

1929-30.

634
T.W. Banks

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

1 JUL 1930

HOUSE OF REPRESENTATIVES.

Original.—Please keep clean, and return as soon as done with.

REPORT

Stock
supply H. of R 250 copies
As early as possible.
T.W. Banks
Clerk
House of Representatives.
11/7/1930

FROM THE

SELECT COMMITTEE

Please note alterations

ON THE

TOBACCO-GROWING INDUSTRY
IN AUSTRALIA

TOGETHER WITH THE

MINUTES OF PROCEEDINGS OF THE COMMITTEE

AND

MINUTES OF EVIDENCE.

Presented (1st July, 1930) and ordered to be printed.

[Cost of Paper.—Preparation, not given; Copies 1. Approximate cost of printing and publishing, £ 1.]

1000

£4/3.

F.218.
H. OF R. 1

Price 14/-

REPORT.

The Select Committee of the House of Representatives appointed to inquire into and report upon the position of the Tobacco-growing Industry in Australia, with special regard to the following aspects :—

- (a) The request of the growers submitted to the Prime Minister at Canberra in May, 1928, for a bounty on Australian-grown leaf.
- (b) The alternative request of the growers, submitted on the same occasion, for an increase in the duty on imported leaf and a decrease in the excise duty on locally-grown leaf.
- (c) As to whether the arrangement entered into between the Commonwealth Government, certain States, and the British-Australasian Tobacco Company, to carry out experiments in the growing of tobacco leaf in Australia, is in the best interests of the growers.
- (d) As to whether, in the best interests of the growers, the arrangement should be altered so as to ensure that the Federal direction of experimental work should be made a permanent phase of the tobacco-growing industry in Australia.

has the honour to report as follows :—

INTRODUCTORY.

1. The Select Committee visited all the tobacco-growing areas in Australia, with the exception of those in Western Australia and Northern Queensland. In the two States mentioned only very small quantities of leaf are at present being produced for commercial purposes, and the Committee was able to obtain all necessary evidence relating to these activities. The areas visited were Tamworth, Manilla, Texas and Tumut (New South Wales); Wangaratta, Myrtleford and Pomonal (Victoria); and Mount Barker (South Australia). Evidence in regard to the Queensland areas was taken at Brisbane; whilst the Minister for Agriculture in Western Australia furnished the Committee, by letter, with official information on that State's participation in the industry. No evidence was sought from Tasmania, where there is no tobacco-growing for commercial purposes at present.

All members of the Committee visited the areas in the districts mentioned, and the fullest possible investigation was made into the condition of the industry, both by inspection of the work of growers and direct interrogation of witnesses. The greatest publicity was given to these visits, and to the wish of the Committee to hear evidence from all persons interested in the tobacco-growing industry. The evidence was not restricted to the specific references, but every phase was opened to throw light upon the position of the industry in all its cultural and commercial directions.

The Committee is satisfied that the full scope of the inquiry was explored in every useful direction; also that the growers, manufacturers and other interested persons who gave evidence fully appreciated the efforts of the Committee to understand the nature of the problems affecting this important industry. It is considered that every interest in the Australian tobacco-growing industry was fully represented in this inquiry, and that ample opportunity was given each interest to present its views both by means of sworn evidence and cross-examination of witnesses.

2. The total number of sittings was 34. Altogether 85 witnesses were sworn and examined, while the number of questions asked totalled 6,245. The total mileage travelled by the members of the Committee in the work of inspection and taking of evidence was 8,847.

The inquiry was commenced in Melbourne on 23rd January, 1930. To have its report completed by the date specified in the Parliamentary resolution, namely, 1st July, 1930, the Committee had to take every opportunity of sitting.

REPRESENTATION BEFORE COMMITTEE.

3. At the outset, a request was received from the British-Australasian Tobacco Co. Pty. Ltd. to be allowed to have counsel or other representatives at all the sittings, in order that the interests of the Company should be fully protected. After careful consideration, the Committee decided that there was no necessity for counsel, but agreed to a non-legal representative, preferably a director of the Company. The Company accepted this offer and Mr. C. L. Bentley, a director, who gave evidence on behalf of the Company, appeared at all sittings until he had to leave for England about the middle of April. His place was then taken by Mr. W. W. R. Swinson, also a director of the Company. Mr. C. E. Lough, the Company's tobacco buyer in Australia, was also given permission to attend the sittings. The representatives of the Company were at all sittings invited by the Chairman to ask the witnesses any questions, and this privilege was availed of on many occasions.

The Committee is satisfied that its action in allowing the British-Australasian Tobacco Co. Pty. Ltd. to take an active part in the investigation was fully vindicated by the attitude of the growers, who freely answered the questions of the Company's representatives. The Company also assisted considerably not only by its comprehensive written statement submitted in evidence by Mr. Bentley, but by its submission, whenever required, of actual figures from its account sales showing prices, quantities, qualities and gradings of tobacco purchased in any year from particular growers. The Committee found this information extremely helpful in ascertaining the improvement made by various growers in the cultivation, curing and grading of their tobacco.

The Committee also, at the outset, invited the various associations of tobacco-growers in each State to have an accredited representative present at the sittings. In most cases this invitation was accepted, but owing to the expense of travelling, it was impossible for growers' representatives to attend more than the sittings in their local centre. Representatives of associations or groups of growers who gave evidence and also asked questions of witnesses were Messrs. F. B. Darling (President of the Victorian Tobacco Growers' Association, Wangaratta); W. Considine Parkes (President of the Northern Tobacco Growers' Association of New South Wales, Tamworth); E. V. Kremer (Vice-President of the Manilla Tobacco Growers' Association); W. Lennon (Texas Tobacco Growers); M. Murphy (President of the Pomonal Tobacco Growers' Association); E. A. Hunt (President of the Tobacco Growers' Association of South Australia, Mount Barker); and R. C. Stevenson (President of the Southern District Tobacco Growers' Association of New South Wales, Tumut).

Mr. C. M. Slagg, M.Sc., Director of the Australian Tobacco Investigation, was also invited by the Committee to be present on behalf of the Executive Committee of the Australian Tobacco Investigation, and a similar invitation to be present was extended to the State tobacco experts to attend on behalf of the State Departments of Agriculture. Mr. Slagg was present at nearly all sittings throughout the inquiry, and asked questions of witnesses. Messrs. Temple A. J. Smith (Victoria), and C. J. Tregenna (New South Wales) attended the sittings in their respective States, as the Government experts, and were permitted to ask questions of witnesses, if they so desired.

Evidence was submitted, not only by every association of growers and many individual growers, but by every manufacturer who cared to appear before the Committee; also by many individuals outside both the growing and manufacturing interests, who came forward in response to the open invitation extended in Press notices, to afford any information at their disposal; all members of the Executive and Research Committees and the principal members of the staff of the Australian Tobacco Investigation, the chief officers of the Commonwealth Council for Scientific and Industrial Research; and by the responsible officials of the Departments of Agriculture in the States of New South Wales, Victoria, Queensland and South Australia.

The Committee regrets that owing to the absence from Australia of Mr. Peter Michelides, Managing Director of Michelides Limited, Tobacco Manufacturers, of Perth, Western Australia, it was unable to obtain any evidence from that company, which the Committee understands from statements made by growers in evidence is a large buyer of Australasian-grown leaf principally from Victoria.

PUBLIC INTEREST IN TOBACCO INDUSTRY.

4. The Committee has been impressed with the interest shown by the Press and the public in this inquiry. Wherever the Committee went it met mayors, aldermen, public officials, newspaper proprietors and reporters, and a considerable number of other citizens, and invariably the keenest interest was displayed in the Australian tobacco-growing industry. A number of witnesses not actively identified with the industry voluntarily came forward to express very emphatic opinions regarding the alleged poor quality of Australian-grown leaf. A great many of the witnesses, also, expressed definite disagreement with the suggestion that various

brands of tobaccos manufactured in part or whole from Australian leaf were of poor smoking quality, with a bad aroma. Almost without exception those who, as smokers, were capable of expressing opinions, disputed the contention that there was a characteristic nastiness about Australian tobacco, which rendered it distinctly unpalatable to the average smoker. The majority were of opinion that it was all a question of taste, with the retail price an important factor. In many instances, these witnesses were invited to examine, and in some cases to smoke various samples of Australian tobaccos manufactured by the British-Australasian Tobacco Co. and Dudgeon and Arnell. With few exceptions the witnesses considered that on appearance these tobaccos were inviting, and that the smoking palates to which they were adapted would not find them unpleasant. "Waratah", an all-Australian brand manufactured by the British-Australasian Tobacco Company, received many favorable comments. Cigarettes and pipe tobacco manufactured by the ~~British Australasian Tobacco Co.~~ ^{Waratah Tobacco Co.} from ~~Maritoba~~ ^{Waratah} leaf submitted by Mr. Slagg, the Federal Director, were the subject of the highest encomiums. Cigarettes manufactured by ~~Dudgeon and Arnell~~ ^{Waratah} from samples of ~~Portugal~~ ^{Waratah} tobacco, some with a slight admixture of Turkish tobacco, submitted by Mr. Temple Smith, met with unmistakable approval.

The great interest taken in the inquiry not only by growers but by other citizens who can be regarded as representative of the general public, satisfies the Committee that there is now an awakened public conscience distinctly sympathetic towards the development of tobacco-growing in Australia. The Committee believes that any Australian brands placed on the market, and effectively advertised, would attract a large number of smokers, more especially if the price were considerably lower than the price of the majority of brands made from imported tobacco. It is probable, too, that if appropriate Australian names were given these local brands, the task of the retailers would be greatly lessened.

HISTORY OF TOBACCO-GROWING INDUSTRY IN AUSTRALIA.

5. The printed records of the tobacco-growing industry in Australia were made available to the Committee. It is, however, very difficult to glean a connected story of the whole industry. An interesting summary of an historical nature is contained in the following excerpt from the evidence of Dr. Rivett:—

The introduction of the seed of tobacco and its first cultivation in Australia would appear to have taken place at least 75 years ago. It is possible that migrating gold-miners brought in seed and cultivated the crop for their own use. Certain it is that all of the older districts are situated at, or in the vicinity of, old gold diggings. On the other hand, it seems probable that much of the earlier extensive planting was for the purpose of making sheep dip. Once introduced, tobacco-growing undoubtedly received its first impetus in the decade 1860-70, during and immediately after the civil war in America, when leaf imports were greatly restricted.

The census records show that tobacco culture in Australia has undergone marked fluctuations. [It is ranked as one of our minor crops, although at one time it gave promise of occupying an important place in agriculture. In 1888-89 the area under crop was stated to be 6,641 acres, including 4,833 acres in New South Wales, 1,685 acres in Victoria, and 123 acres in Queensland. This early expansion was, however, not sustained, and the following years, while exhibiting wide variations in acreage and production, showed generally a downward trend. In 1920-21 the total Commonwealth acreage was 1,345. In 1922-23 this increased to 3,727 acres, but since then the area has declined until in 1927-28 only 2,133 acres were devoted to the crop. Of this acreage, 803 acres were in New South Wales, 1,176 acres in Victoria, 135 acres in Queensland, 17 acres in South Australia, and 2 acres in Western Australia.]

Various witnesses remembered extensive growing by certain individuals in New South Wales and Victoria fifty or sixty years ago, and in Queensland twenty years ago. In those days all the leaf was sun-cured, and was of the dark, heavy quality used largely in plug tobacco, which was the form most popular with smokers up to the beginning of the present century. New South Wales, Victoria and Queensland employed tobacco experts at various intervals to assist growers, but as the industry did not show any tendency to expand appreciably, and as the manufacturers began to show disfavour to growers of dark and heavy leaf, the State Departments of Agriculture, with the exception of Victoria, did not appear to display continuous interest. If a suitable man happened to be available, he was given the opportunity to see what he could do with the industry; but as few really experienced men were available, no systematic policy was pursued to try out the full possibilities of tobacco cultivation and curing.

6. On the manufacturing side, the history of Australian tobacco is more definite. Prior to the formation of the British-Australasian Tobacco Co. Ltd., somewhere about the year 1904, a number of small unassociated companies were manufacturing. These companies bought all the available local tobacco, which was usable for the dark plug brands which in those days seemed to suit the taste of the smoking public. The prices paid for the leaf were variable, from 1d. to 1s. per lb., according to the quality of the leaf or the urgency of the occasion. Prices in the vicinity of 6d. and 8d. appear to have been general; although in some years as high as 1s. 3d. was secured. Chinese growers flocked into the industry, many on shares with white land-owners. The tedious method of setting out and looking after the plants appealed to the

Chinese temperament, and the simple process of curing, namely by cutting the green leaf and hanging it in sheds to dry over a six-month period without any expert attention, made no special demand upon the technique of the growers. There seemed to be no anxiety on the part of the manufacturers to secure light and bright leaf, consequently few growers made a study of soils, varieties of leaf, methods of cultivation and modern processes of curing.

Notwithstanding the poor quality of the leaf grown thirty or forty years ago—poor, according to present-day standards—many white and Chinese growers kept in the industry for years, and apparently found the low prices of those days sufficient inducement. Very little plant or equipment was needed, therefore the capital outlay to commence growing tobacco was not heavy; and as a side line the crop was, in a favourable season, likely to yield a satisfactory profit. There is little doubt that one of the inducements to land-owners was the fact that Chinese were always eager to grow a crop on shares, taking all the risks and giving the land-owner very little worry.

Several witnesses testified to the good smoking qualities of some of the early tobaccos grown in New South Wales and elsewhere. They admitted, however, that the taste of the public had radically altered since then. A few of these references are worth quoting:—

Mr. C. F. White, Managing Director of Texas Estates—

3267. I understand that you desire to tell the committee something about a local tobacco manufacturer here; is that so?—Yes, in the eighties, Greenup Brothers erected a factory in this district. They manufactured a brand of tobacco, which they called Texas Gold Bar, and I liked it immensely from the first time I smoked it.

3268. Was it a dark tobacco?—No, it was bright. At that time the men on the station all smoked the very black tobacco, such as Negro Head. When I introduced the Texas tobacco, the men got to like it so much that the ordinary American stick tobacco was left on my hands for months. While Texas Gold Bar was obtainable, neither I nor my neighbours smoked anything else. It was a light tobacco that did not burn the tongue. As regards aroma, it seems to me it is only a matter of getting used to a tobacco. That Texas Gold Bar was Chinese grown and air-cured and naturally there were only a few leaves on each plant, and only a small part of the crop suitable for that kind of tobacco. Consequently, there was not much of it made, and it did not become very widely known throughout Queensland or Australia.

3269. Do you remember at what price it was sold?—It was cheaper than the American tobacco, but I do not remember what the price was.

3270. Do you think that its cheapness had anything to do with its popularity?—I do not think so. It was the quality that counted. It was grown here on these Texas flats.

Mr. G. H. Saywell, at Sydney—(Q.5022)—

“In the sixties there were several factories at work in Sydney. Those factories usually produced a blend of Colonial and American leaf During the nineties quite a substantial trade was done in this blend, and a considerable amount of Colonial leaf was produced and consumed”

Mr. P. McNamara, at Adelaide—(Q.5120)—

“I know five tobacco workers who have worked with the British-Australasian Tobacco Co. Ltd., for thirty years. They all smoke Australian tobacco. One uses “Challenger”, and another man who has had forty years experience in the trade smokes dark twist made by the Company”

7. With the advent of the British-Australasian Tobacco Co. Ltd., the position of the growing industry rapidly altered. The principal local manufacturers, notably Cameron Bros., Dixon, and W. D. and H. O. Wills merged into the bigger company, and a number of the smaller factories sooner or later went out of existence. Up to that time the bulk of the tobacco smoked in Australia was imported in the manufactured state. According to Mr. Bentley (Q.235):—

About the year 1895 manufacturers found that they could not establish a successful business by manufacturing solely or mainly from Australian-grown leaf, and several businesses actually failed which tried to do so. The public would not take the product and the bulk of the trade was done in imported manufactured brands. This is borne out by the fact that of the total quantity of tobacco consumed in Australia in 1896 no less than 60 per cent. was imported manufactured tobacco. To meet the position, the use of imported leaf became essential to any manufacturer who hoped for success, and it is only because of the use by manufacturers of American leaf that the competition with the imported article was met, and that there is any tobacco manufacturing industry of any magnitude in existence in Australia to-day. As a result of this policy practically the whole of the imported manufactured tobacco trade was captured by the Australian factories, which would have been impossible had only Australian-grown leaf been used.

It was the policy of the new tobacco merger to manufacture locally. Realizing that to do this it would be necessary to secure the same class of tobacco leaf which was used largely by British and American manufacturers, the British-Australasian Tobacco Co. Ltd. reduced its use of Australian-grown leaf very considerably. Prior to this, the local manufacturers were

using as much as 30 per cent. of Australian-grown leaf in their tobaccos, and within a few years they reduced this to 10 per cent.; and to-day it appears that only about 5 per cent. of local leaf is used in the total manufactures, the percentage varying in the different brands of tobacco.

In the course of a few years many of the old popular brands of dark and medium plug tobaccos disappeared off the Australian market, giving place to light sliced tobacco in attractive tins and packets. According to the evidence of the British-Australasian Tobacco Co. Ltd., the public showed marked appreciation of the change, as indicated by the steady increase in the demand for all light brands of pipe tobacco. In the last few years cigarettes have come more into favour, necessitating a still lighter type of leaf of suitable burning quality. It is safe to say that, as in Great Britain and the United States, so in Australia; at least 60 per cent. of the manufactured output is in the form of cigarettes, with a decreasing demand for pipe tobacco (*vide* Ninth Report of the Imperial Economic Committee, p. 16-17). Cigars are rapidly going out of favour in Australia, the trade in this regard having fallen to infinitesimal proportions.

The necessity to import larger quantities of light leaf from the United States seems to have decided the local manufacturers to definitely discourage the growing of the old types of dark heavy leaf in Australia. Not understanding the position, and not seeing any objection to growing tobacco which was purchased at average prices ranging from 6d. to 1s. 3d. per lb., many of the old growers took little notice of the continual complaint of the buyers that the local leaf was unsuitable. Probably the presence of many Chinese growers in the principal tobacco areas, notably at Texas and Tamworth, had a good deal to do with the obstinate refusal to make a serious effort to improve the methods of cultivation and curing. The British-Australasian Tobacco Co. Ltd., being the principal buyer—other buyers being spasmodic and not in a big way of business—found itself between the years 1919 and 1923 overloaded with dark leaf in storage.

In those years there was comparatively little flue-curing in the northern New South Wales tobacco areas—Tamworth, Manilla and Texas—and in a good season, notably 1923, the total crop of the heavy sun-cured leaf would be as much as 1,500 tons. Flue-curing was being introduced to the Tumut district, the only other part of New South Wales which was endeavouring to grow tobacco with a definite commercial purpose; but at Tumut less than 100 tons would be harvested. Victoria had by 1922 gone wholly into flue-curing and in that year produced 150 tons. That State had not for many years made serious attempts to revive the growing of tobacco by the old-time methods, and not since the very early days have there been any Chinese communities in the Victorian tobacco areas.

