

- (b.) If the cable of the 3rd July, 1920, be adhered to—viz., that final dividend be based on ascertained profit over whole of clips purchased—New Zealand would have to refund the British Government £1,619,069, and the British Government would be left with a net loss of £4,916,732.
- (c.) If compromise be agreed to—viz., that New Zealand accept as final the payment already made, New Zealand would have received £1,619,069, and the British Government would have a loss of £8,110,234, less £1,574,433 already paid to the Treasury : net loss, £6,535,801.

NOTE.—The British Government will have in addition to bear the net loss on non-profit-sharing wools, which will probably be over £1,000,000.

Letter from Sir HOWARD FRANK to the Right Hon. the PRIME MINISTER OF NEW ZEALAND.

DEAR MR. MASSEY,—

Caxton House West, Westminster, 29th July, 1921.

In confirmation of the interview which I had with you to-day, I write to say that if in the future the price of New Zealand wool should so improve as to enable us eventually to make a profit on the whole transaction, that profit will be shared with New Zealand in accordance with the arrangement originally made and as subsequently modified by Lord Inverforth in his correspondence with you in August, 1918. The Government is not, however, prepared to consider further claims from New Zealand on account of profits except as mentioned above.

The Government has, as I explained, carried out to the letter all that it agreed to, and New Zealand should consider herself fortunate in having been paid the £1,600,000 to which she was not really entitled.

The Government will, as it always intended to, bear the total loss upon the purchases of New Zealand wool as a whole.

Sir James Cooper has prepared a statement showing the classes of New Zealand wool held by this Department at the 30th June last, and the quantities of each quality, and where the same are at present stored, copy of which I enclose. I also attach particulars of the New Zealand wool sold by this Department at public auctions in the United Kingdom, commencing from April, 1920. This will give you the number of bales, the net weight of wool sold, the amount realized for the same, and the average price per pound obtained at each sale.

You will observe that since I showed you these figures to-day I have had the corresponding figures added for the month of June, and you will notice that it was not until December, 1920, that we were selling New Zealand wool at less than it cost us, and the selling-price to-day is only approximately half the December price.

With reference to future sales, it is obvious, for the reasons I explained, that the Government cannot indefinitely hold up its stocks of New Zealand wool.

In regard to your suggestion that a representative should be appointed in this country to watch the interests of New Zealand growers, we should only be too pleased to fall in with this arrangement, and we should welcome the co-operation of a representative of the growers to keep in touch with us in regard to our future selling arrangements.

No doubt you will kindly let me hear from you in due course with definite proposals in this respect.

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 SOLD AT PUBLIC AUCTION IN THE UNITED KINGDOM.

Series.	Bales.	Net Weight.	Amount realized.	Average Pence per Pound.
1920.		lb.	£ s. d.	d.
April—L 21 to L 24	17,385	5,832,971	725,279 1 3	29·84
April/May—M 1 to M 35 ..	41,916	13,986,929	1,723,777 10 6	29·57
May/June—N 1 to N 24 ..	10,768	3,521,580	402,423 17 4	27·42
July 6/August 18—O 1 to O 21 ..	8,889	2,859,037	313,459 2 2	26·31
August/September—P 1 to P 20 ..	14,702	4,959,695	501,010 7 0	24·24
September/October—Q 1 to Q 19	6,517	2,053,801	210,593 17 9	24·61
November—R 1 to R 18 ..	9,025	2,822,899	221,460 7 11	18·82
December—S 1 to S 14 ..	2,894	961,681	64,371 16 4	16·06
1921.				
January—T 1 to T 18	9,903	3,322,019	158,965 17 1	11·48
February/March—U 1 to U 15 ..	8,321	2,691,891	111,489 4 11	9·94
May—W 1 to W 10	6,469	2,198,862	79,523 13 5	8·68
June—X 1 to X 12	12,584	4,345,007	152,311 11 8	8·41*

* 8·92d. in London, 7·35d. in Liverpool.

NOTE.—We have not yet got the figures for the London auctions for July, which ended on the 28th, but a small quantity was sold by auction at Hull on the 8th July—i.e., 63 bales = 22,351 lb.—for £503 6s. 1d., being an average of 5·4d. per pound.