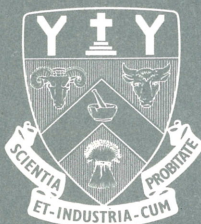# AGRICULTURAL ECONOMICS RESEARCH UNIT

Lincoln College

THE DEGREE OF PROTECTION ACCORDED BY IMPORT LICENSING TO NEW ZEALAND MANUFACTURING INDUSTRY

by

P. HAMPTON

THE AGRICULTURAL ECONOMICS RESEARCH UNIT

THE Unit was established in 1962 at Lincoln College with an annual grant from the Department of Scientific and Industrial Research. This general grant has been supplemented by grants from the Wool Research Organisation, the Nuffield Foundation and the New Zealand Forest Service for specific research projects.

The Unit has on hand a long-term programme of research in the fields of agricultural marketing and agricultural production, resource economics, and the relationship between agriculture and the general economy. The results of these research studies will be published as Unit reports from time to time as projects are completed. In addition, it is intended to produce other bulletins which may range from discussion papers outlining proposed studies to reprints of papers published or delivered elsewhere. All publications will be available to the public on request. For list of publications see inside back cover.

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THE DEGREE OF PROTECTION ACCORDED TO NEW ZEALAND

MANUFACTURING INDUSTRY BY IMPORT LICENSING –

AN EMPIRICAL STUDY (No. 1)

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C O N T E N T S

T A B L E S

P R E F A C E

This Paper is concerned with the amount of protection against imported goods that is afforded by import control. Such a topic may appear to be rather remote from agriculture and a rather unusual research project for the Agricultural Economics Research Unit. Nevertheless, in our work at the Research Unit, we are deeply interested in the whole question of the best national allocation of resources as between agriculture and other industries which, amongst other things, requires an evaluation of the costs of protection.

A project along these lines has been commenced under the general supervision of Dr Peter Hampton of the University of Canterbury. The project will involve a detailed individual examination of all industries afforded protection from imports by one method or another and in this Paper Dr Hampton begins by explaining the methods which will be used and presenting the results for the first few products which have been examined. Reports on further groups of products will follow from time to time as they are completed.

We should like to express our appreciation of the co-operation received from Tariff and Development Board Officials and numerous importers and business men, without whose help the data given in this report would not have been available.

Lincoln College   B. P. Philpott
April 1965

THE DEGREE OF PROTECTION ACCORDED TO NEW ZEALAND

MANUFACTURING INDUSTRY BY IMPORT LICENSING -

AN EMPIRICAL STUDY (No. 1)

PART I

BACKGROUND TO THE STUDY AND SUMMARY OF FINDINGS

1. Purpose of the study

Two distinct problems arise when considering the
question of the protection of New Zealand's secondary
manufacturing industries from foreign competition. Firstly,
there is the problem of determining what _level_ of protection
should be given, and secondly, there is the problem of the
form that such protection should take.

Quantitative restrictions have been a feature of
the New Zealand scene, with varying degrees of severity,
since 1938. They have been imposed under the pretext
(and/or necessity) of balance of payments difficulties, but
throughout, and particularly since 1958, they have been
used as a method of extending protection to domestic
industry. With such restrictions the exact level of
protection given to a particular industry is difficult to
ascertain.

In the light of this background, the question that
this study (of which this bulletin is the first report)
attempts to answer, is: 'If import licensing were removed
in New Zealand, what would be the level of tariff protection
necessary to put New Zealand manufacturers on a competitive
basis with overseas suppliers of competing products, in
specific sectors of the economy?' In considering this
problem a distinction is made between the 'actual' and the
'effective' rate of duty, the latter concept taking into
account value added considerations and being higher than the
actual rate. The analysis in Part I proceeds on the
assumption that the exchange rate remains fixed at its
current level. The latter assumption is relaxed in Part II
where the allocative significance of the results is briefly
considered.

No attempt is made to answer the question of why price
differentials exist between domestic and foreign sources of
supply, although this is indeed a logical succeeding query.