8. The British-Australasian Tobacco Co. decided about the year 1919 to issue an ultimatum to growers of the dark and heavy leaf. In 1923 a meeting was called at Tamworth by the late Mr. John Gilmour, the Company's buyer, and nearly all the local white growers assembled. Mr. Gilmour told the meeting that the time had come to grow a brighter type of leaf, and to adopt the flue-curing method, otherwise his company could not undertake to make any further purchases in those areas. In other words, growers who persisted in offering dark, heavy leaf would do so at the risk of finding the product unsaleable.

From that time the whole character of the Australian tobacco-growing industry radically altered. The Company, appearing before the Tariff Board in 1923, stated clearly that it had no desire to kill the Australian industry, but merely aimed at inducing growers to concentrate on the production of light and aromatic tobacco, which would be more acceptable to the local taste. An agreement, endorsed by the Tariff Board, was drawn up under which the company engaged to purchase not less than 1,400 tons each year (700 tons each from New South Wales and Victoria) for a period of three years at prices ranging from 2s. 6d. to 6d. for the various grades of leaf, namely, lemon coloured 2s. 6d., bright mahogany 2s., and No. 1 dark 1s. 6d., No. 2 dark and bright 6d. to 1s. per lb.; and it agreed to furnish samples of the qualities required for the inspection of growers at the State Departments of Agriculture.

The growers in all the tobacco districts appear to have awakened to the facts of the situation. The company extended the period for the extinction of the old sun-drying method of curing by two years, undertaking to reduce the amount of the purchases of the dark, heavy leaf in the Tamworth and Manilla districts until at a stated period no more would be accepted.

9. The growers both in New South Wales and Victoria immediately took the keenest interest in the more intricate problems of the industry, and various associations were started, culminating in the formation of an Australian Tobacco Growers' Association. This body

requested a further and fuller investigation into the industry by the Tariff Board, and the then Minister for Trade and Customs (the late Hon. H. E. Pratten) finally acceded. The Tariff Board in 1926 visited certain tobacco areas and took evidence from growers, and also held sittings in Sydney and Melbourne. The inquiry was largely into the economic position of the industry, costs of production in relation to the prices paid by the manufacturers being the principal line of investigation. The Board's report, dated 3rd March, 1927, considered that the industry had not emerged from the stage of dark, heavy tobacco production, and held that the manufacturers were justified in their refusal to pay more than the guaranteed prices—which prices the Board reported were 200 per cent. above world parity. The growers, in their evidence, had asked for either a bounty from the Federal Government, or more protection by means of higher import duties and a lowering of the excise. The Board considered the protection of 2s. per lb., then existing, was ample; but to encourage growers, who were subjected to serious risks and losses through seasonal adversities and certain pests, among which blue mould (a parasitic fungus disease) was proving disastrous, recommended a reduction of 6d. per lb. in the excise on Australian-grown tobacco. The Board did not offer a scheme, but suggested that this excise reduction should be handed to the growers in some way to be determined by the Minister for Trade and Customs.

all bright leaf of a
 The recommendation of the Tariff Board was not acted upon; instead the Minister accepted an offer made by the British-Australasian Tobacco Co. Ltd. to give a voluntary bonus on certain qualities of tobacco, the amount of the bonus ranging from 3d. to 6d. according to the colour of the leaf purchased. This bonus was ~~subsequently~~ raised in 1928-29 to 1s. for ~~sun-dried~~ *sun-dried* leaf. It was indicated by Mr. Bentley (Q.318) that the first 3d. was given to encourage ~~sun-drying~~ *sun-drying* the next 3d. was to give a little more encouragement to the growing of bright leaf; and that the additional 6d. was equivalent to the recommendation of the Tariff Board and was virtually given by the Company to help the grower during the transitory period.

The majority of growers were always dissatisfied with the bonus arrangement, and in May, 1928, held a conference at Canberra, at which some thirty delegates from Victorian and New South Wales tobacco areas attended. A deputation waited upon the then Prime Minister (the Rt. Hon. S. M. Bruce), and reiterated the request for either a Government bounty ranging from 3d. to 9d. on different colours of leaf, or further protection through the Tariff. The Prime Minister declined to accept either proposal, but said the matter would be referred to Cabinet for consideration.

No further action having been taken, the growers in 1929 pressed for Parliamentary action. The appointment of this Select Committee was the outcome.

10. The history of the industry may be summed up as follows:—

From the early eighties to the year 1903 considerable crops of dark, heavy leaf mostly acceptable to the manufacturers of those days were grown in New South Wales and Victoria. In that period the industry, particularly in New South Wales, was largely in the hands of Chinese share-farmers. Various good brands of Australian tobacco were produced by local manufacturers; but the bulk of the tobacco smoked in Australia was imported in a manufactured state.

From 1903 to 1920 the bulk of the tobacco grown in Australia was produced in northern New South Wales, where the Chinese share-farmers still adhered to the old methods and produced a dark leaf which was not acceptable to the manufacturers. Victoria had gone in for flue-curing, but was not growing tobacco extensively, as seen in the Table in this report showing areas under tobacco. Queensland was confining her attention to small plots of cigar-leaf in North Queensland and pipe tobacco in the Texas district. None of the other States was growing tobacco commercially. The total Australian production in any of those years would be from 1,000 to 1,200 tons, fully 80 per cent. of which would be sun-dried, dark leaf.

Between 1918 and 1923, the principal manufacturer, the British-Australasian Tobacco Company Ltd. decided that it would no longer continue to purchase unlimited quantities of sun-dried dark leaf, and advised growers to grow bright leaf and to adopt flue-curing. The company in 1918 entered into an agreement to purchase, if available, 2,000,000 lb. of leaf a year for three years, at fixed prices. As the result of the smaller output inevitable by the adoption of flue-curing, and effects of the season, the production dropped heavily after 1923. The next good season was in 1925-26, when 1,000 tons were produced.

At the present time, the growers are producing not more than one-fifth or one-sixth of the quantity of bright leaf asked for by the British-Australasian Tobacco Company.

11. The areas under tobacco and the total output each year since 1901 are as follows:—
STATEMENT SHOWING AREAS UNDER TOBACCO LEAF IN AUSTRALIA DURING EACH OF THE YEARS 1901-2 TO 1927-28 INCLUSIVE.

Year.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Commonwealth.
	acres	acres.	acres	acres	acres	acres	acres
1901-1902	182	103	768	..	..	..	1,053
1902-1903	317	171	722	..	..	..	1,210
1903-1904	407	129	772	..	..	..	1,308
1904-1905	752	106	784	..	..	..	1,642
1905-1906	809	169	933	..	..	..	1,911
1906-1907	601	133	666	..	..	..	1,400
1907-1908	533	345	459	..	..	..	1,337
1908-1909	618	413	669	..	..	..	1,700
1909-1910	959	321	594	..	..	..	1,874
1910-1911	1,096	320	655	..	..	..	2,080
1911-1912	1,501	356	592	..	..	..	2,449
1912-1913	1,914	138	692	..	..	..	2,745*
1913-1914	1,992	284	731	..	..	..	3,007
1914-1915	1,563	196	614	..	..	..	2,373
1915-1916	1,277	169	469	..	..	..	1,906
1916-1917	952	73	317	..	..	..	1,342
1917-1918	791	82	289	..	..	..	1,162
1918-1919	1,680	167	213	..	..	..	2,060
1919-1920	1,604	406	321	..	..	..	2,331
1920-1921	1,021	95	228	1	..	..	1,345
1921-1922	1,164	604	198	1	..	..	1,967
1922-1923	2,658	890	179	..	..	..	3,727
1923-1924	1,450	1,047	276	10	..	..	2,783
1924-1925	719	1,228	166	36	..	..	2,149
1925-1926	1,473	1,179	96	11	..	..	2,759
1926-1927	881	1,154	125	27	5	..	2,192
1927-1928	803	1,176	135	17	2	..	2,133

* Including Northern Territory, 1 acre.

STATEMENT SHOWING THE PRODUCTION OF TOBACCO LEAF IN EACH STATE OF THE COMMONWEALTH DURING THE YEARS 1901-2 TO 1927-28 INCLUSIVE.

Year.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Commonwealth.
	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.
1901-1902	1,971	345	5,848	..	..	..	8,164
1902-1903	2,604	781	1,818	..	..	..	5,203
1903-1904	5,320	848	617	..	..	..	6,785
1904-1905	5,015	1,112	7,125	..	..	..	13,252
1905-1906	7,327	1,405	10,230	..	..	..	18,962
1906-1907	5,371	603	6,454	..	..	..	12,428
1907-1908	3,438	2,764	2,442	..	..	..	8,644
1908-1909	3,858	2,647	5,389	..	..	..	11,874
1909-1910	6,408	2,740	4,016	..	..	..	13,254
1910-1911	8,513	1,090	7,582	..	..	..	17,185
1911-1912	15,045	3,686	4,255	..	..	..	22,986
1912-1913	13,863	661	2,160	..	..	..	16,691*
1913-1914	18,117	2,037	5,092	..	..	..	25,246
1914-1915	10,065	1,192	5,624	..	..	..	16,881
1915-1916	9,563	596	2,063	..	..	..	12,222
1916-1917	921	410	2,071	..	..	..	3,402
1917-1918	2,609	526	961	..	..	..	4,096
1918-1919	20,952	1,825	1,010	..	..	..	23,787
1919-1920	19,236	2,669	1,762	..	..	..	23,667
1920-1921	7,749	908	1,097	8	..	..	9,762
1921-1922	8,386	3,735	1,304	8	..	..	13,433
1922-1923	27,122	4,151	1,456	..	..	..	32,729
1923-1924	9,225	1,165	1,886	15	..	..	12,291
1924-1925	4,567	3,199	1,212	81	..	..	9,059
1925-1926	11,869	7,871	924	4	..	..	20,668
1926-1927	6,465	3,454	918	88	13	..	10,878
1927-1928	5,967	9,055	979	87	55	..	16,143

* Including Northern Territory, 7 cwt.

12. The total number of tobacco-growers registered in each State, each year for the years 1920 to 1929, is, according to statistics supplied by the Customs Department, as follows:—

Year	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Commonwealth.
1920	379	59	165	Nil	Nil	Nil	603
1921	447	50	156	13	Nil	Nil	666
1922	514	115	122	12	Nil	Nil	763
1923	487	69	89	2	20	Nil	667
1924	329	87	88	3	29	Nil	536
1925	252	79	75	14	94	Nil	454
1926	280	35	61	12	18	Nil	406
1927	218	47	58	15	23	Nil	361
1928	193	69	54	17	44	Nil	377
1929	203	56	48	18	47	Nil	372

(Note.—Only a small number of Chinese are left in the industry, and they are confined to Northern New South Wales. A few Italians are growing at Texas.)

FEDERAL TOBACCO INVESTIGATION.

13. The origin of the Australian Tobacco Investigation dates from an offer made by the British-Australasian Tobacco Co. Pty., Ltd., before the Tariff Board in 1926 to further assist in the development of the tobacco-growing industry in Australia. Particulars of the company's offer and the development of the necessary organization to give effect to it are given in the First Annual Report of the Development and Migration Commission, 1926-27, viz. :—

In August, 1926, the representative of the British-Australasian Tobacco Company Pty. Ltd., when giving evidence before the Tariff Board, made an offer on behalf of the Company to provide a sum up to £50,000, for expenditure in conjunction with the Federal and/or State Governments on a £ for £ basis for the development of the tobacco-growing industry in Australia.

The Development and Migration Commission and the Council for Scientific and Industrial Research subsequently discussed this offer with the Company, with the result that a definite proposal was submitted by the Company and agreed to by the Commonwealth Government. The arrangement is that over a period of three years the Company will find £20,000 rateably with the sum of £10,000 to be found by the Commonwealth and/or State Governments for the purpose of carrying out investigations and field experiments. If, at the expiration of the three-year period, developments are sufficiently satisfactory to warrant further effort, and it is mutually agreed that further expenditure is justified, the Company will provide a further £30,000, conditionally upon the Commonwealth and/or State Governments providing a similar amount. The total amount that may be applied to this work is, therefore, £90,000. The Commonwealth Government has made an arrangement with the Governments of the five mainland States, under which it is provided that, over the first period of three years, the Commonwealth will find £5,000 and each State £1,000, and over the second period the Commonwealth £15,000 and each State £3,000.

Under the terms of the Agreement, an Executive Committee to control the policy and general direction of the investigation was constituted, and it was agreed that the contributing States should nominate the Directors of Agriculture, or such other officers deemed suitable, to act as an Advisory Committee.

It was also a condition of the Agreement that the Executive Committee should consist of a representative of the Commission, a representative of the Executive of the Council for Scientific and Industrial Research, and a third member to be jointly appointed by these two bodies.

The Executive now consists of Mr. H. W. Gepp, the Chairman of the Development and Migration Commission; Dr. A. C. D. Rivett, Chief Executive Officer of the Council for Scientific and Industrial Research; and Dr. Darnell-Smith, Director of the Botanic Gardens, Sydney, who has had considerable experience on the scientific investigational side of the tobacco industry in Australia. It has also been decided to appoint as an additional full member of the Executive, Dr. S. S. Cameron, the Chairman of the Standing Committee on Agriculture of the Council for Scientific and Industrial Research. It may be mentioned that all the State Departments of Agriculture are represented on this Standing Committee by their permanent heads.

The investigation will cover the whole field of the economic production of tobacco in Australia. Two factors which, more than any other, dominate the industry in Australia are, firstly, the prevalence of a destructive parasitic fungus disease in the seed-beds, commonly called "blue mould," and, secondly, the difficulty of producing tobacco with a good burning aroma. Other factors are the determination of soil and climate best suited for tobacco culture, the production of a tobacco of light colour, for which there is a popular demand, and the problem of securing trained labour.

APPOINTMENT OF FEDERAL DIRECTOR.

14. The first task of the Executive Committee was to secure an experienced director, and advertisements were inserted in British, American, Canadian and South African newspapers offering a remuneration of from £1,500 to £2,000 a year for three years with travelling allowances. Mr. C. M. Slagg, M.Sc., formerly chief of the Tobacco Division of the Canadian Department of Agriculture, and with wide experience in the United States of America, was selected from a large number of applicants. According to Dr. Cameron, Sir George Julius and Mr. Gepp, no promise was made to Mr. Slagg that his appointment would be continued beyond the three years of the engagement, but it was admitted that he was given to understand he would very likely receive an extension in the event of the continuance of the investigation work. Mr. Slagg arrived in Australia in March, 1928, and immediately commenced his duties. Previously the Executive Committee had authorized a survey party, consisting of Messrs C. J. Tregenna, Temple A. J. Smith, R. W. Howell and E. P. Bainbridge, to visit the existing tobacco areas, and any other areas, for the purpose of collecting data which could be placed at the disposal of the newly appointed director upon his arrival. This information was given to Mr. Slagg, who used it as a starting point.

The report of this survey party has, however, not been published for the reason given by Dr. Rivett in his evidence as follows :—

As a matter of fact, this report was not prepared for publication but for the information of the Executive Committee and the Director of Investigations. Apart, however, from this consideration, it contained conclusions which the Executive Committee was unable to accept as proved, and some of these conclusions, if published, would, in the opinion of the Executive, have been liable to affect prejudicially certain sections of the present growers. This latter consideration, which has always been and will continue to be in the forefront of the minds of the members of the Executive Committee, made it all the more essential that they should be quite sure of their ground before consenting to publication.

WORK OF THE FEDERAL INVESTIGATION.

15. Mr. Slagg has visited existing centres and delivered addresses to the growers. Early in 1930, he issued his first official bulletin, giving the detailed results of his experiments and tests in regard to the growing and curing of many varieties of tobacco, with soil analysis, and conditions of growing. He also gave the results of smoking tests.

At the first public meeting of the Select Committee, Dr. Rivett, on behalf of the Executive Committee of the Australian Tobacco Investigation, presented a Progress Report to January, 1930—a lengthy document setting out in detail the work accomplished and then in hand. This report is published in full in the Minutes of Evidence of the Committee.

The Committee is of opinion that the first three years of the Federal investigation have been productive of good results, which may lead to better results later; but it is satisfied that the cost of the limited amount of experimental work has been excessive. Possibly this is due to the initial difficulties to be overcome. One obvious reason, however, is the generosity of the British-Australasian Tobacco Company, which has contributed its promised quota in a ~~generous~~ ^{ready} manner, without requiring any report upon the manner and method of the expenditure. The Company informed the Committee that its motive in adopting this attitude was to dissipate any suspicion that might be in the minds of the growers and other interested parties that it (the Company) desired to dominate the investigation work, and direct it into certain channels.

PARTICIPATION OF BRITISH-AUSTRALASIAN TOBACCO COMPANY.

16. After hearing the evidence of the company, the members of the Tobacco Investigation Executive, and many tobacco-growers, the Committee is satisfied that the Company, which has contributed towards the investigation up to the present time, was justified in not interfering with the policy of the executive and the work of the executive's officers; also that it genuinely desired to see its money well and wisely expended in the improvement of Australian tobacco-growing. The majority of the Committee, however, considers that as the industry is productive of so much revenue for the Commonwealth, it should be taken under the wing of the Federal Government as a permanent responsibility, without any dependence upon the generosity of manufacturers or others for the continuance of necessary scientific and experimental work. While suggesting that the expense of this investigation work should be borne as a matter of necessity by the Commonwealth Government, the Committee considers that the British-Australasian Tobacco Company is deserving of special commendation for its gift of such a large sum of money in this direction. If the Company is desirous of further participating in the investigational work, its offer should be welcomed by the Government; but at the same time, it should be made clear that any other manufacturer or interest is open to make a contribution to the funds required for research and experimental work in connexion with this industry. Possibly, it would be advisable for the Government to establish a fund for the exclusive purpose of scientific and field work in directions specially desired by the manufacturers. This fund could be earmarked for that purpose, and thus be prevented from being merged into general administrative funds used for Federal direction of the tobacco-growing industry.

FUTURE FEDERAL CONTROL.

17. The Committee considers that if Australian tobacco-growing is to develop into a big national industry, embracing all the States, it is necessary that there should be permanent and strong central direction of scientific and experimental work. The foundation of this work has been laid by the Federal Tobacco Investigation Executive, which is now ceasing to function. The form of new control submitted by Mr. Gepp provided for the appointment of a consultative committee consisting of Dr. Rivett, representing the Council for Scientific and Industrial Research; Mr. Gunn, representing the Development Branch of the Prime Minister's Department, with himself (Mr. Gepp) as chairman. It was proposed that scientific questions and small scale field work associated therewith should be handled by the Council for Scientific and Industrial Research and that the large scale field work should be placed under the Development Branch. This proposal does not appeal to the Committee, for the reason that it removes the real control and the responsibility from the proper officer, who is the salaried Federal Director. There appears to be no advantage in establishing such a consultative committee of three members, all of whom have other important duties to occupy their attention and none of whom can act in this particular direction other than as an intermediary. To set up this outside authority over the responsible officers, whose very reputations are dependent upon the proper fulfilment of their duties, is in the opinion of the Committee to court overlapping and confusion. It will certainly tend to deprive the Federal Director of a proper sense of responsibility, and may lead him to regard himself as a subordinate and inferior authority, with no power of direction or initiation.

