year has made it extremely improbable that anything but a very heavy loss can result when the venture is liquidated by the sale of the stock.

I note that a deputation of persons interested in the disposal of New Zealand wool urged that not more than one bale of old wool should be sold in the English market against two bales of new-clip wool. You are aware that we are not selling any old wool in New Zealand, and that it is reckoned that about half the New Zealand wool is sold in the Dominion. If the proposal to which you refer were accepted, we should therefore sell one bale of old wool against five bales of new wool. It is to be feared that if this method were adopted the sale of our present stocks might take eight to ten years, and long before that period came to an end the remainder of our stocks would be so much out of condition that they would probably have no value at all. We could not possibly justify to Parliament throwing away national property in that manner. We should have to explain to Parliament that we had already lost many millions sterling through having purchased the last two clips of New Zealand wool at what has turned out to be very much above its true value. We should be unable to defend an increase to such a grievous loss by holding back our stock while it was rapidly deteriorating in value.

We incurred considerable criticism last year through the efforts we made to please your Government by putting high reserve prices on our wool and thus attempting to withstand the fall in the market. Our efforts were unsuccessful, and we apparently did not even receive any appreciation of this sacrifice from your growers.

We cannot ask the Treasury to depart from the present arrangement, whereby, taking New Zealand and England together, one bale of old wool is put up against two bales of new wool. Even this involves slow liquidation, and we could not think of going further.

I note that you do not remember having seen an approximate estimate of the final result. Sir Arthur Goldfinch informs me that he handed such an estimate to Sir James Allen a few months ago, and that the main figures were telegraphed by the High Commissioner to you. I am also told by Sir James Cooper that he showed you the latest estimate when he had the pleasure of an interview with you at the Savoy Hotel. I enclose a copy of this estimate, which, of course, like all estimates of this nature, must be dependent for its accuracy upon how far the sale of the wool now in stock approximates to the figure at which it has been valued in our calculations. You will note that if your *extreme contention were accepted* and the British Government bore the whole loss on clips 3 and 4, and New Zealand received one-half share of the profit on the first and second clips, New Zealand would receive a further sum of about £900,000, making the total profits paid to your sheep-farmers about two and a half million pounds, while the net loss to the British Government would be seven and a half million pounds on the profit-sharing wools, plus about one million pounds on the non-profit-sharing wools.

It is impossible on the facts as stated above to accept such a contention when your sheep-farmers have already been overpaid to the extent of £1,600,000.

Yours, &c.,
HOWARD FRANK.

The Right Hon. W. F. Massey,
New Zealand Prime Minister's Office, Hotel Cecil, Strand, W.C. 2.

[Enclosure.]

NEW ZEALAND WOOL.

Rough Approximation of Division of Profits into Clips (after Deduction of Profit or Loss on Non-profit-sharing Wool) at 31st December, 1920.

The value of stocks on the 31st March, 1920, was written down by 35 per cent. of the cost plus charges. The part of those stocks still on hand at the 31st December, 1920, is now written down by a further 35 per cent. of cost plus charges. Wool arriving between the 31st March, 1920, and the 31st December, 1920, is written down by 70 per cent. of cost plus charges. Account has also been taken of allowances, and any outstanding liabilities so far as can be foreseen.

—	1917–18. Profit shared, £1,254,850.		1918–19. Profit shared, £1,938,652.		1919–20. Net Loss, £1,210,234.	Nine Months to 31st December, 1920. Net Loss, £6,900,000 (Approx.).	Total Profit or Loss as at 31st December, 1920.
	British Government.	New Zealand.	British Government.	New Zealand.	Total Approximate Profit and Loss.	Total Approximate Loss.	
	£	£	£	£	£	£	£
No. 1 clip ..	603,297	603,297	285,874	285,874	280,000	2,000	2,056,343
No. 2 clip ..	24,128	24,128	613,398	613,398	1,980,000	260,000	2,995,052
Nos. 3 and 4 clips	..	..	47,736	92,371	3,470,234	6,638,000	9,968,127

Accepting the above figures, the relative results would be as follows:—

(*a*.) If New Zealand's interpretation was accepted and the British Government paid them half-share of profit on 1 and 2 clips and accepted the whole of the loss on 3 and 4 clips, New Zealand would receive a further sum of £906,628, making, with the sum of £1,619,069 already paid, £2,525,697, and the British Government would have a loss of £9,016,862, less £1,574,433 already paid to the Treasury—a net loss of £7,442,429.