Problems of Accurate Measurement

At best, the statistics presented in this study can
only be regarded as indicating approximate price and cost
differences. The most reliable data can be obtained from
detailed case studies of particular industries. Manu-
facturers who have overseas affiliations are in a particularly

good position to make international price comparisons. In addition, case studies provide the opportunity for obtaining data on production runs, scale economies and related matters which can help explain price differences.[1] The principal disadvantages of such studies are the relatively large expenditure of time and resources required to do thorough surveys.

In obtaining information on broader sectors of the economy recourse can be had to less reliable methods, such as sending sample surveys to certain buying associations listed in trade directories, direct interviewing of various groups in the community (e.g. the New Zealand Bureau of Importers and Government departments), analysing the public files on the Tariff and Development Board hearings, searching through retail or trade magazines of local and foreign origin, and the approaching of specific businessmen in the community for specialised information on particular commodities. It was these latter methods which were utilised in this study.

As emphasised earlier, the results obtained from such sources only indicate the order of magnitude of the price differential. One of the principal problems which arises is to decide on the stage in the flow of the

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[1] Such a study has been done by D.O. Sewell: "The Electric Household Durable Goods Industry in New Zealand", M.A. thesis, University of Canterbury, 1964

commodity from factory to final consumer at which the price
will be estimated. For example, in comparing ex-factory
prices in New Zealand with landed costs of similar imported
commodities, it is often very difficult to find reliable
information on the distribution margins that have been
included in the prices obtained. In some cases retail
price comparisons can be obtained, in other ex-factory and
landed prices are most readily accessible. In all cases the
problem arises of isolating the distribution margins which
have been allocated to similar products, and an assumption
must be made that the prices of comparable products produced
locally and obtained from foreign sources contain distribution
margins which make the comparison valid.

In addition in many cases quality differences make
price comparisons difficult to draw. This study draws
heavily on Tariff and Development Board hearings for inform-
ation on infants' clothing, yarn and fabrics and crockery,
for the reason that the problems of quality differences and
of ascertaining the distribution margins included in quoted
prices, were considered by expert trade opinion from various
business and governmental groups. Later studies will often
rely on less reliable information.

3. The level of tariff protection needed in the absence of quantitative restrictions

Tables 2 to 7 present details of differences in prices between locally manufactured and competing imported garments in the field of infants' clothing, textile yarns and fabrics and crockery. Sources for these statistics and the derivation of the weighting factors are found in Appendices 1, 2 and 3.

The examples and computations in Table 2 suggest that the above imported commodities competing with local production can be landed in New Zealand at a cost of 61% of that of comparable New Zealand produced commodities. The analagous figures in Tables 3 to 7 are 51%, 64%, 75%, 78% and 77%.

From these figures the level of tariff protection needed to put New Zealand manufacturers on a competitive basis with overseas suppliers can be computed. If, for example, the imported price is £61 per unit and the local price £100 (as is suggested in Table 2 as a reasonable approximation) the tariff protection needed is

$$\left(\frac{£100 - £61}{£61} \right) \% = \frac{39}{61} \% = 64\%$$

This concept of 'needed' tariff protection can be called the 'apparent' tariff level necessary to protect the local manufacturer, and Table 1 summarises the data presented in Tables 2 to 7.

TABLE 1

TARIFF PROTECTION NEEDED IN THE ABSENCE OF

QUANTITATIVE RESTRICTIONS (~~INFANTS' WEAR~~)

		Data		
		Table 2	Table 3	Table 4
(a)	Imported price as a % of domestic price	61%	51%	64%
(b)	'Apparent' tariff level needed	64%	96%	56%
		Table 5	Table 6	Table 7
(a)	Imported price as a % of domestic price	75%	78%	77%
(b)	'Apparent' tariff level needed	33%	29%	30%

TABLE 2

PRICES OF COMPARABLE ARTICLES OF INFANTS' WEAR - (Source 1)