It is necessary also that the overhead expenses of the new tobacco control should be cut down to the minimum compatible with efficiency. To continue the policy of having many directional heads, all of whom are actively associated with other duties, means, in the Committee's opinion, to perpetuate the distrust which has existed in the minds of the growers. The industry is at present in its infantile stages, and therefore does not require a heavy central directorate. All it needs is proper departmental control in regard to expenditure upon scientific and field work, under an easily accessible Minister, to whom the Federal Director should be alone responsible for the proper fulfilment of his duties.

Considering the large salary being paid to the Director, and the comparatively small assisting staff required for his purposes at present and for some time to come, the Committee is convinced that the best results will accrue to the industry, as well as to the Federal Government, if a responsible Director is appointed to a permanent position, with only the ordinary departmental conditions of employment. He should be guaranteed freedom from all interference except through the Minister. This will simplify the whole procedure, invest the position of Director with more status, and bring the actual directional officer of the Federal Tobacco Department in personal contact with the growers. He will also be able to discuss with the manufacturers matters relating to the disposal of each year's crop; and in necessary cases he can assist in the settlement of differences between the buyer and seller.

18. The Committee thinks that the new system of control should be at least as permanent and efficient as that existing in the United States and Canada, in both of which countries there are Federal Departments under a director. The scope of these Departments is indicated in the following evidence given by Mr. Slagg:—

131. If a federal department of tobacco were established with a permanent director, do you think it would still be necessary for the States to maintain their present departments, some of whom might be hostile to the federal works?—That would be necessary only in those States where tobacco production is a commercial enterprise of value to those States, and that matter should be left to the various States.

132. Suppose the States abolished their present departments and handed the whole matter over to the Commonwealth, do you think the interests of the industry could be safeguarded more economically than at present?—On my experience of agricultural experimental work in Canada and the United States of America I should say that the States should have men to make direct contact with the growers in all cases where those States have a commercial going activity, and that the federal body should be concerned with problems that transcend State matters.

133. Can you make it clear just what work should be left to the State?—My attitude is based on experience as a representative of the Federal Governments of the United States and Canada in carrying out experimental work on tobacco in co-operation with the different States and provinces. Naturally, the work is not done in an exactly similar manner in both countries. In the United States of America, the situation is somewhat different from that in Canada, because in addition to the Federal Department of Agriculture, which is a very large efficient organization, there are also some large State agricultural experimental stations, generally conducted in connexion with State universities. The relationship between the Federal Department and the State institutions is quite cordial. The Federal Department recognizes that certain types of work must be carried out in the district where the problems are to be met. In that case a federal officer is detailed to work with a State agricultural experimental station. The usual procedure there is for the Federal Government to pay the salary of the man who is definitely on the staff of the Federal department, and to pay all his travelling expenses. The agricultural experimental station furnishes him with laboratory and offices, land, labour, and equipment, and anything he wishes within the limits of its organization. It is supposed to be a half and half arrangement, so far as expenses are concerned. The results are usually published co-operatively, though they may be published by both parties, together with a statement that the work has been carried out co-operatively. I am now referring to agricultural experimentation in general. In Canada the situation is somewhat different, in that under the British-North American Act the agricultural experimental work is largely left to the federal organization. There is a strong Federal Department of Agriculture which has done a great deal of excellent work, and it has a series of branch experimental stations scattered throughout the dominion. At Ottawa, where the headquarters are located, there is a staff composed of a number of divisions, and the heads of these divisions are responsible for the work done at the branch stations. The expense is borne wholly by the Federal Department. Agricultural experimental stations are also carried on in connexion with the agricultural colleges in the different provinces, but they are by no means as extensive as those in the United States of America.

134. In America and Canada, which authority would control the type of work you are now doing?—The federal authorities, in co-operation with the States.

5571. Have they a Federal Control Board in Canada?—They have a tobacco division of the Dominion Department of Agriculture.

5572. Is it purely a federal concern?—Yes.

5573. Is there any form of provincial control?—The States are practically doing no work in this connexion; it is all done by the Federal Department. In the United States, however, there is a Federal Department of Agriculture in conjunction with which the States are performing certain work.

5574. What are the functions of the Federal Department in the United States of America?—The tobacco work in the United States of America Department of Agriculture, is carried out mainly by the Tobacco Investigation Branch.

5575. What is the extent of these departments both in Canada and in the United States of America?—In Canada the tobacco division has its headquarters, office, laboratory and greenhouses at Ottawa.

5576. Is there a Federal Director?—They have a chief of the Tobacco Division.

5577. What are his duties?—Generally to supervise the tobacco work of the Department of Agriculture for the Dominion.

5578. Has he control of all experimental work?—Yes, in connexion with tobacco.

5579. Including field and scientific work?—Yes, there are pathologists and chemists attached to the division as well as several practical men. The total technical staff during the past ten years has consisted roughly of about half a dozen officers. In addition there are field superintendents and field workers as well as a secretary to the division and the necessary clerical staff.

5580. What does the department consist of in the United States of America?—There is a senior physiologist in charge of the tobacco investigation, and under him there are three or four assistant physiologists as well as two or three pathologists and assistant pathologists and others, whom they term field technologists, and a number of technical assistants.

5581. What would be the total number of staff?—I have not the register with me, but I should say that the total staff, including the clerical branch of the tobacco investigation, would probably be twenty.

5582. What are the functions of the director?—The physiologist in charge controls all the tobacco work carried out under the auspices of the Federal Department of Agriculture. In addition he consults with the States officers who may be undertaking tobacco investigation work in the various States. In the tobacco States a good deal of the field experimental work and some of the laboratory experimental work is carried out in co-operation with the federal office. For instance, at the laboratory at which I commenced my tobacco work there was co-operation between the office of the Federal Tobacco Investigations and the College of Agriculture of the University of Wisconsin. That university furnished the laboratory facilities, office staff and casual labour, such as that required for work in the glass or green houses and in the fields, and the Federal Department of Agriculture placed the technical men of their staff in that laboratory.

5583. How long has the federal department been established in the United States of America?—The office of the Tobacco Investigation as such has been established for approximately 25 years, and before that the work was attached to the bureau of soils, and was carried out under its auspices for probably fifteen or twenty years.

5584. What is the position in Canada?—The present tobacco division dates back to 1905.

19. In a few years this Federal Department will probably become the most vital factor in the economic stability of the tobacco-growing industry. As the greatest potential primary producing revenue-maker for the Commonwealth, the industry cannot be too carefully fostered.

FUTURE POSITION OF MR. SLAGG.

20. So far as Mr. Slagg is concerned, the Committee considers that he has not had time to fully demonstrate his abilities and his experience; also that he has not been given sufficient immunity from outside direction. He has apparently been under the impression that his position was extremely uncertain, and that its continuance was largely dependent upon the approval of a number of interests, manufacturing as well as growing. He has also been subject to the criticism of various State experts, and at least one member of the Tobacco Investigation Executive.

The Committee recommends that Mr. Slagg be offered the position of Federal Director with full charge of his department, at a salary and upon conditions to be determined by the Government.

If this plan is adopted, there will be no need for the additional form of control suggested by Mr. Gepp. In any case, this Committee does not see any particular merit in that form of control, and is totally against its acceptance.

ADVISORY COUNCIL FOR GROWERS.

21. The Federal Director could be assisted very materially by an Advisory Council of growers. Under the form of control proposed by Mr. Gepp it would be impossible to have growers' representation, as there would be no effective way in which such representation could function. With the Federal Director as Chairman, an Advisory Council, consisting of not more than two growers from each tobacco-growing State chosen from the organizations therein, could quite easily function by the holding of meetings at some central place, preferably Canberra, two or three times a year; and in view of the keen interest being taken by certain States and their offer to continue, provided a Federal organization exists, the Committee thinks it desirable and necessary that the Director of Agriculture in each tobacco-growing State should be *ex-officio* a member of such Advisory Council. The expenses of these meetings, at rates to be fixed by the Minister, should be paid to each grower's delegate, thus relieving the growers' associations of this item of expenditure. The meetings should be summoned by the Federal Director, but provision should be made for special meetings to be summoned with the approval of the Minister, on a request by a majority of the growers' representatives on the Council. The Advisory Council could discuss with the Director the progress of investigations, give advice to the Director, and issue a written report after each meeting to the Minister. In this way a form of representation satisfactory to the growers, and helpful to the Director, would be set up at inconsiderable cost to the department.

The Committee has given consideration to the question of having representation of manufacturers on the Advisory Council, and is of opinion that the Council should be given freedom to invite to any of its meetings representatives of any manufacturing interest for the purposes of consultation on matters affecting the industry.

HEADQUARTERS AT CANBERRA ; AND ORGANIZATION.

22. The Committee considers that the tobacco investigations headquarters should be transferred as soon as possible to Canberra, where the Director should reside. This move would give the Department definite status, and bring it closer in touch with New South Wales and Queensland, while leaving it handy to Victoria.

23. The Committee contemplates in its proposal that the scientific work concerning tobacco being conducted at the Canberra laboratories shall be under the direction of the Tobacco Department, and therefore subject to the authority of the Federal Director, who should be the most competent person to decide in which direction the scientific work should from time to time be carried. Provided there is adequate co-operation there appears to be no reason for placing any officer of the Council for Scientific and Industrial Research in sole charge of this phase of the Tobacco Department's activities. After all, the whole work of investigation is essentially a tobacco expert's task, and he should be the best judge of what is required from the laboratories. Field research should also be under the direction of the Federal expert. Directly under the control of the Director should be established a corps of field instructors—six or twelve—men capable by experience and training of advising and instructing growers in all departments of the industry appertaining to production, and capable of creating the necessary liaison between the scientific research staff on the one hand and the manufacturing interests on the other. Such a corps of officers should be able, under the direction of Mr. Slagg, to plan and supervise operation in the States where tobacco-growing can be successfully operated, to indicate definitely where tobacco-growing has been found impracticable or economically unsound and have it eliminated, and thus enable policy and expenditure to be concentrated on areas showing the best cultural prospects.

24. The Committee believes that this form of control will be much more satisfactory to everybody than any form which invests numerous authorities with the power to over-ride and hamper the policy of the one man who is being paid to make a success of the tobacco-growing industry in Australia.

WORK OF THE STATES.

25. Until the Federal Tobacco Investigation Executive was established in 1927 various States were the sole directors of tobacco-growing in Australia. The principal efforts were being made in New South Wales and Victoria, where for the last twenty years or more tobacco experts have been employed to assist growers. Neither State had built up a strong department, the work devolving almost wholly on the expert and one or two field assistants. The Under-Secretaries for Agriculture have been content to leave the tobacco industry in the hands of the experts; though in Victoria Dr. Cameron, Director of Agriculture, has shown for many years a definite personal interest, which has taken a strong lean towards the growers. He has known their difficulties, and has done everything in his power to keep his tobacco staff up to the task. In this he has been faithfully aided by Mr. Temple Smith, State Tobacco Expert, who some years ago was sent to the United States to study the industry with a view to improving the methods of cultivation and curing in Victoria.

26. In New South Wales the work has been under the control of Mr. C. J. Tregenna, State Tobacco Expert, who has held the office for the last fifteen years. Until a few years ago, Mr. Tregenna seemed to have every faith in the future of the industry in New South Wales. He then appeared to develop the opinion that the growers in New South Wales were making no improvement. This idea, which he seems to have ventilated freely in the Tamworth, Manilla and Texas districts brought him into conflict with many growers, and finally aroused a definite feeling of hostility towards him. The feeling became so acute as to impel the president of the northern growers, Mr. W. Considine Parkes, to wait upon the Under-Secretary (Mr. Ross) in Sydney and complain of Mr. Tregenna's attitude. Mr. Tregenna persisted in his opinion, and up to the time of his appearance before this Committee as a witness had not become any more favorable towards the prospects of tobacco-growing in his own State, or even in Victoria, with the exception of Pomonal. He was most definite as the following references in his evidence show:—

1299. Would you be prepared to smoke cigarettes made half of Australian and half of American leaf?—If the Australian leaf came from Stawell, in Victoria, or North Queensland, a 50-50 mixture with American tobacco would give a satisfactory cigarette. The position would be quite different if tobacco grown in Tamworth, Manilla or Tumut were used.

1300. What about Wangaratta?—Anything I smoked from Wangaratta has not been good.

1359. What is your opinion of North Queensland as a tobacco-growing area?—It is the only place in Australia that I have visited which I think will produce high-grade tobacco. I think that we can grow there tobacco which will displace much of the American product now imported.

2467. *By Mr. Jones*.—In spite of this report will you agree with Mr. Gepp when he says that he holds the opinion that Australia can and will supply all the tobacco that Australia requires?—It cannot be done from New South Wales or Victoria; but it can be done from Queensland. That remains true unless and until the public taste changes back to the old dark tobacco.

2469. Do you rule Victoria out as not being able to supply the tobacco required?—With the exception of Pomonal, I would rule out Victoria and the whole of New South Wales.

The Committee, having heard the evidence of many growers at Tamworth, Manilla, Texas and Tumut, is of opinion that Mr. Tregenna's lack of enthusiasm proved discouraging to many of them. That he was adopting an incomprehensible attitude towards the growers under his care is evidenced by the fact that in spite of his pessimistic viewpoint, the British-Australasian Tobacco Company's buyer, Mr. Lough, visited the Tamworth, Manilla, Texas and Tumut districts each year and purchased all the available bright leaf, as well as most of the dark leaf, without any reference to the bad burning aroma which Mr. Tregenna had persistently alleged was the fundamental fault with the leaf from these districts, rendering it unacceptable to the manufacturer. Mr. Tregenna also made insufficient allowance for the steady improvement in growing and curing shown by numbers of growers in the northern areas; in fact, when giving evidence before the Committee, he appeared to be in ignorance of what many of these growers were producing. He did not even know the number of growers in New South Wales, and referred the Committee for this information to the Customs Department.

Mr. Tregenna's opinion of the unfavorable future before the tobacco industry in Victoria and New South Wales cannot be endorsed by the majority of this Committee. His evidence on this point was not supported by other expert witnesses, including the British-Australasian Tobacco Company's buyer, Mr. Lough, who admitted that there had been a marked improvement in both these States, both as regards colour and quality. While not insisting that it was as good as the average American leaf, Mr. Lough in no way supported the view of Mr. Tregenna that the leaf now being produced in larger quantities by the growers of Victoria and New South Wales was not the kind required by the manufacturers. This is indicated by the following extracts from Mr. Lough's evidence:—

1196. Do you agree with the statement made by growers at Wangaratta that they can now produce 60 per cent. of bright leaf?—Before they can produce that proportion of bright leaf they will have to change their methods. I do not think that, on the average, they are producing that proportion of bright leaf. Some growers produce as much as 80 per cent. of bright leaf. That has been done at Tamworth and in some Victorian districts. From one farm at Tamworth I bought 41 bales of bright leaf, and 34 bales of mahogany. Of those 34 bales of mahogany, 29 bales were high-grade. There was no dark leaf at all. I attribute those results to intelligent culture.

1197. Does that not indicate that growers who work on proper lines will get satisfactory results?—Yes, particularly if they pay due regard to colour and grading.

1198. You consider that intelligence on the part of the grower is an important factor as well as soil, climate and quality of seed?—Yes, it is most important.

1199. On what type of soil in the Tamworth district were those results obtained?—On rather heavy soil on which tobacco had been grown for some years.

27. In other States, very little departmental work has been done for many years. In Queensland, except for some supervision over early Texas growers, and assistance to cigar-leaf growers in North Queensland, practically no tobacco direction has existed since about 1915, when the State tobacco expert, Mr. Neville, returned to America. The Director of Agriculture, Mr. Quodling, however, informed the Committee that if the Federal investigation work was to continue he would recommend his Government to take a more active part in the industry. He would even try to secure an expert, and in any case would render active assistance to the Federal authority. Mr. Ross, Under-Secretary for Agriculture in New South Wales, also favored the continuance of the Federal investigation work, but said he would probably not recommend the appointment of another expert as a purely State responsibility. He would, however, be prepared to employ field officers to give advice to growers.

28. In South Australia, Professor Perkins, Director of Agriculture, admitted that there had been little or no tobacco direction, mainly for lack of growers. Now that the Commonwealth had taken up the industry, he would be only too willing to recommend his Government to take an active interest.

29. Making every allowance for the good work that certain States have done in the encouragement of tobacco-growing the Committee is unable to see any prospect of State success without permanent Commonwealth direction. The industry is essentially Federal in character, consequently it seems unwise and almost unreasonable to expect the States to assume all the responsibility. The wonder is that the States, which have only indirectly derived financial benefit, have spent so much money without inviting the Commonwealth to share the burden.

The States have not made any serious effort to place the industry on a statistical basis, the result being that the Directors of Agriculture and even the experts have not had the actual figures year in and year out. The Committee had to obtain all definite information as to the number of growers, the acreage and the value of production from the Department of Trade and Customs.

The expenditure of each State over a period of years indicates clearly the efforts made to develop the industry in Australia :—

New South Wales	..	Since 1921-22, an average of £1,199 per annum.
Victoria	..	Since 1919-20, an average of £1,847 per annum.
Queensland	..	Figures not available.
South Australia	..	Since 1920-21, an average of £216 per annum.
Western Australia	..	Average annual expenditure from 1923 to 1926, £31 per annum (exclusive of supervision—the cost of which was not supplied to the Committee).

30. Dr. Cameron, Victoria, suggested to the Committee that the work of tobacco direction could best be done by the States as indicated in his evidence :—

3836. Until the Commonwealth investigational work commenced three years ago, was any attempt made to co-ordinate the work done by the States who were interested in tobacco-growing?—I do not understand what you mean by co-ordination.

3837. To exercise a federal supervision over the work. Tobacco-growing is not essentially a State industry but is common to the whole of Australia. The Commonwealth Government introduced federal supervision of field work in order to spread it over the whole continent?—I do not see that there is any necessity for co-ordination in the sense in which you refer to it, or in the sense that you consider that an attempt has been made in the last three years. No co-ordination of that kind is required in connexion with any other successful staple primary industry : each State has its own separate organization, and they are not overlooked by a federal officer with a staff in an attempt to co-ordinate the work.

3838. The reason that the Commonwealth Government intervened in this industry was that economically it is a Federal and not a State industry, because 90 per cent. of our tobacco is imported, and the Commonwealth derives a revenue of £7,000,000 a year from it : so that you cannot possibly compare tobacco with such industries as, say, wheat or fruit, from which the Commonwealth derives no import or excise revenue?—Assuming that during the last few years the idea has been to co-ordinate the work or to control the State work, I say deliberately that it has utterly failed. It has neither co-ordinated the work nor brought about an improvement in the State work. To a large extent the federal organization has had the advantage of, and been educated by, State staff knowledge and experience.

