on economic grounds, the report negatives any suggestion of bad faith or improper practice on the part of the companies. The actual finding is in these words, "There is a freezing works combination in the South Island which is not operating in the best interests of the producers." The Committee then sets out in twenty-eight paragraphs a summary of the reasons upon which this finding is based, and a criticism of the agreements which had been entered into by the South Island companies. I will read paragraphs 23 and 24 on page 25 in the summary:—

(23) Whatever justification there may have been in 1932 for the arrangements entered into in the South Island, we are of the opinion that there is no justification to-day. These New Zealand owned freezing companies are in a sound position, with good reserves. They hold the key position of ownership of the Works, and have the support of the Meat Board and the Government, possessed of wide powers to curb the activities of the overseas interests.

(24) We consider, therefore, that private arrangements similar to the existing South Island arrangements should not be entered into in the future without first being submitted to the Government and Meat Board.

Now I will read paragraph 15, the first sentence of paragraph 16, and paragraph 18 on page 24 of the summary:—

(15) If the overseas interests had to compete for their supplies in the paddock in the South Island, the tendency should be for the farmers to get a better price for their fat stock. Against this, the time might come when the South Island locally owned companies would be forced out of the buying field through superior forces, as has happened in the North Island.

(16) Whether this would, in the long run, be a calamity for New Zealand producers depends on the extent and value to New Zealand of the existing "free meat" channels of distribution at Home. . . .

(18) The retention of South Island freezing works ownership by New Zealand owned companies, which is the policy of the Meat Board and the Government, is the greatest safeguard to the producers and to the companies themselves. Were it not for the existing agreements, the freezing companies could, by limiting the rebates paid to operators, curb their activities, and at the same time the advantage of freezing profits should enable these locally owned companies to buy, in competition with the overseas firms, the supplies they require for Home contracts and connections.

I now pass to the comments made by the Committee on its criticism of the South Island company, and will read from the report (commencing on page 25 and going on to page 26):—

Having criticised the Freezing Works combination in the South Island so severely, it is only fair that some aspects in their favour should also be mentioned:—

(1) *Farmers' Consignments.*—Apart from the high freezing charges, farmer consignments have received considerable encouragement, the facilities extended and the financial arrangements made by the companies being admirable. The agreements specially provide for the retention of the "open door" for farmer consignments. If it is not invidious to single out any particular company, it may be mentioned that at Balclutha we were particularly struck by the attention paid to this aspect of the company's business.

(2) At the time the agreements were first entered into, the South Island companies were faced with elimination if some joint protective action were not taken. They had before them the example of the North Island where the independent companies were gradually being absorbed by the Overseas Interests. If the South Island Companies were not to follow suit, something would have to be done about it.

(3) They had experienced and were still suffering from the effects of a most disastrous world slump, with a resultant disappearance of freezing profits and a rapid diminution of reserves built up in more prosperous times.

(4) The objects of the Southern agreements as stated by the contracting parties were as follows:—

(a) Preserving the independent status of the freezing companies.

(b) For the better regulation of the conduct of the freezing business in the Otago and Southland districts.

(c) For the mutual protection of the three parties to the agreement.

(d) For the safeguarding of the long-term interests of producers of fat stock in those districts.

We can at once agree that objects (a) and (c) have been fulfilled. (b) and (d) are doubtful, but we do not suggest that there was less intention to benefit the producers than the companies themselves.

(5) We must admire the vision and thoroughness with which all details of the arrangements were conceived and executed by the contracting parties. The scheme evolved really was rationalisation of no mean order. Unfortunately, the benefits obtained thereby, e.g., by the regulation of supplies avoiding unnecessary overlapping of operations and securing more economic working, have not, in our opinion, been passed on to the producers. A distinction must here be drawn between farmer shareholders and farmers who are not shareholders in these companies. Both are producers but whilst the shareholders in these companies have no doubt benefited considerably by the arrangements made, this is not the same thing as the producers benefiting. In this review we have to consider the position solely from the aspect of the ordinary farmer who is not fortunate enough to be a shareholder in these companies.

We hope that counsel will agree with the conclusion to which we have come. If they do not, we are sorry, but we must definitely rule that no further reference is to be made to the Scott-Mathieson report, which in our opinion has at the present time an historical value only. It is a splendidly compiled document which could well be used extensively if somebody ever decided to write a book on the history of the meat-export trade in New Zealand. It may be the proceedings of this Commission may provide material for such a book.