Garment	(1) Imported ex UK (landed cost excl. duty)	(2) Made in NZ (ex-factory selling price)	(3) = $\frac{(1)}{(2)}$	(4) Weighting factor	(5) = (3)x(4)
(a) Pyjamas made from knitted fabric	9s. 5d.	12s. 6d.	.7533	10	7.5330
(b) Shirts made from knitted fabric	3s. 5d.	6s. 3d.	.5466	6	3.2796
(c) Trousers of woven material, short	8s. 5d.	14s. 3d.	.5906	25	14.7650
(d) Crawlers with feet made from knitted fabric	4s. 0d.	7s. 1d.	.5647	32	18.0704
(e) Child's shift dress	8s. 9d.	13s. 0d.	.6730	14	9.4220

$\Sigma(4)=87 \quad \Sigma(5)=53.0700$

$\frac{\Sigma(5)}{\Sigma(4)} = 0.61$ Imported goods land at <u>61%</u> of the price of locally produced goods.

TABLE 3

PRICES OF COMPARABLE ARTICLES OF INFANTS' WEAR – (Source 2)

Garment	(1) Imported (ex-wholesale)	(2) Made in NZ (retail cost price)	(3) $=\frac{(1)}{(2)}$	(4) Weighting factor	(5) $=(3)\times(4)$
Girl's frock	13/- (Eng.)	33/8	.386	15	5.79
Tunic suit	9/9 (Hong Kong)	31/6	.310	5	1.55
Matinee coat (white orlon)	13/- (Eng.)	17/6 (knitted cardig.)	.743	8	5.94
Girl's coat	54/- (Eng.)	109/1	.492	7	3.44
Cardigan	18/- (Eng.excl. duty)	30/9	.585	8	4.68
Jumper	14/- (Eng. excl. duty)	24/6	.571	8	4.57

$$\Sigma (4)=51 \quad \Sigma (5)=25.97$$

$\dfrac{\Sigma (5)}{\Sigma (4)} = 0.51$ Imported goods land at $\underline{51\%}$ of the price of locally produced goods.

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TABLE 4

PRICES OF COMPARABLE ARTICLES OF INFANTS' WEAT - (Source 3)

Garment	(1) Imported (UK)	(2) Made in NZ	(3) $= \frac{(1)}{(2)}$	(4) Weighting factor	(5) $= (3) \times (4)$
Bibs - towelling	1/10 (r)	2/- (r)	.9166	2	1.833
Bootees	3/11 (wool)(r)	5/11 (banlon) (r)	.6619	2	1.323
Cardigan (orlon)	22/- (r)	39/11 (r)	.5511	8	4.409
Crawlers and breechettes	5/5 (w)	8/6 (w)	.6372	16	10.195
Frocks, dresses	30/6 (r)	44/- (r)	.6931	8	5.544
Nylon dresses	15/9 (terylene) (r)	25/6 (r)	.6176	7	4.323
Plastic-lined panties	5/2 (w)	9/6 (w)	.5438	3	1.631
Rompers (terylene)	13/9 (r)	20/6 (r)	.6707	16	10.731
Snow or ski suits	33/6 (w)	54/- (w)	.6203	2	1.240
Socks (wool and cotton)	3/- (r)	4/9 (r)	.6315	2	1.263
Socks (rayon and cotton)	2/6 (r)	4/9 (r)	.5263	2	1.053

$$\Sigma(4) = 68 \qquad \Sigma(5) = 43.545$$

$\dfrac{\Sigma(5)}{\Sigma(4)} = .64$ Imported goods land at 64% of the price of locally produced goods.

w = wholesale

r = retail

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TABLE 5

PRICES OF COMPARABLE YARN SAMPLES
(landed-to-store prices i.e. including duty)