The Committee appreciates the value of the work done by Dr. Cameron for the Victorian tobacco-growers, but is unable to accept his opinion as to the value of State work generally. After 40 years or more, the States have failed, even in Victoria and New South Wales, to develop the industry up to an Australian standard. No doubt the great difficulty has been the inability of the States to deal with the major problem of protection by means of the tariff : but before Federation no successful attempt had been made by any State to force the industry to develop by this or any other method.

31. The Committee feels that the tobacco-growing States are willing to help the industry for the sake of the whole nation, and therefore suggests that the Federal Tobacco Department should formulate a scheme which will bring the States in to help in the way favored by various Directors of Agriculture.

ALLEGED DEFECTS IN AUSTRALIAN TOBACCO.

32. The Committee thoroughly investigated the suggestions that have been made that there is a fundamental fault in Australian tobacco directly responsible for a bad burning aroma. Such aroma, we are told, is entirely absent from American tobacco ; hence the preference of the Australian public for the American leaf.

A great deal of evidence was taken on this question, and while there were many differences of opinion, the Committee failed to secure any reliable evidence that a definite fundamental fault, such as an objectionable burning aroma, which could be classed as characteristically Australian, existed in any of our tobacco, except perhaps in the inferior and rubbishy grades of dark leaf most of which is cured in a green condition. The evidence was so contradictory on this point as to justify the Committee in summing up the whole question as largely a matter of individual taste. The Committee is satisfied, however, that the various brands of Australian tobacco placed on the market by manufacturers now and in years gone by, have not possessed an inherent and objectionable aroma unacceptable to the Australian smoker. It is probable that some of these brands burn the tongue, and are not agreeable to every smoker ; but the same results are obtained from various American brands sold at higher prices. Every witness who had tried Australian brands found some merit, and none who had tried only American brands would say that he found them satisfactory in every direction.

It was indicated clearly in evidence that Australian brands of pipe tobacco—cigarettes have not been attempted except on a small scale and chiefly in Western Australia—have had a ready sale when brought under the notice of the public by judicious advertising. Some brands decline in popularity more quickly than others. When it is considered, however, that fully 90 per cent. of the advertising is to popularize mainly imported tobaccos, it is impossible to gauge the extent of the potential public demand for well-manufactured local tobaccos. Some of the tobaccos turned out by Australian manufacturers either composite or 100 per cent. Australian, are quite acceptable to large numbers of smokers. This is proved by the steady sales secured without extensive advertising.

33. Price is the most important factor in the marketing of manufactured tobacco. It is true that utterly bad tobacco, which has a noxious effect, would not sell readily at any price, but no manufacturer would knowingly market tobacco of an unsmokable character. In the final issue the smoker would decide on two factors—quality and price.

The majority of the tobaccos sold by the British-Australasian Tobacco Company are now fairly high-priced, ranging from 1s. 3d. to 1s. 10d. a 2 oz. tin, while cigarettes vary from "Capstans" eleven in a packet for 6d., to "Country Life" 23 in a tin for 1s. 6d. No Australian brands of tobacco or cigarettes are on the market at a margin which would tempt a finicky smoker. If the prices were much lower than those for the imported brands, and the fact were properly advertised, the Committee has little doubt that the demand for the local tobacco—even if such tobacco were not wholly up to the American standard—would speedily improve, thus creating a more solid foundation for the local growing industry.

ALLEGED EUCALYPTUS AROMA.

34. The Committee heard a good deal of evidence in regard to certain statements made during the past three years that the alleged fundamental defect in Australian tobacco had at last been traced to the influence of eucalyptus. The principal witness on this matter was Dr. Darnell-Smith, Director of the Botanic Gardens, Sydney, and a member of the Federal Tobacco Investigation Executive. In 1927 Dr. Darnell-Smith, at the instigation of the Federal Investigation Executive, visited the tobacco-growing States in America, and on his return issued a bulletin entitled "Report on a tour through the South-Eastern Atlantic States of U.S.A., with particular reference to the production of bright flue-cured tobacco." This report dealt extensively with certain opinions held by Dr. Darnell-Smith regarding defects in Australian tobacco; but the Federal Investigation Executive Committee, holding the view that further work on the points raised in the report was necessary before making public statements, withheld this portion of the report from publication. Dr. Darnell-Smith's report, therefore, as finally issued dealt only with the production of tobacco in America.

35. It appears that in 1927 the British-Australasian Tobacco Company brought from America a tobacco expert, Mr. H. A. McGee, on a three-year engagement, at a high salary, to conduct experiments and report on the Australian tobacco-growing industry. Mr. McGee became associated with Dr. Darnell-Smith and Mr. Tregenna. When the Federal Tobacco Investigation was commenced in 1927, the experiments being conducted by Mr. McGee were handed over to the Federal authority, and towards the end of 1928 Mr. Gee left for America. He seems to have been disappointed in the results of his experimental work.

About the middle of 1928, however, reports began to appear in various Australian newspapers that the outcome of the experiments conducted by Mr. McGee, Mr. Tregenna and Dr. Darnell-Smith had been to prove that phellandrene oil, contained in *eucalyptus dives* and *eucalyptus blakelyi*, the two most prevalent types of vegetation found in the existing tobacco-growing areas, was responsible for the alleged fundamental defect, namely, the bad smoking aroma of Australian tobacco. These reports declared that if the industry were to progress, new growing areas free from these two varieties of eucalypts would have to be located. It was said, also, that one such area had been found in North Queensland, in the district of Mareeba, near Cairns.

A controversy followed this publicity, and action was taken by various growers' organizations to secure confirmation. In response to requests for information as to the attitude of the Federal Investigation Executive, Mr. Gepp, the Chairman, issued a press statement to the effect that the eucalyptus theory should not be accepted, as it had not been proved; and that no one had the authority of the Federal Executive for making any information public. It appears that a copy of a confidential report submitted in May, 1928, to the British-Australasian Tobacco Company, and signed by Messrs. McGee, Tregenna and Dr. Darnell-Smith was furnished to the Federal Executive. The Executive refused to publish the report, the reason being explained by Mr. Gepp in his evidence as follows:—(Q. 1140) "The Australian Tobacco Investigation considering the case had not been proved refused to publish the report".

36. The Committee had evidence in Brisbane from Mr. N. A. R. Pollock, Instructor in Agriculture in North Queensland, to the effect that in 1927 he met Messrs. Tregenna and McGee, who were members of a survey party appointed by the Federal Tobacco Investigation Executive. They told him they were looking for suitable tobacco land, and he took them to Mareeba, which he considered had the requisite rainfall and the poor sandy soil described by these two visitors as essential requirements for light bright tobacco. Other areas were visited, but only Mareeba was viewed favorably by Messrs. McGee and Tregenna. Mr. Pollock said that on this occasion the two experts told him of their experiments in regard to the eucalyptus theory, and he subsequently made a public statement, which appeared in the *North Queensland Register* of Townsville of 11th June, 1928. In this statement Mr. Pollock said, *inter alia* :—

“Working on these lines, Mr. Tregenna has advanced a most attractive theory, namely, that the influence of certain species of eucalyptus notably *eucalyptus dives*, which yield an oil containing phellandrene, growing on the soil for thousands of years is responsible for the peculiar and objectionable aroma of southern-grown tobacco. Though a great many species of the eucalyptus gums yield oil, the composition of such oil differs, that only from certain species containing phellandrene.”

From this unauthorized publicity seems to have arisen the discussion which later appeared in various other newspapers all over Australia.

37. In his evidence in Sydney, Dr. Darnell-Smith explained the Bathurst experiments in regard to eucalyptus as follows :—

876. *By the Chairman*.—You said that the results of the investigation in relation to eucalyptus taint are available. Have you any knowledge of the existence of the report ?—Yes.

877. Were you in charge of the experiments dealing with eucalyptus leaves ?—No. We decided to compare the results of seed grown in American and Australian soils. Mr. McGee, a highly qualified tobacco expert who was brought from America by the British-Australasian Tobacco Company, agreed with the idea. The company brought out 9 tons of American soil from a typical tobacco-growing area. The soil was carefully taken off 2½ inches at a time so that it could be put into pits exactly as it came from America. The State of New South Wales afforded facilities at Bathurst for the tests. The expenses were borne by the British-Australasian Tobacco Company. A decision as to what should be done was made after discussion by Mr. McGee, Mr. Tregenna and myself. At the beginning of the next year the same three were in charge of the operations; but before the year ended the Australian Tobacco Investigation was inaugurated. That body then became responsible for the experiments. I took a lively interest in the matter; but the control passed from one authority to another. At the end of that year—1928—some adverse comments were made about the conduct of the experiments. By that time Mr. Slagg had been appointed. In explaining the position to him I said that I wanted the experiments to be continued; but that I did not want to have control of them. From the end of 1928 to the present time Mr. Slagg has been in charge of the investigations.

878. You were in charge of the experiments for one year ?—I was not in charge; Mr. McGee was. I handed over to Mr. Slagg because Mr. McGee had gone to America.

879. Did Mr. McGee start his soil experiments in 1926 ?—Yes.

880. Did you and Mr. Tregenna collaborate with him ?—Yes.

881. In the following year, as the result of a theory advanced by Mr. McGee, you all collaborated in the vegetation test ?—I would not say that the theory was put forward by Mr. McGee.

882. Was it put forward by Mr. Tregenna ?—No. The three of us discussed the matter, and our experiments showed that soils produced different results. We then sought the explanation.

883. Was that the first time that the theory about eucalyptus taint in tobacco was advanced ?—Yes, so far as my knowledge goes.

884. In the Progress Report of the Australian Tobacco Investigation, you refer to the residual effects of fresh eucalyptus leaves added to river sand. What do you mean by the residual effect ?—In 1927, into a pit filled with sand, we dug a number of fresh eucalyptus leaves. The tobacco grown in that pit was tested at the end of the season. It had a distinctly disagreeable aroma. The next year we decided to leave the soil as it was; we put no fresh eucalyptus leaves into the soil. At the end of the second year the tobacco grown in the soil had a good aroma.

885. If the theory regarding the eucalyptus taint is valid, is it not just as likely that, in the course of time the addition of eucalyptus leaves to the soil would improve the aroma of tobacco ?—If you were dealing with sand, that theory would be justified.

886. Would we be justified in saying that, far from being a fatal defect, the presence of eucalyptus in the soil might improve the quality of tobacco ?—I think that would be going a bit too far. In our tests we used river sand! At the end of the first year the aroma of the tobacco was bad, and at the end of the second year it had improved.

887. Would that improvement be due to the greater maturity of the volatile oils in the soil ?—It might be. Sandy soil into which a quantity of stable manure is dug gives wonderful results for six months. In such soil stable manure gives hardly any residual effect, whereas in heavy soil its effect is much more lasting. I am not prepared to say that, because we obtained certain results with sand, we should get similar results with heavy soil.

888. If you had continued the experiments for a further year do you think you would have got still better results ?—The experiments are still going on. A further year will not have passed until March, 1930.

889. Would we be justified in saying that paragraph 7 of the summary on page 56 of the Progress Report, relating to the residual effects of eucalyptus leaves, largely nullifies the conclusions reached in paragraphs 5 and 6 ?—I would not say that it nullifies them, but that it renders the conclusions arrived at in paragraphs 5 and 6 rather abortive. In all experiments the experimenter must keep on until he gets something definite. In this case the results at the end of the second year were different from those of the first.

On the evidence of Dr. Darnell-Smith, it looks as if a heavy infection of the experimental soil with eucalyptus mulch—pulverized leaves—would produce a definite eucalyptus taste in Australian tobacco grown at the end of the first season; but at the end of the second season, after there had been no further addition of eucalyptus mulch to the soil, the taste would be less

pronounced, and the burning aroma of the tobacco would be pleasant. This is the effect of Dr. Darnell-Smith's version. What would happen in the third year, after there had been no further addition of mulch, has not been demonstrated.

38. The Committee secured the opinions of other witnesses on this theory, and their views are interesting.

Dr. Cameron—3884—Do you not think that the eucalyptus theory was a legitimate one, and that in the interests of the industry, it ought to have been tried out?—I do not think it was a legitimate theory. The moment I heard of it my mind visualized our butter, our wines, and other products that grow on eucalyptus soils, or soils upon which the eucalyptus has been the only vegetation for aeons.

Professor Perkins—5300.—Is it at all feasible to argue that, because of the eucalyptus vegetation in Australia, tobacco grown in such soil must be tainted with a eucalyptus odour?—I should not care to express an opinion unless I saw the whole of the results and knew who carried out the tests. I cannot see how it could happen. I cannot give an off-hand reply.

5301. Do you think that far from eucalyptus having a deleterious effect on the aroma it would be more likely to have an improving effect?—I would not argue the matter. Why is there no taste of eucalyptus in our rhubarb and cabbages? Why should this supposed taint be confined to tobacco?

39. The Committee is inclined to the view that the theory originated with Dr. Darnell-Smith, and is confirmed by the following extract from his evidence :—

Q.865. "I believe it was I who suggested that eucalyptus might be the cause of the aroma in Australian tobacco."

40. In view of the demand of the manufacturers for much larger quantities of bright Australian leaf from all existing tobacco-growing areas, there does not seem to be any value in these eucalyptus experiments, which up to the present have been quite inconclusive. All that has been suggested is that an unpleasant aroma can be added to tobacco when soil is heavily impregnated with eucalyptus leaves. This seems a futile form of experimentation. No data has been furnished to show that the soil used by tobacco-growers has a natural eucalyptus impregnation, or if so, to an extent which could possibly produce a traceable eucalyptus aroma. The Committee is assisted in forming this opinion by the evidence of Dr. Cameron and Professor Perkins, and also by the definite view of the Executive Committee of the Australian Tobacco Investigation in the evidence of its Chairman (Mr. Gepp) :—

5875. It was as impossible then as it is now for the executive committee to state that there is, or is not, a eucalyptus taint in Australian tobacco, and substantiate the statement with scientific data. It does not for one moment believe there is such a taint, and in that is at one with others who have given evidence; but the investigation is essentially a fact-finding institution, and as such must of necessity conduct its inquiries and make its announcements upon a basis of scientific inquiry.

The Committee is satisfied that there is no fundamental fault which has so far been demonstrated in conclusive fashion by any authorities that have been investigating. Even the smoking tests carried out from time to time with raw and unmaturing leaf chopped into cigarettes do not appear to afford reliable data.

OPINION OF THE FACTORY WORKERS.

41. A written statement was submitted to the Committee in Sydney by Mr. J. H. Walker, Federal Secretary of the Federated Tobacco Workers Union of Australasia, and formerly an employee of the British-Australasian Tobacco Company. This organization embraces about 5,000 tobacco workers, women included, and as the British-Australasian Tobacco Company's employees number 5,300 it is likely that the great majority of these members of the union are Company's employees.

The evidence of Mr. Walker was very emphatic in its hostility to Australian-grown leaf, the contention being that owing to the inferiority of this leaf the handling problem was much more serious than in the case of imported leaf. He estimated that the wages of tobacco workers handling Australian leaf would be reduced 25 per cent. through the broken nature of the leaf, and the tearing of the leaf during the process of stemming. The stems, also, were heavier and harder to remove, and generally the leaf was not so easy to work as imported leaf. Mr. Walker also declared that if the bulk of the leaf handled in the factory were "domestic" there would be a great reduction in the demand amongst smokers, consequently there would be considerable unemployment amongst tobacco workers. He could give no estimate of the amount of unemployment the union expected.

42. The Committee also heard evidence from Mr. H. W. Ninnes, a Vice-President of the Union and an employee of the British-Australasian Tobacco Company. This witness was equally as hostile towards the local leaf as Mr. Walker, and submitted samples of processed Australian leaf with samples of American leaf. At first it appeared as if Mr. Ninnes were attacking all

qualities of local leaf, but in cross-examination he admitted that his remarks were mainly applicable to the inferior dark leaf, of which there was a heavy carry-over in the factory. The sample of local leaf submitted by him was clearly the darker and poorer quality, and the Committee considered that there was no value in the comparison offered by the witness.

43. In regard to Mr. Walker, the Committee considers that his statement was obviously inspired by the fear that there would be a great falling off in local consumption if Australian leaf were more freely used in manufacture. This fear the Committee believes to be entirely groundless, and it is supported in this opinion by the failure of Mr. Walker to go any further than state that local leaf possessed a bad aroma. The bulk of the evidence submitted to the Committee does not bear this out, especially in regard to the brighter and lighter varieties of leaf.

IMPROVING MANUFACTURE OF LOCAL LEAF.

44. Considerable evidence was heard on the subject of the manufacturer's share of responsibility for the alleged bad reputation of Australian tobacco. The discussion centred principally round the methods of maturing or ageing prior to manufacture. Interesting evidence on this point was given by Dr. Cameron, Victorian Director of Agriculture, who in 1927 paid a visit to America and closely investigated the tobacco-growing industry. On his return he submitted a valuable report to the Federal Tobacco Investigation Executive. In his evidence Dr. Cameron said (Q.330) :—

I pointed out in the report that I presented to the Investigation Committee the following facts regarding the American system :—

After purchase at the warehouse each buyer's purchases are packed in hogsheads for transport to the "prizing house." During this packing as far as possible similar types and grades of leaf are packed together. Opportunity is also taken to exercise a greater refinement in grading the types and qualities than the growers' lots show.

At the re-ordering or storage warehouses the preparation for storage or ageing mentioned above is carried out. The prime object of the process originally was apparently to bring about a uniform and standard moisture content in the tobacco as purchased on the selling floor, which, of course, would vary considerably, and so result in a variable intensity and effect of the sweating which proceeds when the tobacco is stored in hogsheads during the ageing period.

The Committee referred this aspect to Mr. Bentley, of the British-Australasian Tobacco Company, whose statement is contained in the following extract (Q.285) :—

In the year 1926 the company completed the erection in Melbourne of a large factory of five floors and a basement costing £78,000. The top floor of this building was specially constructed to take care of the handling and storage of Australian tobacco leaf, and the most modern machinery installed at a cost of £6,400. A similar plant has been erected at our Sydney factory, and all requirements in this regard have been met for a considerable expansion in the industry. Every possible care and attention, irrespective of cost, is given to the redrying, boxing and storage of Australian leaf, and in these respects we can claim to be well abreast of the methods adopted in other parts of the world.

whilst Mr. Slagg informed the Committee (Q.5554) that :—

As regards the period of ageing given Australian leaf before taking for manufacture, one firm reported using leaf after six months ageing, with the average age of leaf used about twelve months, and the maximum period of ageing two years. Another firm reports that it only uses leaf a year old and older if possible. The third and largest manufacturers state that their Australian leaf stocks at present receive an average ageing of four years. They state, however, that they begin to use the lemon and bright grades, of which there is a shortage, at the end of twelve months.

