(*b.*) " Accounts just completed for the year ended 31st March, 1919, show that New Zealand's share of profits for that year £991,644, which added to sum accruing up to 31st March, 1918—*vide* accounts forwarded in my despatch (secret) of 25th March—make a total of £1,619,069, which His Majesty's Government now prepared to pay Government of New Zealand, provided that dividend thus distributed shall be regarded as interim dividend and final dividends shall be based on ascertained profits over whole of clips purchased."

(*c.*) " In computing New Zealand's share of profits on wool shorn after 30th June, 1918, effect will be given to arrangement made between Minister of Munitions and your Prime Minister—viz., that for wool shorn during that period a share of profit actually realized should be paid to New Zealand, calculated at same rate per pound of wool delivered as is paid to Commonwealth Government for wool delivered during same period, always provided that in no case can bonus paid to New Zealand exceed 100 per cent. of the profit actually realized on two last clips of New Zealand."

2. A subsequent telegram from Lord Milner, dated 4th January, 1921, to the Governor-General of New Zealand, says, *inter alia:* " Undistributed profits on New Zealand wool estimated at a little under £8,000,000 before writing down stocks, but loss on present stocks estimated to cost approximately £22,000,000 will, it is feared, substantially exceed undistributed profits on wool since 31st March, 1919."

3. The important points in the telegrams quoted above are quite clear with the exception of the inconsistency of the two paragraphs in the same telegram, in regard to which I cannot suggest an explanation. The New Zealand producers were induced to agree to the proposals contained in the cable of July, 1920, by the promises that the payment of £1,619,069 would be made forthwith and that other dividends would be forthcoming later; also that effect would be given to the arrangement with regard to the New Zealand profits being calculated on the same price as that for which New Zealand wool was sold. The effect of this would be, in cases of a division of profits at present, that practically the whole of the profits in hand would come to New Zealand. I am not asking for this, but I do think that in equity the New Zealand wool-grower is entitled to a substantial share of the undistributed profits.

4. I need hardly say that the New Zealand sheep-farmers are very dissatisfied with the turn matters have taken in this connection. Most of them have lost heavily by the recent drop in prices; they played the game during and after the war. As an instance, the wool-growers in New Zealand have handed over to trustees nearly £200,000 towards the establishment of a home for sailors, or those in any way dependent upon them, of the Royal Navy and Mercantile Marine who are in need of relief as the result of wounds or injuries sustained or illness contracted whilst engaged in service during the war.

I shall be glad, therefore, of your kindly co-operation in assisting towards a satisfactory settlement.

Yours, &c.,
W. F. MASSEY.

The Right Hon. Lord Inverforth, Arnos Grove, Southgate, Middlesex.

Extract from the *Daily Telegraph* of 10th June, 1921.

NEW ZEALAND WOOL: MR. MASSEY'S STATEMENT.

THE position of affairs in regard to the purchase of New Zealand wool by the British Government was explained yesterday by the Right Hon. W. F. Massey, Prime Minister of New Zealand, in an interview with a representative of the *Daily Telegraph*. Mr. Massey said at the outset that the paragraph contributed by a correspondent which appeared in the *Daily Telegraph* on Tuesday under the heading " Government Wool Deal—£15,000,000 in Dispute," was very far from correct.

The purchase (Mr. Massey continued), in the first instance, was made at the same time and in the same way that the Australian wool purchase was made. The Imperial Government wanted the wool, and both the Commonwealth and Dominion Governments sold at what was considered a fair price, though a price not equal to the value which free wool was fetching in the open market. Consideration, however, was given to the fact that most of the wool was wanted for Army purposes, and that the necessary shipping to carry it was being provided by the purchasers. The arrangement was that wool used for Army purposes should stand at the price for which it was purchased, but if wool was used for civilian purposes, and realized a profit when sold, then half the profit went to the country where the wool was produced—that is, to the producers.

That the wool was sold well within its value was proved by the fact that until recently every time New Zealand wool was placed on the open market it realized considerably more than was paid for it by the authorities in the United Kingdom. The arrangement worked very well until July of last year, when a telegram was received by the New Zealand Government indicating that there was approximately a million and a half sterling of profits belonging to the New Zealand sheep-farmers (which the Department here was prepared to hand over), and stating explicitly that further dividends would be forthcoming. In a telegram from the Secretary of State for the Colonies it was stated that the dividend thus distributed was to be " regarded as an interim dividend, and final dividends shall be based on ascertained profits over the whole of the clips purchased." The wool-growers in the Dominion were asking for their money, and the New Zealand Government agreed to the suggestion from here. On the 4th January, 1921, a telegram was received from the Secretary of State for the Colonies, of which the following is an extract: " Undistributed profits on New Zealand wool estimated at a little under £8,000,000 before writing down stocks, but loss on present stocks estimated to cost