Yarn type	(1) Imported	(2) Locally manufactured	(3) $= \frac{(1)}{(2)}$	(4) Weighting factor	(5) =(3)x(4)
	per lb(UK)	per lb			
Yarn for moquettes	137d	228d	.60	0.1	.06
Wool/nylon $\frac{1}{32}$'s (type A)	19/4¾	23/1	.84	1.0	.84
Wool/nylon $\frac{1}{32}$'s (type B)	22/-	28/11	.76	1.0	.76
Singles, wool	22/1	24/-	.92	1.0	.92
$\frac{2}{28}$ worsted	17/4	23/10	.73	1.0	.73
$\frac{3}{32}$ dry spun	17/2	22/9	.75	1.0	.75
$\frac{2}{16}$'s dry spun	11/2	15/10	.71	1.0	.71
$\frac{2}{24}$'s dry spun	15/4	18/5	.83	1.0	.83
$\frac{1}{35}$'s wool/nylon	22/-	28/11	.76	1.0	.76
64's undyed on cone(type A)	15/3	19/3	.79	1.0	.79
64's undyed on cone(type B)	17/-	19/9	.86	1.0	.86

$\sum$ (4)=10.1 $\sum$(5)=8.01

$\sum$(5)-5% =7.61

$\frac{7.61}{10.10}$ = 75%   Imported goods land at 75% of the price of locally produced goods

TABLE 6

PRICES OF COMPARABLE FABRIC SAMPLES
(landed-to-store prices i.e. including duty)

Fabric type	(1) Imported	(2) Locally manufactured	(3) = $\frac{(1)}{(2)}$	(4) Weighting factor	(5) =(3)x(4)
	per yd	per yd			
1. 100% wool (type A)	27/6 (UK)	32/-	.86	66	56.76
2. 100% wool (type B)	33/7 (UK)	34/6	.97	66	64.02
3. Fancy d.k.	58/- (USA)	58/6	.99	66	65.34
4. Plain d.k.	33/- (USA)	32/9	1.01	66	66.66
5. Fabric for use in underwear,lingerie, swimsuits,nightwear	5/10½(UK)	6/11	.84	44	36.96
6. Fabric for frocks, dresses,suits etc. (i) tricel knits	7/6 (UK)	6/6	1.15	40	46.00
(ii) 100% courtelle	31/- (UK)	33/6	.93	40	37.20
7. Wool velour	19/- (UK)	22/6	.84	55	46.20
8. Worsted barathea	28/3 (UK)	33/9	.84	55	46.20
9. Face cloth	25/- (UK)	26/10	.93	55	51.15
10. Velours (type A)	16/6 (UK)	22/9	.73	55	40.15
11. Velours (type B)	17/6 (UK)	24/6	.71	55	39.05
12. 100% wool 10½ oz.	22/1 (UK)	25/-	.88	55	48.40
13. 100% wool,$\frac{18}{19}$ oz.	22/1 (UK)	27/6	.80	55	44.00
14. Tweed	24/6 (UK)	27/3	.90	51	45.90
15. Suiting (type A)	30/7 (UK)	37/-	.83	51	42.33
16. Suiting (type B)	37/- (UK)	37/6	.99	51	50.49

TABLE 6 (Cont'd)

Fabric type	(1) Imported		(2) Locally manufactured	(3) $= \frac{(1)}{(2)}$	(4) Weighting factor	(5) $=(3)\times(4)$
	per yd		per yd			
17. Suiting (type C)	27/-	(UK)	31/2	.86	51	43.86
18. Sports coating	25/5	(UK)	27/-	.94	51	47.94
19. Wool/terylene trousering	27/7	(UK)	34/6	.80	51	40.80
20. Suiting (type D)	28/11	(UK)	36/6	.79	51	40.29
21. All wool suitings(A)	37/6	(UK)	38/6	.97	51	49.47
22. All wool suitings(B)	42/6	(UK)	38/6	1.11	51	56.61
23. Suitings (type E)	33/8	(UK)	38/6	.88	14	12.32
24. Suitings (type F)	34/9	(UK)	39/9	.87	14	12.18
25. Coatings (A)	30/3	(UK)	31/6	.96	14	13.44
26. Coatings (B)	20/-	(UK)	25/9	.78	14	10.92
27. All wool gab. (A)	26/8	(UK)	28/9	.93	14	13.02
28. All wool gab. (B)	22/7	(UK)	27/6	.82	14	11.48
29. Dressing gown cloth(A)	7/2	(UK)	9/10	.72	5	3.60
30. Dressing gown cloth(B)	13/2	(UK)	16/9	.79	5	3.95
31. Wool tie cloth	11/3	(UK)	17/-	.66	5	3.30
32. Bri-nylon	6/9	(USA)	5/9	1.17	14	16.38