So far as the Committee has been able to gather, the principal manufacturer in Australia has been in the habit of keeping large quantities of local leaf, principally the dark qualities, in storage for from three to four years. The storage has been in large deal packing cases. The leaf has been unbaled when received from the grower, re-dried and re-packed; but apparently not under heavy pressure as is done in America. The Company has not been storing the bright mahogany classes of leaf, relying upon the period between curing by the grower and purchase by the Company—approximately six months. This period is held by the Company to be sufficient for the ageing of the brighter classes of Australian tobacco.

The Committee considers there is every probability that the poorer dark tobacco is not susceptible to great improvement by ageing. There is no certainty, however, that correct methods of ageing have been adopted by the manufacturer. The cost of storage is, of course, very heavy. It means that the crop purchased in one year has to be kept for from two to four years; but with adequate supplies coming forward, the loss would be at the beginning.

45. There is not the slightest doubt that, according to the American standard, even the brightest Australian leaf should be subjected to an ageing process. This difference in the treatment of the two tobaccos may have an important bearing on the smoking qualities. It is evident that much immature Australian tobacco goes into manufacture. Possibly this may account for the alleged nasty "tang" about which certain experts were emphatic. It stands to reason that tobacco smoked in a new state would not be so palatable as tobacco smoked in a thoroughly seasoned condition.

Notwithstanding the unfavorable position of local leaf in this matter of ageing, the Committee is satisfied that Australian growers are producing much good smokable tobacco, most of which has a very agreeable aroma after it is steamed and dressed with the manufacturers' ingredients. What it would be like after proper ageing is a matter of conjecture; but the Committee has little doubt it would be much better.

That the necessity for better treatment in storage is impressed upon the manufacturers is indicated by the British-Australasian Tobacco Co.'s provision, in addition to the storage space at Melbourne, of a large new floor at the Sydney factory solely for local tobacco.

PRESENT POSITION OF GROWERS IN RELATION TO PRODUCTION OF SUITABLE LEAF.

46. The majority of the Committee are forced to the conclusion that, while in some respects the growers of tobacco leaf in certain areas, notably Northern New South Wales, Tumut, and the Wangaratta district of Victoria, have not succeeded in producing a leaf which in colour and textural quality is up to the highest American standards, such growers have done their best to make improvements, especially in the last seven years, or since the British-Australasian Tobacco Company adopted a hostile attitude towards the continued production of air-cured dark, heavy leaf. The growers have shown the utmost anxiety to improve their methods of curing, those not caring to incur the expense of experimenting in this direction having gone out of the industry. None of those who were wedded to the old methods of curing now remain in the industry, but it is evident that many who formerly grew tobacco under air-curing conditions are likely to return in the event of the adoption by the Federal Government of a policy calculated to remove the old-time feeling of insecurity and uncertainty.

47. The available statistics show that after the ultimatum of the British-Australasian Tobacco Company about ten years ago in regard to the elimination of dark and heavy leaf, the number of growers in Australia dropped by at least 50 per cent.

The main reason for this marked decrease in the number of growers has been given to the Committee as unwillingness to incur the expense of the installation of flue-curing barns, the cost of which varies considerably, according to the type of barn and the kind of labour used. Many growers have built their own barns out of slabs and mud, whilst others have erected concrete, brick or galvanized iron structures—the cost varying from £40 to £300.

Many old growers also disliked the idea of risking the capital outlay needed to grow a lighter type of leaf. This change necessitated closer planting, the purchase of suitable varieties from other districts, and the installation in dry districts of irrigation plants of either the overhead or ground types. The cost of a good irrigation plant appears to be in the vicinity of £500, although many growers have managed with cheaper plants which they utilize for general farm purposes. The cost of packing and storage sheds for the flue-cured tobacco, which has to be graded and baled and kept for nearly six months before purchase, also frightened many old growers out of the industry.

There appears, also, to have been a fear in the minds of many old growers that after the expenditure of the capital required to grow light types of tobacco leaf for flue-curing, the British-Australasian Tobacco Company would not pay very much more for the product than it had been paying for the more cheaply-produced dark air-cured leaf. This fear has not been realized; although many growers who remained in the industry assured the Committee that the present-day prices were, in proportion to the cost of production, no greater than for the air-cured leaf. The following references make this clear:—

Mr. G. A. Lye, Tamworth.—1404. So that you practically got the same profit per acre for your flue-cured tobacco in 1924 as for your sun-dried crop in 1917?—Yes, about the same. It costs more to flue-cure tobacco.

1405. Allowing for the smaller capital invested, it would be more profitable, according to your figures, to grow sun-dried tobacco if there was a market for it?—That is so.

Mr. H. P. Baker, Manilla.—2389. Comparing the price of sun-dried leaf with that received for flue-cured tobacco, do you think the price for the flue-cured product compensates for the extra expenditure necessary to produce it?—I do not think we are making as much out of our flue-cured tobacco as when we were sun-drying. Our expenses are so much greater.

48. Some experts appear to have given ground for the feelings of insecurity amongst growers by their lack of enthusiasm. They have been in the habit of qualifying their opinions rather too much, and have somewhat damped the ardour of growers. While this absence of optimism has been justified up to a point, it has probably been carried too far, thus creating

in the minds of growers a feeling of pessimism—of lack of faith in their ability to do better. Mr. Slagg, the Federal Director, has, however, shown more optimism. In his evidence before the Committee he stated :—

202. Is there any reason why Australia should not produce enough tobacco to meet its own requirements ?—That is not done in any part of the world, even in the most important tobacco-producing countries. The United States of America exports possibly from 200,000,000 to 300,000,000 dollars worth each year, but it also imports 100,000,000 dollars worth a year for use in manufacture.

203. To what extent is it possible for Australia to meet its own requirements ?—If our efforts to improve the quality of the local leaf succeeds, we can reasonably expect to supply the major portion of the leaf required by the Australian consumer, possibly 60 or 70 per cent.

204. Did you say earlier that perhaps Australia could supply its own requirements and also have some for export ?—When we have begun to supply our domestic needs I hope Australia will take its place with the other dominions in the export of leaf. That is looking a long way ahead.

and in his final evidence he added :—

(Q. 5555). Based on the knowledge of what other tobacco-growing countries have accomplished, we may reasonably hope, with improvement in quality, to supply at least 60 per cent. of our domestic requirements. It is difficult to say how long a time would be required to reach this position. Ten years would be a short period. Much will depend upon the success of the investigations at present under way.

49. The Committee considers the bulk of evidence goes to confirm the opinion that 60 per cent. of bright mahogany—the type most in demand by the buyers—can be produced much earlier than Mr. Slagg's estimate, ~~that, in fact, with a little more enthusiasm the majority of growers can produce 50 and 60 per cent.~~ Some ^{growers} have already exceeded that percentage, for instance, Mr. Murphy, of Pomonal, Victoria, claimed that his crops had been practically all bright leaf, whilst Messrs. Ridley and Anderson in the same district had obtained 80 and 70 per cent. respectively of bright leaf. In the Wangaratta district Messrs. Rae Bros. had 60 per cent. of bright leaf last year and Mr. Kneebone between 50 and 60 per cent. Mr. Hyson, of Kootingal, near Tamworth, stated his neighbour had between 70 and 80 per cent. of bright leaf and Mr. Goodman of Loomberah in the same district had 60 per cent. in 1924 and 75 per cent. in last year. Mr. Baker claimed that some of the growers around Manilla had produced 75 per cent. of light leaf in 1928 and 73 per cent. in 1929.

MORE OPTIMISM NEEDED.

50. While extravagant optimism is to be deprecated, especially amongst responsible experts, a little more faith in the ability of our growers, a little more appreciation of what they are doing to improve their methods, should be the keynote of future Federal direction. Continued wet-blanketing by the introduction of "ifs" and "buts" has had, and is likely to continue to have, a discouraging influence, especially on new growers.

It is a sufficient commentary upon the inadequate optimism of the experts that the principal buyer, the British-Australasian Tobacco Co., has offered and has paid fairly high prices for an ever-increasing percentage of bright mahogany leaf—the type of leaf which ten years ago was almost unknown. It is not to be expected that the buyer should wax enthusiastic for business reasons ; but the Committee has noticed that the encouragement given growers, who are " triers," by Mr. Lough, the British-Australasian Tobacco Co.'s chief buyer, both by his personal help in rowing, grading and curing, and by his prices, has been a definite factor in the creation of keenness and enthusiasm amongst growers.

The growers had no Australian-wide direction from experts until Mr. Slagg appeared. The effect has been to create an inter-State interest in tobacco research and experimentation. The interest manifested amongst the growers in all tobacco-producing States in the Federal work is very gratifying, and shows conclusively that the Federal control of this important branch of the industry is likely to produce more widespread results than all the years of State direction have been able to do.

51. So far as the present position of the growers is concerned, the Committee is of opinion that it shows a great improvement as compared with any past period, due to the definite change-over to flue-curing and consequent introduction of skilled methods of cultivation and curing, the higher prices being paid for the bright leaf by the principal buyer, the intervention of the Federal Government upon research and experimentation, and the confidence gained in the last seven years by the production of a tobacco that, in colour at all events, is becoming much closer to the best American.

The growers have, in the Committee's opinion, vastly improved their methods of cultivation and curing in the last ten years. There is really no comparison between the methods in vogue prior to the introduction of flue-curing and those obtaining at present. Each year the majority of growers seem to increase their percentage of bright mahogany, some especially skilful or fortunate achieving as much as 80 and as high as 95 per cent., as evidence already quoted testifies.

The majority appear to be confident that they can reach as high as 75 per cent. bright mahogany, and to be satisfied to lose 10 per cent. of their crop on the score of its being unsuitable to the manufacturer; while some are prepared to lose 25 per cent. provided the prices paid for the brighter leaf are satisfactory.

52. The industry has become definitely a white growers' industry, only a handful of Chinese remaining, and these are confined to Northern New South Wales. The sons of the growers are very keenly interested in tobacco, and appear to become more expert than their fathers. In many instances, the sons do the growing, and in most cases the curing and grading. The young men on the farm seem to like the flue-curing, and show great aptitude in this department of the work.

The Chinese not being skilful at mechanical methods, show no inclination to inlearn the art of flue-curing, consequently there does not appear to be the slightest danger that the industry will revert to Chinese labour. A number of Italians from Northern Queensland have found their way to Texas and Tamworth, where they are showing great interest in tobacco-growing, and a considerable amount of aptitude in learning both the cultivation of the leaf and the flue-curing.

SOIL AND RAINFALL.

53. There is a general acceptance, however, of the definite view of the experts that if the light leaf is to be produced in greater quantities rich soil must be abandoned in favour of light sandy soil. Evidence on this aspect is contained in the following portions of evidence:—

Dr. Darnell-Smith (Q.807):—

Whatever care the grower bestows on his crop he is not likely to raise really bright aromatic flue-cured leaf on heavy soil.

Mr. Howell (Q.4610):—

To produce good quality tobacco one must have poor soil, with a sufficient rainfall, and use fertilizer.

Mr. Temple Smith (Q.5470):—

Do you still adhere to your opinion that there is a bright future before the tobacco-grower in Victoria? —Yes. If we can get open competition in future, the dark tobaccos grown in Victoria will be driven out by degrees, or the greater proportion of them will, and the growers will devote their attention to the lighter soils, which will produce better types of leaf than those obtained to-day.

The great majority of growers seemed to be satisfied that to produce the types of leaf required by the manufacturer the poorest soils, essentially sandy in nature, were needed. There are enormous areas of such country everywhere in Australia, and the Committee has no doubt that once this fundamental necessity is realized 90 per cent. of tobacco will in future be grown in soil of this character. River flats, which are sandy, appear to provide an ideal foundation for the production of light tobacco. In all the existing areas in which heavy leaf has hitherto been produced rich soil has been used to a large extent; but almost without exception the same districts contain lighter soils, which many growers are now trying.

Rainfall is the next vital factor in the production of light tobacco. Many parts of Australia are favored with regular rainfalls which are not excessive in the growing period for tobacco. In districts where the rainfall is erratic, irrigation is an indispensable adjunct; and this fact renders it inadvisable for prospective growers in dry districts to plant their tobacco too far from a natural water supply, thus preventing themselves from employing irrigation.

VARIETIES.

54. Selection of the right varieties of plants which have been tested for the production of light tobacco is the next factor. The majority of growers now avoid varieties which are known to produce big heavy plants, and have acquired a great deal of knowledge in regard to the varieties more suitable for their purpose. The growers themselves experiment almost continuously, and with the help of the State experts and the Federal Director of Tobacco Investigation have little difficulty in securing varieties which have proved successful in America and Australia. The British-Australasian Tobacco Co. has also assisted growers in this direction.

The Committee considers that the Federal Tobacco Department should not only give continuous instruction to growers in the selection of plant varieties, but should secure seed from other countries for local experiment.

CULTIVATION.

55. The growers need to improve their methods of cultivation. Many make tobacco a side line, and in busy seasons neglect such essential work as suckering and topping. The crop needs constant attention from the time of planting out to the time of harvesting. The Chinese give it this close attention. Some white growers do likewise; but not enough of them show the necessary concentration. Once it is clear that the industry has come to stay, and is to be

developed, this unfortunate feature will be less conspicuous. Many witnesses consider tobacco-growing, even on a small scale, a whole-time job. The returns in good seasons out-distance all other crops, and even with a small acreage—from 4 to 10—the constant attention required to produce well-nourished and perfect plants ready for picking and curing make it a whole-time job for field labour.

HARVESTING AND CURING.

56. Growers are chiefly deficient in their knowledge of the right time to pick the tobacco leaves for curing. The evidence shows that this important aspect is largely a matter of guess-work. Many growers harvest the leaves in a decidedly unripe state, consequently it is almost impossible to secure the necessary bright colour in curing, and a good deal of tobacco leaves the barns in a patchy or green condition. A large number of growers are now alive to the danger of curing the leaf when it is unripened, and the result is a higher percentage of bright or lemon-coloured tobacco in districts where previously the great bulk was dark and heavy. Considering the short time they have been flue-curing, however, the majority of growers display considerable knowledge, and seem to be steadily improving.

GRADING.

57. Grading of the leaf into the various colours required by the buyer is not receiving sufficient attention, but many growers are now awakening to the profitable nature of this phase of the work. It is estimated that at least 3d. per lb. extra is made by good grading; but probably it is a great deal more, for the buyer has more confidence in graded stuff, and is saved time and labour in unpacking bales and directing a better grading. Ungraded leaf has to be graded in the factories, and the cost of this is therefore taken from the price paid to the grower on the farm.

Many growers have received helpful instruction from the buyers of the British-Australasian Tobacco Co.; but a number have not bothered to learn anything about it, although it is clear that grading is not a difficult matter, especially when the leaf is purchased on colour.

The Committee found that most of the tobacco rejected by the buyer, or else sold at poor prices, was ungraded and generally inferior, having been spoiled in curing or else cured in a very unripe condition. The amount of tobacco rejected last year by the British-Australasian Tobacco Co., according to Mr. Sambell, Secretary to the Victorian Tobacco-growers' Association, was 700 bales. There is always likely to be a small percentage of poor stuff mixed up with any grower's offering, and it does not seem reasonable to expect the manufacturer to buy it if he cannot use it in any way whatever. The Committee, in looking through the British-Australasian Tobacco Co.'s Sydney factory, saw many tons of inferior local tobacco, that had been purchased amongst good stuff at fair average prices, being ground into manurial powder for sale at a low figure.

58. The growers should, in the Committee's opinion, avail themselves more of the offer of the British-Australasian Tobacco Co. to send their sons into the factory for experience. There is no better method of teaching the young grower all about tobacco. A few growers have availed themselves of this offer, notably at Pomonal, but probably if the Federal Director organized this movement and communicated its advantages to all growers it would become an important educational stimulus to the growing side of the industry. Mr. Murphy, President of the Pomonal Tobacco-growers' Association, stated:—

(Q. 3564) In 1927 the British-Australasian Tobacco Company took to Melbourne the sons of some of the growers in various parts of the State, to teach them to grade tobacco, and mine was one of those selected. He spent four or five weeks in Melbourne, and was paid the company's ruling rate of wage. He was very much against the company when he went to Melbourne, but after having handled the tobacco there, he came back and gave an address to our growers, and I think he surprised them greatly by his criticism of tobacco that even Mr. Lough buys.

59. The grower needs expert instruction in grading. Hitherto he has had to depend largely upon the buyer, who has acted under instructions from his employers. Co-operative grading societies, which could employ competent graders, would soon become a feature of the industry if encouraged and if insisted upon by the Federal tobacco control.

60. The idea of a central grading depot, as developed in the United States, does not seem to appeal to the Australian growers, who do not like to allow their tobacco to go off the farm till it is sold. The Committee has not received any practical scheme for a central grading depot, and therefore does not advise insistence upon this feature, at least for some years to come. Once the industry assumes large proportions, central grading depots will probably materialize as an economic necessity.

BLUE MOULD AND OTHER DISEASES.

61. The growers have hitherto proved unable to deal with the blue mould disease, which in many cases wipes out the tobacco of a whole district two out of three years. Now that efficient scientific investigation is being carried on, under Federal direction, immediate steps should be taken by the tobacco department to convey the instructions of the scientific branch of investigation

to every grower; and this should be backed up by expert supervision. Hitherto the growers have been left largely to their own devices in this matter, the State experts not having been able to propound any effective remedial measures. In many cases individual growers have experimented—quite obviously in the dark—and have been fortunate in securing results which have led them to proclaim the discovery of reliable preventive methods; but in all cases these ~~these~~ claims have not stood the test of further experiment or of different climatic and growing conditions.

62. Other pests, such as split worm, mosaic, grubs, bunchy top and root rot are not so serious at the present stage as blue mould; in fact, root rot appears to be part and parcel of blue mould. With the exception of blue mould, the majority of growers have been able to invent their own individual methods of dealing with pests, particularly grubs.

SMALL AREAS ADVISABLE.

63. The Committee desires to impress upon growers the importance of area in relation to commercial results. The evidence definitely indicates that, as in the United States of America, so in Australia, the individual grower should not aim at large areas—say from 10 to 50 acres—but should confine himself to small areas ranging from 4 to 10 acres. The area, of course, should depend upon the supply of labour available. Where a grower has to depend almost wholly upon his own efforts, with perhaps the assistance of one or two sons, he cannot profitably cope with more than 4 or 5 acres. It is better that he should give proper attention to a small area which he can easily handle himself, and produce 2 or 3 tons of good quality bright leaf, which will fetch remunerative prices, than plunge into a big undertaking, involving the employment of much skilled labour. Failing such labour, the half-attention which means an insufficiently-cultivated crop, inadequate flue-curing and haphazard grading will almost certainly terminate in disappointing results. The attempt of some growers, who possess only limited capital and very little actual experience, to start with anything from 20 to 50 acres, is likely to discourage not only the growers themselves, but their neighbours. In the United States the average size of tobacco farms is 3.7 acres.

In cases, however, in which a grower has the necessary capital, the suitable land, and sufficient skill in growing, curing and grading to justify substantial areas, some excuse might exist for larger ventures; but as a general rule 4 or 5 acres will occupy all the personal attention which a small farmer is able to give a crop that he is treating as a side line.