APPENDIX C—FOUR TABLES OF STATISTICS

(See reports of Department of Agriculture following pages 2U5 and 7Q4 Evidence)

TABLE A—SHEEP AS AT 30TH APRIL; COWS AND PIGS AS AT 31ST JANUARY

Year.	Cows in MILK.	Other Cattle.	Breeding-Ewes.	Other Sheep.	Pigs.
1925	71,000	99,000	899,000	572,000	12,000
1930	69,000	104,000	1,567,000	1,086,000	11,000
1935	81,000	104,000	1,675,000	829,000	18,000
1940	61,000	87,000	2,008,000	1,019,000	10,000
1945	53,000	103,000	2,225,000	1,142,000	6,000
1950	53,000	122,000	2,622,000	1,055,000	6,000

TABLE B—FAT STOCK KILLED AT THREE SOUTHLAND WORKS

Year.	Pigs.	Cattle.	Sheep.	Lambs.
1925	Negligible	11,000	65,000	391,000
1930	"	2,000	119,000	707,000
1935	9,000	5,000	111,000	1,075,000
1940	3,000	6,000	232,000	1,371,000
1945	2,000	10,000	273,000	1,445,000
1950	2,000	12,000	295,000	2,015,000

TABLE C—FAT SHEEP AND LAMBS KILLED AT SOUTH ISLAND WORKS

	1935.	1940.	1945.	1950.
Southland Frozen Meat, Makarewa	399,000	577,000	611,000	838,000
Southland Frozen Meat, Mataura	333,500	436,000	446,000	707,000
Ocean Beach, Bluff	453,000	590,000	660,000	764,000
Finegand, Balclutha	314,000	360,000	331,000	402,000
Burnside, Dunedin	488,000	560,000	618,000	609,000
Pukeuri, Oamaru	373,000	433,000	402,000	418,000
Pareora, Timaru	428,000	586,000	438,000	604,000
Smithfield, Timaru	340,000	469,100	293,500	478,000
Fairfield, Ashburton	296,000	416,000	407,000	404,000
Islington, Christchurch	421,000	543,000	499,000	569,000
Canterbury Frozen Meat, Belfast	260,000	362,000	297,000	323,000
Thos. Borthwick, Belfast	625,000	581,000	516,000	676,000
North Canterbury Farmers, Kaiapoi	227,000	298,000	240,000	295,000

TABLE D—FAT-STOCK KILLINGS, OTHER THAN SHEEP AND LAMBS, AT SOUTH ISLAND WORKS

	1935.			1940.			1945.			1950.		
	Cattle.	Calves.	Pigs.	Cattle.	Calves.	Pigs.	Cattle.	Calves.	Pigs.	Cattle.	Calves.	Pigs.
Southland Frozen Meat, Makarewa ..	5,000	..	9,000	6,000	..	3,000	10,000	..	2,000	12,000	..	2,000
Southland Frozen Meat, Mataura
Ocean Beach, Bluff ..	3,000	..	2,000	2,000	..	..	3,000	..	..	2,000	Negligible	..
Finegand, Balclutha
Burnside, Dunedin ..	1,400	9,000	..	2,000	7,000	..	3,000	5,000	..	7,000	11,000	..
Pukeuri, Oamaru ..	..	..	..	..	2,000	4,000	1,000	1,000	4,000	2,000	3,000	4,000
Pareora, Timaru ..	..	..	5,000	..	..	..	..	..	..	..	..	..
Smithfield, Timaru ..	1,000	4,000	..	1,000	7,000	..	..	6,000	2,000	1,000	8,000	3,000
Fairfield, Ashburton ..	..	..	..	..	1,000	..	..	1,000	..	..	1,000	..
Islington, Christchurch ..	7,000	20,000	3,000	7,000	11,000	4,000	10,000	11,000	6,000	10,000	15,000	9,000
Canterbury Frozen Meat, Belfast ..	3,000	4,000	12,000	4,000	13,000	14,000	3,000	15,000	11,000	5,000	13,000	5,000
Thos. Borthwick, Belfast ..	..	5,000	13,000	3,000	12,000	3,000	2,000	4,000	3,000	5,000	12,000	1,000
North Canterbury, Kaiapoi ..	..	..	9,000	..	..	6,000	..	..	4,000	..	..	..

By Authority: R. E. OWEN, Government Printer, Wellington.—1951.