$$\sum(4)=1345 \qquad \sum(5)=1160.37$$

$$\frac{1044.3}{1345.0} = 78\%$$ Imported commodities land at 78% of the
price of locally produced commodities

$$\sum(5)-10\%=1044.3$$

TABLE 7

PRICES OF COMPARABLE CROCKERY ITEMS (EARTHENWARE)
(Pence per dozen)

Crockery Type	(1) Imported (UK) (Landed cost excl.duty)	(2) Manufactured in New Zealand (ex-factory)	(3) $=\frac{(1)}{(2)}$
Plain White Teacups	145	186	.78
" " Tea Saucers	63	103	.61
" " Plates 7"	119	152	.78
" " Jug (1 pint)	393	511	.77
" " Meat Dish	512	776	.66
" " Sugar Bowl-12 oz.	193	238	.81
Printed Patterns, Teacups	196	242	.81
" " Plates 9"	269	332	.81
" " Saucers	107	133	.80
Floral Lithograph Patterns			
(i) Teacups	223	273	.82
(ii) Saucers	122	151	.81
(iii) Plates 9"	307	375	.82
(iv) Meat Dish 12"	790	1132	.70
English Vitrified '2 lines'			
(i) Teacup	225	252	.89
(ii) Saucer	123	183	.67
(iii) Plate 7"	187	255	.73
(iv) Plate 9¾"	372	525	.71
(v) Sauce boat	901	1111	.81
(vi) Jug - 1 pint	605	751	.81
(vii) Sugar-bowl - 12 oz.	297	351	.85

$\sum (3) = 1545$

$$\frac{\sum (3)}{20} = \frac{1545}{20} = 0.77$$

Imported goods land at 77% of the price of
locally produced goods

PART II

SOME THEORETICAL ASPECTS

4. The Static Nature of the Analysis

     The statistics presented in Part I must be interpreted
with caution.   The data shows that commodities from overseas
sources, competing with domestic industries in the three
industries surveyed, can be landed in New Zealand at prices
ranging from 51% to 78% of the comparable New Zealand ex-
factory prices.   This assumes however that the exchange rate
is at a fixed level, and given that interest attaches to the
problem of allocative efficiency, the landed costs should be
adjusted for the change in the exchange rate that would be
necessary to restore balance of payments equilibrium without
import controls.   If, for example, the exchange rate was
devalued to £100 stg = £125 N.Z. then the landed costs would
all need to be multiplied by 1.25, giving from Table 2-7,
landed costs of imports equal to 76%, 64%, 80%, 94%, 97%
and 96% respectively, of their domestically produced
equivalents.

     To carry the analysis further and to compute a tariff
level which would place local manufacturers on a competitive
basis with imports, raises further problems.   If such an

'apparent' tariff level were adopted in practice, this would probably lower imports, create a balance of payments surplus, lead to a revaluation of the currency being necessary and lead to the necessity of a higher 'apparent' tariff. The inter-relationship between a variation in the exchange rate and the consequent changes in wage rates and the cost of living domestically would further complicate the analysis.