OUTLOOK PROMISING.

64. The Committee does not absolve the growers from all blame for any faults in Australian-grown tobacco, but is satisfied there is now a tobacco conscience amongst growers and feels sure this will, under conditions of greater stability, quickly develop into a sense of responsibility to the smoking public. The obstinate and inefficient grower will quickly be eliminated by the more reasonable and efficient grower who will come into the industry once it is evident that there is an assured market at remunerative prices for the right ~~stuff~~ *article*.

The Committee thinks the growers generally show intelligence and initiative, and in consideration of their dependence upon one buyer, and upon an inadequate scheme of direction, have shown courage in striving to keep in the industry, as well as a keen desire to improve the reputation of Australian tobacco amongst smokers.

GOOD AUSTRALIAN SAMPLES.

65. The Committee is convinced that good light tobacco suitable for pipe smoking and possibly for cigarette manufacture is being produced in all the existing tobacco areas, and it does not subscribe to any suggestion that new areas now being opened up, or areas which may be opened up later, will have to be solely depended upon for leaf of this high-grade character. It is confirmed in this view by the many samples of good bright leaf shown to it from Northern New South Wales, Wangaratta (Victoria), Pomonal (Victoria), Mt. Barker (South Australia) and Mareeba (North Queensland).

NEW PROCESS OF CURING.

66. The Committee inspected many tobacco-curing barns in all tobacco areas, and found that the types showed remarkable variation. The best types appeared to be in the Tamworth district, where most of the growers have gone in for expensive concrete or brick barns with good furnaces. In the Wangaratta district of Victoria the type in most favour is galvanized iron, with a good system of roof ventilation. In all districts, however, there are numerous small and cheaply-built barns, which are of doubtful advantage to the grower, who must lose money by poor facilities for curing.

67. The Committee displayed great interest in the claims of Mr. William Panlook, Managing Director of Panlook Bros. Pty. Ltd., Eurobin, Victoria, who invited the Committee to inspect a new curing process which it was considered would greatly improve the curing of leaf. The Committee visited Mr. Panlook's property, and made a close inspection of his process. His barns are large and up to date. He has introduced the same principle of drying tobacco, with some modifications to suit the different type of product, as he has employed in the curing of hops. This is a forced air-circulation system, designed to drive the air at temperatures controlled by a dynamo-driven fan from bottom to top of the barn and from top to bottom, excluding the hot or cold air and re-circulating at regular intervals. By this process he could yellow the leaf—which, however, had to be cut ripe in the field—within 36 hours, and he could cure a barn within from three to four days, as against at least six days under the ordinary process. He claimed that this system would give a more even yellowing from top of the barn to the bottom, and all over the leaf, not leaving a large percentage—about 25 usually—to emerge from the curing in a patchy or wholly green looking condition. He thought he could secure 90 per cent. of bright yellow leaf by his process, and possibly 100 per cent. Mr. Panlook, however, was careful to inform the Committee that his experiment was not yet complete, and he required probably another year to make it perfect. Until he had tried it right out, he did not advise other growers to go in for it.

Even if Mr. Panlook's process does not prove wholly successful in fulfilling the inventor's claims, it certainly looks like the application of a useful new method to tobacco curing. The instance shows the keener interest which some growers are taking in the improvement of Australian tobacco.

NEW GROWERS COMING IN.

68. Although the Committee did not call for evidence in regard to the prospects of an increase in the growing of tobacco, or the manufacturing of tobacco in Australia, it was informed by many witnesses that a definite and full measure of protection for at least a period would almost certainly encourage many primary producers to go in for the cultivation of leaf under flue-curing conditions. This is, of course, largely a matter of speculation; but the Committee thinks it is extremely likely, in view of the publicity now being given to the industry and the fact that the research and experimental work has been taken over by the Commonwealth Government, that there will be a considerable increase in the number of growers. The fear that many growers will attempt to produce tobacco on unsuitable soils, and with very little knowledge of the difficulties, is probably well-founded; but if the Federal tobacco department, which the Committee hopes will be established, makes systematic efforts to warn would-be growers against haphazard ventures, and also seeks the co-operation of the State Departments of Agriculture in the work of tendering expert assistance to those who contemplate growing, a proper check should be placed upon unwise and hasty experiments except in the case of a small number of isolated individuals.

69. That the more effective protection, coupled with the big profits to be made by successful growers, ranging from 100 to 200 per cent. net, will tempt many more farmers, and even larger landowners, to grow tobacco is certain. For instance, at Texas the Committee was informed by Mr. C. F. White, Managing Director of Texas Estates Ltd., that his Company's idea was to go in for tobacco to assist in a subdivisional scheme later on; and by Mr. W. Lennon, of River Bend, Texas, that "tobacco growing is only a small side line with us, but we intend to make it a big thing. If we get encouragement we are all going in for it extensively".

70. The Committee also received information that three large tobacco-growing ventures are about to be launched, one to be established at Mareeba, North Queensland, about eight miles from the Federal investigation plots; and the others at Pomonal, about sixteen miles from Stawell, Victoria.

NEW MANUFACTURERS.

71. On the manufacturing side, an important development which should be favourable to the local growing industry is the public announcement that Messrs. Godfrey, Phillips & Co. Ltd., of England, have secured a site for a large, modern factory in Melbourne, and propose to commence manufacturing tobacco at an early date. This firm has a large capital, and is probably able to establish itself in face of the strongest competition. No doubt it will be a buyer of the Australian product.

72. The Committee was also informed by Mr. Dyason, Chairman of Directors of G. G. Goode Ltd., tobacco manufacturers, Melbourne, that so soon as leaf suitable for cigarettes was available in Australia, his firm would be a purchaser.

Dudgeon & Arnell Pty. Ltd., Melbourne, are already turning out a composite cigarette tobacco in tins under the title "Happy Thoughts", for which there is a very good sale in Victoria; they also manufacture the all-Australian tobaccos "Sunday Best" and "Belvidere." This firm is a regular buyer of Australian-grown leaf, and is anxious to secure supplies suitable for cigarettes and light pipe tobacco.

Michelides Ltd., of Perth, Western Australia, is also a present and prospective purchaser of larger quantities of Australian leaf for its brands of cigarettes, which have a large sale in Western Australia. This company has advised the Committee, by letter, that it is now manufacturing the following lines: Tobacco—Luxor and Marvel; Cigarettes—Golden West, Jester, Mena, Luxor and President. It uses quantities of the following tobacco leaf—Turkish, Greek, Rhodesian, Latakia, American and Australian—its purchases of the last being approximately 11,000 lbs. in 1927-28, 26,500 lbs. in 1928-29, and 80,000 lbs. in 1929-30.

LOCAL MARKET.

73. The local market for Australian tobacco is therefore extensive, and once the industry begins to move forward on the lines being pursued at present there should be a steadily-increasing quantity of good leaf, suitable for cigars, cigarettes and pipe tobacco every year, until in time the great bulk of tobacco smoked in Australia is produced locally.

74. Some indication of the market available may be gathered from the following figures showing the quantity and value of imports of Tobacco, &c., into Australia since Federation:—

Year.	Manufactured.		Unmanufactured.		Cigars.		Cigarettes.		Snuff.	
	lb.	£	lb.	£	lb.	£	lb.	£	lb.	£
1901	3,703,325	261,835	5,951,230	218,019	547,436	176,189	198,455	60,624	7,076	1,248
1902	2,995,326	224,382	5,544,080	238,195	403,804	131,752	177,585	56,772	7,515	1,428
1903	2,508,342	188,327	5,156,793	232,884	305,705	106,623	131,816	41,828	6,901	1,114
1904	2,175,897	154,882	6,629,793	235,187	251,189	96,976	168,993	54,089	6,105	1,048
1905	2,045,394	157,379	5,371,534	203,111	230,614	108,730	202,778	64,384	9,152	1,529
1906	1,926,902	145,760	7,538,329	285,106	346,937	133,209	160,811	55,549	6,976	1,188
1907	2,186,171	164,046	10,169,916	426,351	301,933	113,221	149,176	49,266	5,730	985
1908	1,378,466	109,377	12,886,746	466,460	379,519	163,777	109,315	37,369	7,911	1,331
1909	1,905,958	141,653	9,370,516	327,771	235,110	108,630	110,605	37,270	5,479	897
1910	2,260,571	160,512	13,586,845	445,663	330,256	121,846	114,851	40,357	6,497	1,092
1911	2,208,905	167,934	14,900,520	503,559	390,320	174,613	130,925	46,993	6,072	1,011
1912	2,610,816	209,971	15,035,532	612,855	408,607	167,589	147,365	54,402	6,070	1,024
1913	1,902,435	164,448	15,805,442	701,268	433,279	187,325	167,026	61,050	5,177	858
1914-15	2,150,406	193,799	10,688,366	532,759	283,901	124,495	138,455	50,686	4,459	732
1915-16	1,507,300	135,450	12,540,100	685,904	191,630	90,761	160,880	55,913	6,216	1,015
1916-17	1,645,300	135,241	16,878,200	829,159	149,500	90,355	163,581	59,348	5,991	907
1917-18	1,044,600	92,895	5,706,700	424,982	140,044	84,530	107,558	43,833	3,086	506
1918-19	1,125,200	123,823	15,988,800	1,594,538	115,470	91,518	95,070	54,011	3,613	704
1919-20	682,639	100,071	16,224,633	2,441,498	123,389	107,814	133,667	91,917	5,545	1,635
1920-21	857,842	154,295	21,954,648	3,437,204	126,690	141,794	169,317	106,915	3,936	1,340
1921-22	948,586	152,302	17,104,355	2,178,765	54,557	58,085	122,806	77,433	1,575	448
1922-23	616,736	91,597	15,755,525	1,897,094	102,923	101,377	220,622	141,580	3,287	1,262
1923-24	480,117	84,347	26,234,448	2,854,897	95,533	101,828	260,562	170,644	4,663	1,548
1924-25	645,020	105,071	19,110,700	2,005,939	97,789	94,895	328,503	203,209	3,150	1,076
1925-26	619,503	97,648	22,040,123	2,250,305	107,221	113,491	547,425	297,812	2,638	920
1926-27	1,273,873	176,046	22,140,918	2,018,295	121,779	115,360	744,571	393,386	4,315	1,667
1927-28	1,187,202	171,800	23,682,640	2,168,402	128,713	138,591	946,350	480,798	3,442	1,029
1928-29	1,013,981	149,173	21,129,742	1,904,469	85,980	94,760	840,027	428,127	2,961	1,169

PRICES TO THE CONSUMER.

75. The Committee does not think the prices of manufactured tobacco need be further raised to the consumer, the present prices for all imported brands being from 50 to 100 per cent. higher than at the beginning of the present century. The most popular brand of cigarettes, Capstans, were formerly sold for 3d. a packet of ten, whereas now they are sold for 6d. a packet of eleven, the manufacturers having taken one cigarette out of each packet since the imposition of the extra shilling import duty. Various brands of pipe tobacco went up, also, in most cases an extra 1d. an ounce. Evidence on this point was given by Mr. Bentley in the following portion of his evidence:—

285. When the recent additional 1s. duty was imposed on imported leaf, we only increased "Havelock" dark by 9d., "Lucky Hit" by 6d., and "Starlight" was not increased at all—the reason, of course, being that we were not increasing our prices for Australian dark and No. 2 leaf, a proportion or the whole of which is used in the manufacture of these particular tobaccos.

76. It is certain that local manufacturers will be able to place Australian brands on the market at a much lower price than imported, and this should greatly stimulate the demand for the cheaper tobaccos. It should be possible, under the scheme to be proposed by the Committee, for the manufacturers to retail Australian brands at half the price of the imported. The

Committee feels confident that a move in this direction would rapidly remove much of the prejudice alleged to exist amongst the smoking public for tobaccos known to be wholly or partly Australian. Mr. Jennings, at Texas, also supported this view, as indicated in the following questions:—

2894. That has nothing to do with the buyers?—While we permit the importation of American leaf, the Australia public will not buy much else. If we put a duty of 10s. per lb. on American tobacco, the public will very soon learn to smoke the Australian product. Even if the Australian tobacco has a distinctive flavour, there is no reason why Australians should not come to like it. In Italy and France the people appreciate the tobacco sold there; but if we went there it would kill us if we tried to smoke it.

2934. It has been suggested that the best way of getting the Australian public to smoke Australian tobacco is practically to force the manufacturers to put it on the market and advertise it at a price that will appeal to the public. The company has given an assurance that "Waratah" tobacco was well advertised; that sales were good for a year or two, and then fell away. Do you think it would be a fair thing to make the inducement so strong that the public would have no alternative but to buy the Australian tobacco?—I think it is the only solution.

2935. How would you do it?—By increasing the import duty on American leaf on a sliding scale. As the Australian growers increased their output, increase the import duty correspondingly, and also increase the excise unless you are prepared to lose a lot of revenue.

THE POLICY AND PRACTICE OF THE BRITISH-AUSTRALASIAN TOBACCO COMPANY.

77. The Committee has to thank the British-Australasian Tobacco Company Pty. Ltd. for its assistance in this inquiry. Without such assistance, the task of the Committee would have been much more difficult. The evidence given by Mr. Bentley, one of the directors, and Mr. Lough, the Australian buyer for the Company, was comprehensive and very valuable. The Committee also received very courteous treatment from the Company in visiting, at the Company's invitation, the principal factory at Raleigh Park, Kensington, Sydney, where the directors personally conducted the members through every department of the factory. An invitation to inspect the other factory of the Company, in Melbourne, could not be availed of owing to lack of opportunity.

78. The Committee, not having a specific reference, did not seek evidence as to the Company's business methods or its profits. All information relating to the quantities of tobacco purchased both inside and outside Australia was readily supplied to the Committee by the Company, principally in the evidence of Mr. Bentley, but no questions were asked on the subject of profits except the following:—

291. *By the Chairman.*—Would not the margin of profit available to the company on all its manufactures have enabled it to carry the extra duty on imported leaf without increasing the price to the public?—That brings us to the profits of the company. That, I suggest, is a matter that does not come within the scope of the inquiry.

292. One of the disadvantages of increasing the duty is that the prices paid by the public are generally increased. I am entitled to ask whether the extra duty of 1s. a lb. on the imported leaf was such that it was impossible for the company to continue to supply the goods to the public without passing the duty on?—I say definitely that it was not possible.

Beyond these questions, no references were made during the inquiry to the Company's financial position, except that made by Mr. Jones, a member of the Committee (Q.4886), when in referring to a grower's evidence that his (the grower's) average prices had declined from 2s. 4d. a lb. in 1921 to 1s. 9½d. a lb. in 1929, an extract from the Sydney *Bulletin* of 25th December, 1929, was produced showing that the Company's profits had increased from £582,979 in 1921 to £1,011,307 in 1929.

Mr. Bentley gave the Committee an outline of the Company's size and operations in the following portion of his evidence:—

A great manufacturing industry in Australia has been built up, an industry in which 5,300 employees are employed and which pays in wages and benefits over £1,200,000 a year.

79. The Committee submitted Mr. Bentley and Mr. Lough, to a lengthy and searching cross-examination on all phases of the Company's activities in relation to the Australian growers. The questions were all answered freely and frankly, and with an evident desire to conceal nothing which the Committee considered relevant to the inquiry.

80. The British-Australasian Tobacco Company has undoubtedly made systematic efforts to improve the cultivation of tobacco in Australia, having spent, in the last twenty-five years the sum of £75,000 on experimental work irrespective of the special contribution to the Commonwealth Tobacco Investigation. This money has been expended in the carrying out of experimental plots in various tobacco districts, in instructional work amongst the growers, and in a very elaborate plantation scheme at Texas, on the New South Wales and Queensland border. The story of the Texas experiment, which the Company regarded as a costly failure, was told by Mr. Bentley in the following portion of his evidence:—

285. I should like to mention that my company purchased land near Texas on the border of New South Wales and Queensland for the purpose of an experimental farm. We erected flue-curing barns and employed only white labour. We built cottages for the men and spared no expense to try and institute a white colony, but we did not make a success of it. We kept the farm going for five years from 1910 to 1915, under the supervision of our own experts, but as we could not get an improved article we closed down the farm and sold it and lost £20,000 on that experiment alone.

The Committee made full inquiry into this experiment when taking evidence at Texas, and elicited information which tended to indicate that the reasons given by the Company for the plantation failure were not altogether subscribed to by others. The Committee was fortunate to have as a witness Mr. H. Jennings, now of Texas, but for many years an employee of the British-Australasian Tobacco Company, and the manager for most of the period of the Texas plantation, to which was attached a factory for stemming the tobacco. This witness had been sent by the Company to America for experience in American grading and curing methods at a cost of £1,000. Mr. Jennings indicated that the main cause of the failure at Texas was the attempt to grow tobacco there on the plantation system, i.e., the employment of men on wages; he added that most of the employees were brought from England and were not competent as they had had no previous agricultural experience—some of them having been dock labourers and lorry drivers. There was also a serious outbreak of typhoid, which resulted in a number of deaths and added to the difficulties of the venture.

81. The company has for many years, also, given its buyers carte blanche in regard to the education of the growers. No doubt this has been largely due to the realization that the more unsuitable the tobacco grown the more expensive would be the local industry to the Company, which has for over twenty years been the only buyer of any value to the local growers. The growers appear to have sought the advice of the Company's buyers more than that of the State experts, probably for the reason that they hoped to give the Company a certain amount of responsibility for the inferiority, if any, subsequently alleged at the time of buying. Another reason is that the Company's buyer visits every grower during the year, and is, therefore, more in touch with each man's difficulties than are the State experts, who have not, so far as the Committee has been able to gather, followed a systematic plan of inspection of tobacco crops.

82. The British-Australasian Tobacco Company absorbed all the old Australian tobacco manufacturers, with a few small exceptions, and at the present time is able to control practically the whole of the tobacco trade in Australia. The only other manufacturers in Australia who are competing are Dudgeon & Arnell, Pty. Ltd., Melbourne; G. G. Goode Ltd., Melbourne; Tobacco Company of South Australia Ltd., Adelaide; and Michelides Ltd, Perth. It is doubtful whether all these and numerous smaller manufacturers of cigars and cigarettes among them command more than 10 per cent. of the total tobacco trade; certainly they do not seriously threaten the British-Australasian Tobacco Company's virtual monopoly of the pipe tobacco and cigarette trade in Australia. Now that a partial embargo has been placed on imported manufactured tobacco the competition from outside is almost negligible. In certain lines, such as "Edgeworth" tobacco (American) and "State Express" Cigarettes (British) there is a definite competition between the importing firms and the British-Australasian Tobacco Company, the latter having recently introduced to the local market a new Burley tobacco called "Temple Bar" which is designed to displace "Edgeworth", and "Country Life" cigarettes, the answer to "State Express". Although no evidence was called on this matter, the Committee is satisfied that the British-Australasian Tobacco Company, by means of a widespread advertising campaign, has had considerable success in these competitive efforts against outside manufacturers.

