

carefully considered the two telegrams of 3rd July and 13th July, can see no grounds for contention that the telegram of 3rd July is reasonably capable of an interpretation other than that which they then placed upon it, and upon which they have acted and to which they still adhere. The New Zealand Government had then and has still to consider not only the arrangements which would be most convenient to the two Governments, but also the fact that they had made different arrangements on behalf of the owners of the wool of the first two clips, and they could not have agreed to disregard the accrued profits to the owners of the wool of the first two clips and throw those profits into an account leading to ultimate extinction without the consent of the owners of the clips who were entitled to the profits. The Prime Minister considers that this must be manifest to the Imperial Government, and therefore that it will understand that the Dominion Government cannot accept an interpretation of the arrangement expressed in the telegrams referred to other than that upon which they acted and have since assumed to be the intention.

Secondly, and separately, the Dominion Government is prepared to favourably consider the request of His Majesty's Government that wool of the clips subsequent to June, 1918, should be dealt with under the control of the proposed association, if it can be conveniently arranged that New Zealand shall be adequately represented in that control, though, for the reasons above stated, they cannot agree to wool of the clips of June, 1917 and 1918 respectively, being so dealt with, or in any manner confused with the wool of the subsequent clips. Australian wool generally differs so largely in quality and description from New Zealand wool that it is hardly possible for Australian control alone to determine conditions for both countries.

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

11th January, 1921.

WITH reference to your cable of 9th December, profits on wool: I cabled on 8th January to Secretary of State for the Colonies stating fully my views on this matter, and I shall be glad if you will obtain copy of the communication.

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

24th January, 1921.

WITH reference to your telegram of 12th January, wool profits: Have heard from Director of Raw Materials with reference to your message through Governor-General to Colonial Office, 8th January, and am arranging personal interview for this week, when whole position will be fully discussed. Will telegraph further as soon as possible.

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

24th March, 1921.

Wool profits: Have received from Goldfinch estimated results final liquidation of New Zealand wools under each of three alternative methods of settlement. Stocks of No. 1 and No. 2 clip wools on hand about 75,000 bales, which nominally valued at £5 per bale. Stock consists of sediment those clips, so that this value probably too sanguine. Moreover, Ministry are fighting very serious claims for damage, &c., on 100,000 bales, on which allowance might have to be made. Subject to these reservations, under first method, and accepting your interpretation, it is estimated that further sum due to New Zealand as half-share profits first two clips will be £685,000, leaving Imperial Government bear loss on last two clips about £5,400,000. Under second method, if telegrams of 3rd July last adhered to, New Zealand will have to refund £1,600,000 already paid, and Imperial Government's net loss will be over £3,000,000. Under third method, if compromise agreed to, New Zealand would retain £1,600,000 already paid, and Imperial Government's net loss would be about £4,750,000. In the last two estimates remaining stocks third and fourth clips valued at 60 per cent. below cost, but even at that figure stock could scarcely be disposed of to-day. Goldfinch expresses hope that, seeing how heavy Imperial Government's loss must necessarily be, and how small a sum would be due to New Zealand even if your extreme interpretation accepted, you will be able without much difficulty to agree to compromise.

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Letter from the Right Hon. the PRIME MINISTER OF NEW ZEALAND to LORD INVERFORTH.

DEAR LORD INVERFORTH,—

Hotel Cecil, Strand, London, 6th June, 1921.

With reference to our conversation of last Wednesday regarding the difficulty that has arisen in connection with the further distribution of wool profits due to New Zealand wool-growers, may I briefly set out the position from the Dominion's point of view:—

1. I quote the following extracts from a telegram the Secretary of State for the Colonies sent to the Governor-General of New Zealand, dated 3rd July, 1920, which stated, *inter alia*:—

(a.) "Up to beginning of May last (1920) amount of credit of the Wool Accounts insufficient to pay interest due to Treasury."