5. The Measurement of 'Effective' Protection

The 'apparent' tariff level is not a good indicator of either the foreign exchange savings accruing from the production of a given commodity domestically, or of the employment opportunities following from such production. The smaller the percentage value added domestically bears to the total value of the commodity given an apparent level of tariff protection, the greater is the 'effective' level of protection. The effective tariff level is also higher, the higher the level of duty on raw material used in production. The Australian Tariff Board apparently takes into account the 'employment creating' and 'foreign exchange saving' aspects implied in an 'apparent' tariff level. Corden,[2] for example, utilizes a formula

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[2] W.M. Corden: "The Logic of Australian Tariff Policy", draft of a paper presented at the Winter School of the NSW branch of the Economic Society of Australia and New Zealand, Aug. 1961.

$$e = \left\{ \dfrac{1 - x}{\dfrac{1}{t+1} - \dfrac{x}{q+1}} \right\} - 1$$

where e = the effective protective rate

t = apparent tariff rate

x = share of raw materials in the cost of production
    at home

q = tariff rate on the raw material

If t = q then also t = e

If q = o (i.e. no tariff on the raw material)

$$e = \dfrac{t}{1 - x - tx}$$

to calculate the 'effective' tariff rate.[3]

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[3] If the effective protective rate is defined as

$$\dfrac{(\text{value added in NZ}) - (\text{value added overseas})}{(\text{value added overseas})} \quad\quad (1)$$

then the Corden formula follows from this definition, viz:

Let (1) landed costs of imported product be   P
     (2) duty be   t
     (3) cost of local product is   P(1+t)
     (4) landed costs of imported raw materials be   R
     (5) duty on raw materials be   q
     (6) cost of raw materials to local producers be R(1+q)

Now, added value of local production is
    P(1+t) - R(1+q)
and added value of production overseas is
    P - R.
Let share of raw materials in cost of production at home be x.
From (1)
$$e = \left\{ \dfrac{\text{Value added in N.Z.}}{P - R} \right\} - 1 \quad\quad (2)$$
Take the top and the bottom of the fraction as a % of the
New Zealand price and we get
$$e = \left\{ \dfrac{1 - x}{\dfrac{1}{t+1} - \dfrac{x}{q+1}} \right\} - 1 \quad\quad (3)$$

Given the statistics in Part I, the apparent level
of tariff protection needed to put New Zealand manufacturers
of infants' clothing on a competitive basis, in the absence
of quantitative controls, would be 64%, 96% and 56%.
Applying Corden's formula to convert this apparent tariff
rate to an effective tariff rate, we have

$$e = \left\{ \frac{1 - 0.46}{\dfrac{1}{0.644+1.0} - \dfrac{0.46}{0.25+1}} \right\} - 1$$

$$= 123\%$$

This effective level of protection is computed on the
basis that the value added in domestic production amounts to
54% of the total cost of production,[4] that the tariff rate
on raw materials is 25%,[5] and that the actual rate of duty
needed would be 64%.[6] Assuming actual rates of duty of 96%
and 56%, e assumes values of 280% and 98%.

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[4] Based on Submissions by the New Zealand Textile and Garment
Manufacturers Federation, to the T. and D. Board hearing on
infants' clothing, p.33.

[5] Ibid, p.36, gives examples of duties on raw materials
ranging from 15-32½%.   25% is an intermediate figure.

[6] From Table 1.

CONCLUSIONS

The main interest in this study centres on the information presented in Tables 2 to 7 showing the approximate magnitude of the price differentials existing between imported and locally produced commodities in three sectors of the New Zealand economy. The study covers a limited field within the manufacturing sector, although later publications will extend the coverage to as many industries as possible. As emphasized when considering the source of the data and when briefly considering some theoretical issues involved, the price differentials need to be interpreted and analysed with caution.

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APPENDIX 1

INFANTS' CLOTHING

Sources: Table 2

(a) Tariff and Development Board, report no.15, appendix 'D',
      items (a) - (d).

(b) Item (e) pers. comm. N.Z. Bureau of Importers.

(c) The weighting factor is obtained by taking the value of
      production for the commodities, infants' 'shorts,
      trousers' etc., infants' 'shirts, blouses', 'buster
      suits, rompers' etc., 'frocks' and 'nightwear' as
      appearing in the Report of the Industrial Production
      Statistics of New Zealand 1961-62, p.124.

      The assumption is that the commodity prices selected
are representative of the group as a whole. Table 2 presents
some further commodities, while investigations are continuing
on a wider range of samples.