83. Not having sought, or been proffered, any information in regard to the British-Australian Tobacco Company's profits, the Committee is unable to make any definite statements in this connexion, but contents itself with drawing attention to the following statement published in *The Bulletin* of date, 25th December, 1929, and referred to in the course of the inquiry by Mr. Jones, a member of the Committee:—

" BRITISH TOBACCO CO. (AUSTRALIA) LTD.

	Profits.	Dividends.		Reserves.
		6 per cent Preference.	Ordinary.	
	£	£	£	£
1919	541,951	89,084	12 per cent. — 451,762	33,168
1920	544,773	89,084	12 per cent. — 454,587	34,270
1921	582,979	89,084	12 per cent. — 491,987	36,178
Special dividend from subsidiaries, £628, 591 distributed as bonus shares.				
1922	751,373	89,084	12 per cent. — 661,067	37,400
1923	773,202	89,084	12 per cent. — 682,400	39,118
1924	776,535	89,084	12 per cent. — 685,844	40,725
1925	779,452	89,084	12 per cent. — 689,034	42,059
1926	783,453	89,084	12 per cent. — 692,684	43,744
1927	786,876	89,084	12 per cent. — 696,354	45,182
Company reconstructed; shares in subsidiaries written up, £2,324,131, and that amount capitalized.				
12 months to Oct.		6½ per cent.		
1928	916,506	96,507	10 per cent. — 813,446	7,659
1929	1,011,307	96,507	11 per cent. — 894,791	27,668

This is the big holding concern which in 1903 amalgamated the interests of W. D. and H. O. Wills (Australia), Ltd., the British-Australian Tobacco Company (which combined the Cameron and part of the Dixson businesses) and the States Tobacco Company (which embraced Sutton and Co., and Jacobs, Hart and Co., and the other part of Dixson's business). Later S. T. Leigh and Co., a printing concern, was included in the group."

84. In view of its privileged and enormously valuable position, the Company, being the only big buyer of locally-produced tobacco, is under an obligation to the local industry. Apparently, the directors have recognized this obligation, hence the policy and practice of purchasing practically all the leaf grown locally at prices which would prevent any suggestion that the Company had no sympathy for local growers, and no desire to make use of Australian tobacco leaf. It is obvious, however, that the Company has been able to regulate the consumption of locally-grown leaf. This is clearly indicated by the following figures furnished by the Customs Department, which show that for the last thirteen years, the amount of Australian-grown leaf used in manufactures has steadily declined from 13.79 per cent. in 1915-16 to 5.11 per cent. in 1928-29 :—

Year.	Australian leaf used.	Imported leaf used.	Total used.	Percentage of Australian leaf to Total.
	lbs.	lbs.	lbs.	per cent.
1915-16	1,730,020	10,811,296	12,541,316	13.79
1916-17	1,635,589	11,530,419	13,166,008	12.42
1917-18	1,475,569	11,480,869	12,956,438	11.38
1918-19	1,147,990	12,203,466	13,351,456	8.58
1919-20	1,522,179	14,615,029	16,137,208	9.43
1920-21	1,738,902	14,896,570	16,635,472	10.45
1921-22	1,386,248	15,480,647	16,866,895	8.21
1922-23	1,250,028	15,853,910	17,103,938	7.30
1923-24	1,122,825	15,981,663	17,104,488	6.56
1924-25	1,066,763	17,006,274	18,133,037	5.88
1925-26	1,152,132	17,509,175	18,661,307	6.17
1926-27	1,212,794	17,396,718	18,609,512	6.51
1927-28	1,007,089	17,613,104	18,620,193	5.40
1928-29	978,030	18,157,689	19,135,709	5.11

A glance at these figures shows that last year the quantity of imported leaf was the greatest, and the quantity of Australian leaf used was the smallest over this number of years. Figures for earlier years were not available for comparison owing to methods of recording the statistics in different States.

As the British-Australasian Tobacco Company has been the principal manufacturer and importer in that period—other small manufacturers having imported very meagre supplies principally for a mixture with local brands—the percentages quoted must, with perhaps a slight variation, apply to the output of this company's factories.

85. The British-Australasian Tobacco Company has had the control of the Australian industry in its hands for nearly three decades. The amount of money it has expended each year on local leaf, though a considerable sum in itself, would be only a small item in the Company's total expenditure in importing, manufacturing and placing its products on the Australian market. The Company has also built up a trade in New Zealand and in some of the Pacific Islands.

86. The Committee takes the view that, in consideration of its valuable monopoly, its published profits, and its power to regulate local production by means of carefully adjusted prices, the Company has done well by local growers in the mass within the limits of the small amount of local production. As to whether the Company has deliberately kept the consumption of local leaf down year after year to suit its policy the evidence submitted to the Committee does not enable any definite conclusion to be formed. All that can be said is that the worst feature is the downward trend of the local tobacco manufactured shortly after the Company began to gain control of the market, culminating in what looks like a definite intention to reduce the quantity of local leaf used in manufacture to the smallest possible percentage.

Although the Committee does not say this has been the Company's policy, it does say that the Company has not made out a convincing case in the negative. If it be accepted that the figures show the trend of policy, the motive is fairly clear. The Company is one of the biggest manufacturing concerns in the world. It has over 5,000 employees, an enormous capital and two large and very modern factories, fitted with labor-saving plant. There is a vast difference between organizing production in a new and largely virgin territory and diverting the organized production of another country which has specialised in tobacco cultivation for over 300 years. By the simple process of appointing buying agents in America, the Company has been able, year after year, to ensure—except in the war period—a continuous and unlimited supply of high

quality leaf suitable for all its manufacturing purposes. This leaf has been purchasable at an average figure of 10d. per lb. in the auction selling places which are a feature of the American tobacco industry. By merely cabling, the Company can increase or diminish its supplies to suit its annual needs. It has also placed itself in the position that it can compete with other overseas manufacturers not only in continuity of supplies but in quality of leaf, for even British manufacturers have drawn their supplies largely from the United States.

87. As a matter of policy, therefore, the British-Australasian Tobacco Company has had every reason to conduct its huge and ever-growing operations upon the sound foundation of a permanent and suitable supply of leaf. The effect has been to enable it to drive nearly all the overseas competitors out of the Australian trade. Increasing tariff protection for locally-manufactured tobaccos, also, has played a part in this, and has further justified the Company in concentrating its activities upon the always-available American tobacco-growing industry.

That it has considered the possibility of having its foreign supplies cut off is indicated by the following answers given by Mr. Bentley to the Chairman:—

1001. Has it occurred to your company that, in the event of supplies of tobacco from overseas being cut off, you would, apart from stocks in hand, be dependent on Australian-grown tobacco?—Yes. The company's definite policy is to establish the Australian tobacco-growing industry on a satisfactory footing.

1002. At the outbreak of war in 1914 was your company in a position to meet requirements for any lengthy period?—We got through; but it was difficult.

1003. Did your company, during the war period, buy all the Australian leaf it could obtain?—I do not know. The company has always bought almost every pound of Australian leaf available. It has, of course, rejected inferior leaf.

1004. Is it a fact that, during the war period, your buyer urged Australian growers of sun-dried leaf not to waste a pound of it?—I do not know; but I can understand his doing so.

When the world war broke out the Company made a determined effort to secure Australian leaf, and it also drew liberally upon its accumulated stocks in the factories.

Should Australia's tobacco supplies be cut off by a sudden outbreak of war in the Pacific, there would be totally inadequate local supplies to draw from, and in the present undeveloped state of the industry, the growers could not possibly make up the deficiency inside from three to five years. The Company is, therefore, taking a considerable risk in its dependence for about 95 per cent. of its raw material upon the United States.

There is said to be a big export surplus now available in Rhodesia; but an outbreak of war would probably cut off this source too. No other tobacco-producing country is near enough to Australia to be able to contribute sufficient for the needs of six and a half million people at short notice.

88. Another inference to be drawn from the Company's preference for American leaf, notwithstanding the risk of losing its principal source of supply, is the heavy cost upon one manufacturer of buying under present local conditions. In America, the grower carries his cured tobacco to local markets, where it is graded and auctioned, as indicated by Dr. Darnell-Smith in his excellent report on his visit to the United States of America published by the Australian Tobacco Investigation as Bulletin No. 1, from which the following quotation is interesting:—

In any given tobacco-growing centre one or more tobacco warehouses are built by a firm of tobacco dealers. Each warehouse is a huge structure of wood covering half an acre or more. The roof is of galvanized iron with numerous windows, as plenty of light is needed to judge the colour of tobacco. One side has windows alternating with large doors. The doors at the end of the warehouse are large enough to admit the ingress and egress of motor lorries loaded with tobacco; the floor is of wood. One or more scales with large dials for accurately weighing the tobacco are provided. There are also provided very large numbers of flat baskets, made of lattice laths about 2 inches broad. Each basket is about 3 ft. 6 in. square and 7 inches deep. The tare of each basket is known. They hold easily from 50 to 200 lb. of tobacco and sometimes larger quantities are put into them.

The warehouse has a man who starts the price of the tobacco contained in a basket, the auctioneer calls the price, the buyers, in two single files on either side of the row of baskets, make their bids very rapidly. The warehouse representative may bid as often as he likes; the tobacco is sold to the highest bidder, the price is immediately marked on the ticket with the name of the buyer. (Dollars per 100 lb. or cents per lb. give the same figure.) Two clerks with books follow each file of buyers, copies of the tickets are taken (seller, weight, price, buyer), and the clerks check each other at the end of each row of baskets. The rate at which the tobacco is sold is surprising; on the average three baskets are sold per minute. Even so, it is sometimes necessary to have a "hold over" sale next day.

In Australia the grower is isolated and individualistic. The buyer has not only to go to his farm to inspect and purchase the tobacco, but he has to keep track of the growers from year to year without any system of notification. He has to be a man who knows every grower, and the shortest route to take in visiting him. Strange as it seems, no system of notification has been instituted by the growers or by the State tobacco experts. The grower secures a crop, and waits for the buyer to call upon him.

It is easy to see that a great extension of growing under these crude conditions would render it necessary for the big buying company to train many men to go round seeking the sellers—men who would have to be experts. It would also be necessary to bargain with each seller separately. With thousands of growers this would be a stupendous task for one Company.

If there is to be an extension of growing in Australia, the growers will have to render more assistance to the buyers, who could refuse to visit the farms and who could tell growers to submit the tobacco to them at the factories or at some central depot. The main inducement for the buyers to avoid any such drastic action appears to be the desire for tobacco of good quality. If the inducement to the buyer to purchase local leaf were made stronger, no doubt he would continue the present haphazard method of contact with the growers for some time to come, until so many growers came into the industry as to make this system of buying unworkable. It would then be the responsibility of the growers to organize on some co-operative selling basis. When more buyers come in the possibility of adopting the auction market method established in America could be considered for Australia.

89. Summed up, the Committee has come to the conclusion that although the British-Australasian Tobacco Company genuinely desires to purchase large quantities of good bright Australian tobacco, the Company is satisfied from past experience that under the conditions governing the production in Australia not more than a small percentage of manufacturing requirements is likely to be produced. This small percentage enables the Company to confine local leaf in manufacture to an easily-regulated quantity. The trouble and expense, of purchasing, together with probable heavy loss through the production at the present stage of large quantities of local leaf, a proportion of which would be inferior, are contributing factors in the Company's policy and practice. But the greatest factor appears to be the ease with which unlimited supplies can be obtained from America.

90. This brings us to the contention of the Company that the high quality of its products has had a good deal to do with the heavy increase in Australian consumption of imported tobaccos since the beginning of the present century. The contention does not, however, make due allowance for the doubling of the population within the period of the Company's operations; nor does it allow for the great increase in the smoking public, due to the addiction of women to cigarettes.

91. It has to be admitted, however, that the British-Australasian Tobacco Company's manufactures are of a very high quality, and are generally acceptable to the public. At the same time, individual taste has little or no chance to exercise its choice. No other company is manufacturing tobaccos to any extent, consequently the British-Australasian Tobacco Company's products have the market to themselves, with trifling competition. It is difficult to imagine that if competition had been considerable, the quality of the British-Australasian Tobacco Company's tobaccos would still have given the Company the same unchallenged position that it holds at the present moment.

On the question of the smoking quality of Australian tobaccos, manufactured as whole or part brands by the British-Australasian Tobacco Company it is only necessary to say that with the exception of "Waratah" which has not until lately been made available in considerable quantities, and certain composite brands, the Australian public has had a very limited opportunity of forming its opinion. The Committee is convinced that these brands are susceptible to improvement in process of manufacture; and with the steady improvement in the production of bright Australian leaf, will furnish a wholly acceptable article to the local smoking public, more particularly if the manufacturer is able to place them on the market at a much cheaper price than any of his imported products.

BONUS PAID BY COMPANY.

92. The Committee heard evidence from many growers on the subject of the voluntary bonus paid by the Company, and is satisfied that this bonus has helped to create the suspicion that the Company considers the local leaf, particularly the best qualities, is worth more than the prices usually offered, the bonus being an additional instalment on the real value. There is not much ground for suspicion as the Company in offering as much as 1s. bonus for all leaf fetching 2s. or over, is probably endeavouring to stimulate the greater production of bright mahogany. The Committee considers, however, that it would be advisable for the company to discontinue the bonus, and pay a straight-out price, offering a wide margin between the prices for inferior dark leaf and for mahogany and lemon. With only about 5 per cent. of bright lemon-coloured available, the offer of a big price, say 5s. per lb. would certainly stimulate many growers to improve their varieties of leaf, and pay more attention to their cultivation and their methods of curing. In this way a much bigger percentage of the next colour—bright mahogany—would

almost certainly be obtained. The tendency would be to rapidly reduce the quantity of poor dark leaf. The high price, namely, from 9d. to 1s. 6d. per lb. paid for this class of leaf by the Company hitherto has undoubtedly caused the growers to think that with better colours fetching only 6d. more—not allowing for the bonus—there was no great advantage in reducing the output by going in for the lighter leaf.

In reply to a question put to him by Mr. Bentley, Mr. Temple Smith stated:—

269. The growers throughout Australia are producing only enough bright leaf to enable us to put about 2½ per cent. in. Every lb. of bright leaf produced is used?—With the prices now being paid we are likely to get a much larger proportion of the bright leaf. I blame the British-Australasian Tobacco Company very largely for the quantity of dark leaf produced, as compared with the bright leaf. The prices paid for the dark leaf have encouraged the growers to produce it, as it was a better paying proposition. The dark leaf gives about twice the yield per acre. In one case a grower obtained £250 per acre for dark tobacco, whereas from bright leaf the return was less than £100. When the company guaranteed to take 600,000 lb. per year of the lower grade dark tobacco at a certain price it was an inducement to the growers to produce it.

The Committee considers that a lower price for the dark ranging from 6d. to 1s. per lb., and a much higher for bright mahogany, say 3s. to 4s. per lb., and say 5s. for lemon-coloured, offered by the manufacturer for a definite period—say the next five years—would enormously stimulate the industry and ensure the speedy elimination of all but a small and unavoidable percentage of dark, inferior tobacco.

FIXATION OF PRICES.

93. The Committee did not receive any practical suggestions in the direction of price fixation. Several witnesses favoured a valuation board, consisting of representatives of the buyers and the growers, but failed to indicate how the board was to function in the interests of the growers. In France there is a board which is called the Parity Commission, consisting of representatives of growers and the Government, with an arbitrator in the event of disagreement. The Federal Director, Mr. Slagg, dealt fully with its operations in this final appearance before the Committee as a witness. It does not appear that the French system of price regulation has resulted in great benefit to the grower, for in 1925 the average price paid by the State tobacco monopoly for leaf grown in France was 3.72d. per lb., whilst the average price paid for colonial and foreign was approximately 6.8d.

The Committee considers that, in the present state of the Australian industry, the best method of price regulation is by means of the tariff. It believes that with a larger margin of protection, the buyers will be impelled to give reasonably good prices for all the better qualities of local leaf to stimulate the production. This is evidenced by the British-Australasian Tobacco Company's action in making its voluntary bonus, after the imposition of the additional import duty in 1928 and 1929, on bright leaf, 1s. per lb. on all leaf which sold at 2s. per lb. and over. If the recommendation of the Committee is adopted regarding further protection for the local industry, the buyers will almost certainly be induced to pay still higher prices for the bright mahogany and lemon-coloured qualities.

Various witnesses complained that the absence of an arbitrator enabled the buyer to alter the grading each year, in many individual cases, so as to bring the price of the better qualities back to an average of under 2s., thus enabling the manufacturer to escape the payment of his voluntary bonus to an extent which he considered advisable in his own interest. While there is no doubt this danger is always existent, the Committee does not see how it can be avoided until there are more competitors for Australian leaf. No means appear to exist of compelling the buyer—other than through active competition—to pay prices fixed by an arbitrator or a valuation board. In France the industry is governed by a State monopoly, which renders the buying problem much more simple; and it is probable that the Parity Commission has no power to enforce the payment of prices which the Government monopoly would consider excessive.

NO RECOMMENDATION FOR A BOUNTY.

94. The Committee received very little encouragement to recommend a Federal bounty on tobacco production. Apparently, since the conference of growers held at Canberra in May, 1928, made a request by deputation to the then Prime Minister (the Rt. Hon. S. M. Bruce), for a bounty of 3d. per lb. on dark leaf, 6d. on bright mahogany and 9d. on lemon-coloured, or or as an alternative further tariff protection, feeling has changed. Only one or two witnesses expressed any favourable opinion towards a bounty, the great majority preferring the abolition of the excise with additional duty on imported tobacco. The Committee therefore makes no recommendation that a bounty should be considered as a practicable means of stimulating the production of higher qualities of leaf in Australia. The British-Australasian Company has been giving a voluntary bonus for the last three or four years, and the growers generally appear to think this additional inducement should be regarded by the purchaser as part of the real value of the leaf.

TARIFF PROTECTION.

95. The local tobacco-growing industry has never been the subject of any special policy of tariff protection, the chief motive for import and excise duties being the raising of revenue.

The following statements show the customs and excise rates imposed on tobacco, cigars and cigarettes since Federation :—

PROPOSED 1929 CUSTOMS TARIFF RATES ON TOBACCO, CIGARS AND CIGARETTES COMPARED WITH RATES LEVIED SINCE FEDERATION.

