

Telegram from the Right Hon. the PRIME MINISTER OF NEW ZEALAND, Wellington, to the HIGH COMMISSIONER for NEW ZEALAND, London.

15th November, 1920.

WITH reference to your cable of 10th November regarding profits on wool, it is necessary to emphasize that arrangements for the purchase of New Zealand clips have been under separate contracts, and New Zealand producers will be entitled to any profits made on early clips without deduction for possible loss on later clips. I shall be glad if you will strongly impress my views on Imperial authorities as above.

Telegram from the HIGH COMMISSIONER FOR NEW ZEALAND, London, to the Right Hon. the PRIME MINISTER OF NEW ZEALAND, Wellington.

9th December, 1920.

WITH reference to your telegram of the 16th November, wool-profits, I at once represented your views to the Ministry of Munitions, who in reply states that three successive arrangements were entered into with the Government of New Zealand—first covering clip up to 30th June, 1917; second, clip up to 30th June, 1918; third, clips up to 30th June, 1920. Dirawmat surprised you appear to expect each successive transaction liquidated separately. Ministry's accounts for period ending 31st March, 1918 and 1919, have for a long time been in possession of Impsupply, and no comment hitherto has been made on the fundamental point that all the wool has been accounted for indiscriminately without regard to division of clips. To meet possibility of question arising where stations changed hands during period of control, question was discussed with Australia, and it was decided definitely that it was impracticable to render account for each clip separately, and that dividends distributed among individual growers should be on percentage rate calculated on appraisement value their wool without regard to date of delivery. To put matter beyond dispute with regard to New Zealand, Colonial Office cabled Governor-General, 3rd July, referring to Australian consultation, and detailing conditions under which Imperial Government prepared to pay interim dividends to both dominions. These conditions accepted by Government of New Zealand, 13th July, and in distributing dividend already paid discrimination various clips has not been possible.

CORRESPONDENCE DURING YEAR 1921.

Telegram from His Excellency the GOVERNOR-GENERAL OF NEW ZEALAND to SECRETARY OF STATE FOR THE COLONIES.

8th January, 1921.

NEGOTIATIONS between the Imperial Government and Australia concerning wool: With reference to your cipher telegram of 4th January, the Prime Minister requests me to inform you that the Government of New Zealand does not concur in the interpretation which the telegram above quoted seems to place upon the agreements relating to New Zealand wool arrived at between the New Zealand Government and His Majesty's Government. It is clear that there were three successive arrangements with the Government of New Zealand, the first covering the clip up to 30th June, 1917, the second covering the clip to 30th June, 1918, and the third covering all subsequent clips up to twelve months after the cessation of hostilities, which now means 30th June, 1920. There is no misunderstanding on this point, as is clear from the communications between the New Zealand High Commissioner and the Director of Raw Materials in December last. The agreement as to clips after the clip of 30th June, 1918, arrived at in August, 1918, between the Prime Minister and the Director in London, contains specific provisions for those subsequent clips—namely, that the profits per pound to be paid to New Zealand should be calculated on the basis of profits realized on the Australian purchase and should not be less. Therefore the arrangement as to all clips subsequent to June, 1918, contained a term wholly differing from the antecedent arrangements, which were confined to percentage of the actual profit realized on the two previous clips. It is fully conceded by the Government of New Zealand that the agreement constituted by your telegram to the Governor-General of New Zealand of 3rd July, 1920, and the reply of the Administrator of the New Zealand Government, dated 13th July, 1920, is binding upon the New Zealand Government, and according to its tenor modifies and controls the previous arrangements. The apparent difference between His Majesty's Government and the Government of New Zealand arises upon the interpretation of the two cablegrams last referred to. The Government of New Zealand did not and could not understand the telegram of 3rd July as a request for their concurrence in combining the two clips ending June, 1917 and 1918 respectively, with regard to which a simple percentage of profits has been agreed upon in one mass with the clips subsequent to June, 1918, in respect of which special definite and separate terms of an entirely different nature had been arrived at. The New Zealand Government understood the telegram of 3rd July to mean that with regard to *all* clips *after* June, 1918, there should be no differentiation between clips, and that the basis of divisible profit, if any, should be arrived at upon the whole output of the years subsequent to June, 1918, without differentiation of clips. But the Government of New Zealand never anticipated nor understood that such a confusion as must necessarily arise if the exactly ascertained or ascertainable profits of the two previous years were mixed with the hypothetical profits or deficiency on clips of the subsequent years was suggested, and therefore the New Zealand Government understood the proposal to them to be that the two clips ending June, 1917, and June, 1918, should be dealt with and accounted for separately, and that the profit on all subsequent clips should be arrived at without reference to the year of clip or possible difference of ownership of the several clips. The Government of New Zealand, having again