Sources: Table 3

(a) Tariff and Development Board, appendix to the New
      Zealand Retailers Federation Submissions to the
      T. and D. Board, inquiry into infants' garments,
      14.11.62, pp. 9-10.

(b) The weighting factors are obtained from the same source
      as those in Table 2, the exception being in the case
      of 'tunic suits' from Hong Kong, where an arbitrary
      weight of 5 has been asigned. To give a weight of
      32 as suggested by the item 'buster suits, rompers'
      etc., in the Industrial Production Statistics would
      give a large influence to a very low cost source of
      supply.

(c) These submissions by the Retailers Federation were
      questioned by Mr Dellow on behalf of the N.Z.
      manufacturers on the grounds of the lack of
      comparability between products.

Sources: Table 4

(a) Appendix C of the Industry and Commerce submissions
to the Tariff and Development Board hearing on
infants' clothing.

(b) The price of 'frocks, dresses' (UK) has been increased
from 21/6 to 30/- to allow for the fact that
embroidery did not appear on the UK product.

(c) Only those articles with comparable prices, e.g., whole-
sale to wholesale, are included.

(d) Weights - same sources as Tables 2 and 3. Rompers and
crawlers and breechettes have been assigned weights
of 16, i.e., one-half of the 'buster suit, rompers'
category. Five items have been assigned a weight
of 2, the factory production statistics only
distinguishing commodities with a value of £3,000
or more.

APPENDIX   2

YARNS AND FABRICS

Sources: Table 5

Data on yarn for the moquette industry was obtained
from the Submissions made on behalf of the British Wool
Textile Industry to the T. and D. Board, p.12.   Moquette
yarns (worsted, cotton and rayon) are subject to a tariff
varying between 0-15% and a figure of 10% has been added
to the above published figure which is on a c.i.f. basis.
(Hearing on 'Wool and Synthetic Yarns and Fabrics')

The remaining prices in Table 1 are from the
Submissions by the New Zealand Textile and Garment Manu-
facturers' Federation and Affiliated National Trade Groups,
to the T. and D. Board hearing on yarns and fabrics.

It was not found possible to assign a meaningful
weight to most of the items in this table;   the only attempt
was to give a smaller weight to the moquette yarn item as
moquette manufacturing is on a relatively small scale.

Sources: Table 6

Price comparisons were obtained from the Submissions
by the New Zealand Textile and Garment Manufacturers to the
T. and D. Board on the occasion of the hearing on wool and
synthetic yarns and fabrics.

The weights were obtained from the Report on
Industrial Production Statistics of New Zealand 1961-62,
pp. 100 and 124.   The fabric prices were given according
to their final usage, e.g., fabrics used for the manufacture
of 'underwear, lingerie, swimsuits and nightwear' and the
weight attached to this type of fabric (no.(5) in the list)
was the value of final output of these products as given on
pp. 100 and 124, i.e., (379 + 450 + 22 + 218 + 193 + 15 +
362 + 87 + 36 + 404 + 100 + 147 + 576 + 154 + 19 + 287 +
534 + 379) thousand pounds in value = £4,362,000.   The
weight given was '44'.   A similar technique was used for
other commodities.   The first four items (1)-(4) were
weighted according to output in the hosiery and knitting
mills section only (p.100).   Bri-nylon has been given a
weight of one-half of the total shirt output.

The prices for imported commodities are into-store prices and thus include duty. Duties on 'yarns' of various types range from 0-15% and an intermediate figure of 5% has been selected as representative of the group as a whole. For fabrics the average tariff level has been taken as 10%.

The sample prices in Tables 5 and 6 present details from industries coming within the industry groupings 25 and 26 of the N.Z. Industrial Production Statistics.

APPENDIX 3

CROCKERY

Sources: Table 7

The source for Table 7 was the Submissions by the British Pottery Manufacturers' Federation to the T. and D. Board, March 1963, on the occasion of the hearing on Crockery items. Appendix E of this Submission gives the only detailed split-up available for charges e.g. duty, freight, insurance, on imported crockery lines.

No attempt was made to provide weighting factors for these price differences.

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