1929 Proposed Items.	1902.	1908-11.		1914.		1918.		1921.			1929 Proposed Rates		
		Preferential	General	Preferential	General	Preferential	General	British Preferential Tariff.	Intermediate Tariff.	General Tariff.	British Preferential Tariff.	Intermediate Tariff.	General Tariff.
18. Tobacco, unmanufactured per lb.	s. d. 3 3	s. d. 3 6	s. d. 3 6	s. d. 4 0	s. d. 4 0	s. d. 4 8	s. d. 4 8	s. d. 5 4	s. d. 5 4	s. d. 5 4	s. d. 6 4	s. d. 6 4	s. d. 6 4
19. Tobacco, unmanufactured, entered be locally manufactured into Tobacco or cigarettes—to be paid at the time of removal to the factory—													
(A) Unstemmed . . . per lb.	1 6	1 6	1 6	2 0	2 0	2 0	2 0	2 0	2 0	2 0	3 0	3 0	3 0
(B) Stemmed, or partly stem- med, or in strips per lb.	1 6	2 0	2 0	2 6	2 6	2 6	2 6	2 6	2 6	2 6	3 6	3 6	3 6
20. Tobacco, cut, n.e.i. . . per lb.	3 3	3 9	3 9	4 3	4 3	4 11	4 11	5 7	5 7	5 7	6 7	6 7	6 7
21. Tobacco, manufactured, n.e.i., including the weight of tags, labels and other attach- ments . . . per lb.	3 3	3 6	3 6	4 0	4 0	4 8	4 8	5 4	5 4	5 4	6 4	6 4	6 4
22. Cigarettes, including weight of cards and mouthpieces contained in inside packages; Fine Cut Tobacco, suitable for the manu- facture of Cigarettes. . . per lb.	6 0	6 6	6 6	8 6	9 0	10 6	11 0	11 6	12 0	12 0	14 0	14 0	14 0
23. Tobacco, unmanufactured, entered to be locally manufactured into Cigars—to be paid at the time of removal to factory—													
(A) Unstemmed . . . per lb.	1 6	2 6	2 6	2 6	2 6	2 6	2 6	2 6	2 6	2 6	3 2 and on	3 2 and on	3 2 after
removal to factory—													
(B) Stemmed or partly stem- med or in strips per lb.	1 6	3 0	3 0	3 0	3 0	3 0	3 0	3 0	3 0	3 0	3 8 and on 21st 1929	3 8 and on 21st December, 1929	3 8 and after
24. Cigars, including the weight of bands and ribbons . . . per lb. and 15%	6 3	7 6	7 6	9 0	10 0	10 0	11 0	11 0	12 0	13 0	18 0	18 0	18 0

EXCISE TARIFF RATES ON TOBACCO, CIGARS AND CIGARETTES.

Excise Item.	1902.	1908.	1914.	1918.	1921.	1929 Proposed Rates.
6. Tobacco—	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
(A) Tobacco, hand-made strand . . . per lb.	1 0	0 9	0 9	1 5	2 1	
(B) Tobacco, manufactured, n.e.i. made in Australia, both from imported and locally-grown leaf . . . per lb.	1 0	1 0	1 0	1 8	2 4	
(C) Tobacco, fine cut suitable for the manufacture of cigarettes . . . per lb. (This item was introduced in 1918.)	1 0	1 0	1 0	6 3	7 0	
7. Cigars—						
(A) Hand-made . . . per lb.	1 6	0 3	1 0	2 0	2 8	0 3
(B) Machine-made . . . per lb.	1 6	0 9	1 6	3 0	3 8	1 3
8. Cigarettes, including the weight of the outer portion of each cigarette—						
(A) Hand-made . . . per lb.	3 0	2 9	4 3	6 3	7 0	
(B) N.E.I. . . per lb.	3 0	3 0	4 6	6 6	7 3	

PROTECTION IN OTHER COUNTRIES

96. The protection afforded tobacco in other countries is at present as follows:—

	Import Duty Raw Leaf.	Excise Duty.	
		Pipe.	Cigarette.
	per lb. s. d.	per lb. s. d.	per lb. s. d.
United Kingdom	8 10*	Nil	Nil
Canada	1 8	0 10	8 0
United States of America ..	1 5½	0 9	4 0

* Subject to 2s. Empire preference.

REVENUE OBTAINED FROM TOBACCO.

97. Tobacco has always been one of the most important sources of revenue for the Commonwealth, the total gross amount obtained from import duty and excise being shown in the following table embracing the last five years:—

IMPORT DUTY.

Items.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29
	£	£	£	£	£
Tobacco, cut fine, for manufacturing cigarettes	4,414	4,768	4,270	3,394	2,890
Tobacco, cut, other	30,436	49,485	62,030	78,663	69,820
Tobacco, manufactured, n.e.i.	21,584	18,956	19,859	21,085	16,342
Tobacco, unmanufactured	1,884,441	1,973,458	1,976,682	2,021,753	2,020,314
Cigars	73,127	73,058	73,055	73,941	67,999
Cigarettes	208,813	305,700	417,648	539,897	598,451
Snuff	1,256	1,047	1,285	1,282	1,205

EXCISE DUTY.

Items.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29
	£	£	£	£	£
Tobacco, manufactured, n.e.i.	1,468,406	1,517,550	1,531,320	1,529,535	1,578,473
Tobacco, hand-made	51,033	42,412	33,464	32,143	28,563
Tobacco, fine cut, suitable for cigarettes	9,622	7,570	8,480	8,539	6,338
Cigars, machine-made	8,283	6,070	7,488	6,678	8,514
Cigars, hand-made	57,221	54,222	52,132	46,400	38,912
Cigarettes, machine-made	1,750,023	1,818,616	1,889,475	1,928,015	1,934,408
Cigarettes, hand-made	9,717	9,945	6,666	2,425	1,682
Snuff	10	20	..	..	..

It will be seen from the foregoing statistics that Australian-grown leaf has not, until recently, had a margin of protection against imported leaf sufficient to encourage the manufacturers to offer more than moderate prices. It is true that a profit of as much as £100 per acre is regarded as satisfactory by the majority of growers, but as offset there have to be placed seasonal adversities, heavy losses from blue mould and other pests, and the high cost of skilled white labour. Many growers claim that they average only one profitable year in three, hence for the risks encountered higher prices than those now being offered by the manufacturers for the bright leaf, which generally yields less than half the dark leaf, are demanded.

NEW TARIFF POLICY RECOMMENDED.

98. The majority of the Committee unhesitatingly recommend a radical alteration of the tariff policy in regard to imported and local unmanufactured tobacco. There appears to be no valid reason for continuing excise, at least on tobacco for pipe smoking, and this has undoubtedly had the effect of maintaining the large importations from America. It was not until the tariff alteration of 1929, when an extra shilling was added to the import duty, that the margin between the imported and local leaf was sufficient to encourage the manufacturers to

pay more attention to the growing of tobacco in Australia. Since that alteration, the British-Australian Tobacco Company has increased its voluntary bonus to provide a further stimulus to local growers to produce more of the higher classes of light leaf. The Committee believes that, while 3s. per lb. is a good margin, it is insufficient to lift the industry out of its rut of stagnation.

If the excise duty on all manufactured tobacco were abolished, there would, of course, be a tremendous loss of revenue to the Commonwealth. The Committee considers the industry is able to carry the present revenue which it is providing, with possibly a little extra if Government necessities require it. Excise duty is a revenue-producing device, and not a protective method. If the local industry were established excise could be safely levied, because the smoking public is large and constantly increasing, almost in direct ratio to the growth of population. There is little likelihood of a very heavy decline in tobacco consumption, as shown by the ever-increasing output of the manufacturers in all countries, particularly in Australia, notwithstanding that—in Australia at all events—prices have been heavily increased to the public. Manufacturing costs have increased also, but the profits of manufacturers show no sign of diminishing.

Difficulties arise in lifting the excise off Australian-grown tobacco, but the Committee considers it has suggested a practicable method. The manufacturer has to use local tobacco largely in blending; and until he is able to procure all his requirements locally he will not be able to meet a heavy demand for 100 per cent. Australian. It would be difficult to estimate the exact amount of local leaf used for differential excise purposes. The only way would be to take each year's percentage in each factory; and as this percentage varies according to the seasonal conditions, or the number of growers, there would have to be a constantly varying rate of excise duty in order to maintain a fixed amount of revenue. It would, however, be a simple matter to relieve from excise manufactures wholly Australian.

If the excise duty of 2s. 4d. per lb. on pipe tobacco were lifted and transferred over to the import duty, the protection would be increased from 3s. to 5s. 4d. on the present basis of importations. This would involve a loss of revenue on Australian-grown tobacco. The Committee finds that last year this revenue amounted to approximately £120,000; and as the amount of local leaf used shows very little fluctuation year after year—the amount varying only by a few hundred thousand pounds weight—the figure for last year would be fairly reliable.

There is a very effective answer to the contention that if the excise were to be added to the import duty, the public would be unfairly burdened. The locally-grown leaf would have to be placed on the market at a lower price than the imported; consequently that section of the public which declined to pay the price for imported tobacco would have an opportunity of purchasing the local article which should be cheaper.

There is the aspect of future loss of revenue through decreased importations as local production expands. This difficulty could be met by the re-imposition of excise duty upon all manufactured tobacco in proportion to the loss on importations. The Committee does not think the local production would be materially increased for at least twelve months, and perhaps two years, during which time there would not be much reduction in importations. Year by year, as the loss of revenue from the import duty increased, the excise duty could be strengthened, so as to preserve a reasonable balance.

The Committee considers, however, that the local industry should be guaranteed immunity from excise duty for a definite period—say three years—during which time the effect of the protective policy could be gauged with some degree of accuracy. If the industry showed no satisfactory progress, the policy of tariff protection could be re-adjusted.

The Committee is satisfied that until this policy of effective protection is adopted over a reasonable period, many of the problems which have exercised the various interests controlling the industry for the last thirty years will never be definitely settled.

COMPARATIVE COST OF LOCAL AND IMPORTED BRIGHT LEAF.

99. The Australian leaf has received the benefit of the import duty to the extent that the British-Australasian Tobacco Company has been enabled to pay up to 3s. per lb. for bright leaf, thus bringing the total cost of local tobacco up to that of the imported. This is borne out by the evidence of Mr. Bentley, showing that the total cost of one pound of American bright leaf ready for manufacture is 63.45d., and the total cost of one pound of Australian bright leaf ready for manufacture is 63.57d. This reveals a difference at this stage at which both tobaccos are ready for manufacture of one-eighth of a penny per pound in favour of American leaf.

The comparison made by the Company is based on an average price of 36.93d. per lb. being paid for Australian bright leaf; but it must be pointed out that in another statement submitted by the Company the percentages of lemon and bright mahogany purchased by it for the four years 1926 to 1929, were as follows:—12.67, 16.71, 10.51, 19.92, and the average

prices per pound were 2s.3.95d., 2s.7.74d., 2s.7.47d. and 3s.0.93d. respectively. It will be seen therefore that only a comparatively small percentage of Australian leaf is purchased as lemon and bright mahogany, and 1929 is the only year of the last four years that the average price of 3s. per pound has been paid for this. It is desired by all parties that an increased percentage of bright leaf should be produced in Australia. The Committee considers that increased tariff protection, which should enable the buyers to pay a higher price for this bright leaf, will tend to bring about the desired result much more rapidly than will the present inadequate margin of protection.

EFFECT OF TARIFF PROTECTION IN OTHER COUNTRIES.

100. A direct and phenomenal increase in production resulted in Rhodesia, Nyasaland, Canada and Cyprus as a result of tariff protection. The Committee hopes that further tariff protection in any of the forms recommended will bring about increased production of the higher qualities of Australian leaf in the same definite degree as in the countries mentioned.

In this connexion the following extract from the Ninth Report of the Imperial Economic Committee on Tobacco, is of interest as indicative of what has been accomplished by means of protection :—

A preference on Empire tobacco was accorded in September, 1919, by the grant of a rebate on one-sixth of the full rate of import duty.

In 1925, the rebate was increased by 50 per cent. to one-quarter of the full rate, or to 2s. $\frac{5}{8}$ d. a lb., and by the Finance Act of the following year the preference was stabilized at this figure for ten years from 1st July, 1926. This preference represents more than the value of the leaf itself in recent years. In Canada, where the local market for leaf has expanded slowly, and the import of the leaf from America has increased, the growth in production is the result of the grant of preference. In some of the newer countries on the other hand, notably Rhodesia and Nyasaland, it is obvious that the effect of preference on production has been direct and phenomenal. The following table shows the increase in production, subsequent to the introduction of preference in those countries of the Empire in which there has been special development :—

	Production in thousands of lbs. from crop sown in—		Increase in thousands of lbs.	Crop of 1926 as compared with that of 1918.
	1918.	1926.		
Southern Rhodesia	620	19,175	18,555	30 times
Northern Rhodesia	445	2,071	1,626	4 $\frac{1}{2}$ "
Nyasaland	2,594	10,978	8,384	4 $\frac{1}{4}$ "
Canada	14,232	28,824	14,591	Twice

In Cyprus production has multiplied twenty-three times in the last six years, from 137,000 lbs. in 1921 to 3,584,000 lbs. (estimated) in 1927.

ALTERNATIVE TARIFF RECOMMENDATIONS.

101. The Committee makes the following alternative recommendations regarding further tariff protection for the Australian tobacco-growing industry :—

No. 1—Abolition of the excise duty now existing, viz., 2s. 4d. per lb. on tobacco manufactured from imported and domestic leaf used other than in cigarettes and cigars; leaving the excise duty of 7s. 3d. per lb. on machine-made and 7s. on hand-made cigarettes as at present. No excise duty to be imposed for the present upon machine-made and hand-made cigarettes from leaf produced in Australia, including Turkish or other leaf grown in Australia for blending purposes; the loss of excise revenue to be made good by extra import duty upon unmanufactured and manufactured tobacco.

No. 2—Excise duty on cigarettes, cigars and other manufactured tobaccos to be left as at present, and import duty on unmanufactured and manufactured tobacco to be increased so that no loss of revenue will be involved.

No. 3—Abolition of the excise duty on tobacco, cigars and cigarettes manufactured in Australia; the loss of excise revenue to be made good by a proper adjustment of import duties on all tobaccos, manufactured and unmanufactured.

EFFECTS OF PROPOSALS.

102. The effect of the first proposal would be to maintain the existing excise duty, yielding over £2,000,000 a year in revenue, on cigarettes which are manufactured from imported leaf. The impost plus the import ~~on~~ unmanufactured leaf of 3s. per lb. now totals 10s. 3d. per lb. *duty* If no excise were collected on cigarettes manufactured from all-Australian tobacco, there would be a big inducement to manufacturers to experiment with local leaf for cigarettes. Up to the present there has been no move in this direction, consequently there has been no special inducement offered growers to produce types of leaf especially suitable for cigarette smoking.

With such a margin of protection, manufacturers could offer very attractive prices to growers for light lemon-coloured leaf of the kind considered to be necessary for cigarettes. There would be the difficulty that manufacturers would not be able to blend with imported leaf; but as Turkish tobacco is being grown in the Ovens district of Victoria—and is being used for blending—it is probable that a cigarette 100 per cent. Australian with suitable blending could be manufactured. This part of the tobacco trade is now the most important, and the market appears to be rapidly expanding, due to the great increase in smoking by women. The local manufacturer, therefore, would probably make a strong effort to avail himself of the protection afforded him under this particular proposal.

The abolition of the excise duty of 2s. 4d. per lb. on manufactured tobacco, including local leaf, would result in a loss of revenue estimated at about £1,600,000. It would be necessary to make up this loss by additional import duty. The Committee does not consider there are any difficulties in this direction. The result would be to exempt Australian-grown tobacco from excise, thus increasing the measure of protection by much more than the present 3s. which, as already shown, is not considered to be adequate on the figures relating to preparation for manufacture supplied by the British-Australasian Tobacco Company, and on the average prices paid by the buyers for the higher qualities of leaf in the last few years. There is little doubt that this alteration in the tariff would eliminate any complaint of the growers in regard to the protection afforded them against foreign competition.

The effect of the second proposal would be to further increase the margin of protection without any reduction of excise. It would also result in additional revenue to the Commonwealth Government. One effect, however, would almost certainly be to increase the cost of imported tobaccos to the public. If this method were adopted, the increase would have to be substantial to satisfy the growers.

The effect of the third proposal would be to give a very wide margin of protection to Australian leaf used both in cigarette and pipe tobaccos, while at the same time safeguarding the revenue, notwithstanding the abolition of the excise duty on all manufactured tobaccos, cigarettes and cigars. In view of the fact that the excise duty of 7s. 3d. and 7s. per lb. on cigarettes and 2s. 4d. on other manufactured tobaccos would not have to be paid, there would not be any extra burden upon the consumers, unless the duty were fixed at a figure much above the present combined excise and import duties. One advantage of this method would be that manufacturers could use as much or as little Australian-grown leaf in their manufactured commodities, particularly cigarettes, as they desired.

The Committee considers that either of the last two proposals could be carried out in a simple and effective manner; but is satisfied that the first or third proposal would provide a greater measure of effective protection for Australian growers.

The Committee recommends that one of the three proposals above-outlined should be immediately adopted by the Commonwealth Government: the Committee itself having preference for the third proposal.

CONCLUSION.

103. The enactment of the recommendations in this report will, the Committee feels confident, not only provide considerable additional increased revenue for the Government, but will establish tobacco-growing on a firm basis making it an industry which in time will add considerably to land settlement and provide a greater and more prosperous industry to the Commonwealth. In the United States of America, there are 460,000 tobacco-growers. In this country there should be at least 10,000 white growers, the majority of whom should be capable of producing an ever-increasing proportion of high grade bright leaf entirely suitable to the manufacturers and wholly acceptable to the smokers of Australia.

by *[handwritten signature]* 104. The Committee places on record its appreciation of the work done during the inquiry by the Clerk of Committees, Mr. S. F. Chubb, who displayed the utmost zeal and capability as its official secretary, and who organized the sittings and the presentation of evidence in a highly efficient manner.

SUMMARY OF RECOMMENDATIONS.

105. The following is a summary of the Select Committee's principal recommendations:—

- No. 1.—That no bounty be paid by the Federal Government on Australian-grown leaf;
- No. 2.—That further protection be imposed by an alteration of the import and excise duties by the adoption of one of the three alternative proposals submitted by the Committee; preferably by the abolition of the excise on leaf used in manufacture in Australia, and the addition of an amount equivalent to the excise so abolished to the import duty on all classes of tobacco entering Australia.

- No. 3.—That the Federal investigation work hitherto carried out with financial assistance from the British-Australasian Tobacco Company Pty. Ltd., should be carried on by a Federal Tobacco Department, presided over by a Federal Director, who should be responsible only to a Minister, and who should be in charge of all research and experimental work, and all matters relating to the welfare of the tobacco growers. The British-Australasian Tobacco Co. Pty. Ltd., and any other manufacturing interests should be given every opportunity to make special monetary contributions to the funds used by the Department in research and experimental work.
- No. 4.—That to assist the Director and give the growers a voice in the control of the industry, an Advisory Council be formed, consisting of two growers' representatives from each tobacco-producing State, the Directors of Agriculture in each tobacco-producing State to be *ex officio* members; the Federal Director to be Chairman of the Council, which should hold meetings at Canberra at least twice every year; the Council to report in writing to the Minister after each meeting.
- No. 5.—That the present Director, Mr. C. M. Slagg, should be appointed as Federal Director on a permanent basis, subject to salary and other conditions to be fixed by the Minister.
- No. 6.—That the head-quarters of the Federal Tobacco Department be established at Canberra.


V. C. THOMPSON,

Chairman.

House of Representatives,
Canberra, 30th June, 1930.