

the colonial Governments concerned. It is, of course, understood that any loss will fall upon the Imperial Government."

This was the basis upon which we have been working, though it may be necessary to call your attention to the alterations made in 1918 with regard to the prices of New Zealand wool on which the profit was intended to be regulated not being less than Australian wool. I call attention particularly to the last sentence of Sir Reginald Brade's letter, although I know well enough it may possibly be said that it does not bear the interpretation placed upon it in New Zealand.

The intention at the time was perfectly clear: the New Zealand wool for military purpose had been sold below its real market value, and it was thought to be a fair arrangement that in the event of wool for civilian purposes being sold at a profit the producers should share in the profit, but that if a loss was made the Imperial Government should bear the loss. This was the underlying idea, and I am of opinion that the interpretation should be in keeping with the paragraph I have quoted above.

I must admit that I am disappointed over what has taken place. It is the first detail in respect of the whole arrangement made between the two Governments where I have not been able to defend the actions of the Imperial Government or their agents to my people in New Zealand.

On Saturday last I was waited upon by a strong deputation of persons interested in the disposal of New Zealand wool, and I promised to put their views before you.

They expressed the opinion that in disposing of the wool on the English market there should not be more than one bale of old wool against two bales of new clipped wool, and they pointed out that this would help very materially towards a better price being obtained for the new wool. I agree with their views.

You ask me whether I am acting on behalf of sheep-farmers who delivered wool sold before the 31st March, 1918, or am making a claim on behalf of the whole body of New Zealand sheep-farmers? My answer is that I am acting on behalf of the whole body of New Zealand sheep-farmers in proportion to the amount of wool they delivered to the Imperial Government.

Just one more point: I desire to call your attention to the following paragraph in the much-discussed telegram of the 3rd July, 1920, where it is said, through the Secretary of State for the Colonies, in reference to the payment of £1,619,069, that "the dividend thus distributed shall be regarded as an interim dividend, and final *dividends* shall be based on ascertained profits for the whole of the clips purchased." This seems to me to be altogether contrary to the idea which was afterwards circulated, and which your Department still holds, that the wool remaining after the 3rd July, 1920, should be pooled, and payment made accordingly.

I am pleased to note that the wool-market is still firm, and I believe that, with careful handling, the New Zealand wool in stock may be disposed of at a price which will leave a considerable profit to the producer, as was originally intended.

Yours &c.,

W. F. MASSEY.

Sir Howard Frank, K.B.E.,

Liquidation and Disposal Commission, Caxton House West, Westminster, S.W. 1.

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

DEAR MR. MASSEY,—

Caxton House West, Westminster, S.W. 1, 30th June, 1921.

I am in receipt of your letter of the 27th instant, and am sorry that apparently we are unable, at present, to arrive at a solution of our differences.

With regard to the quotation from Sir Reginald Brade's letter of the 6th November, 1916, we stand by every word of it, and the arrangements we have proposed are strictly in accordance with that letter, and with all other subsequent communications. It was stated therein that if there was a profit on wool sold for civilian purposes it would be shared equally between the Imperial Government and the Colonial Government concerned, and that if there was a loss it would fall upon the Imperial Government. Unfortunately, in the case of New Zealand wool, unless some miracle happens there will be a very heavy loss upon the total realization, and it is not proposed that the New Zealand Government or the sheep-farmers should bear any part of that loss. On the contrary, we have increased the loss falling upon the Imperial Government by paying £1,600,000 on account of profits which unfortunately will never be realized.

Your argument presumably is that the clips must be taken separately, and that the two earlier clips will probably show a net profit after the last bale is sold. This is true; but our answer, as you know, is that each contract was an extension of the preceding one, and that by joint accord no discrimination was made between one clip and another. This is confirmed by your letter under reply, in which you say that your claim is not on behalf of the sheep-farmers who delivered wool sold before the 31st March, 1918, but on behalf of the whole body of New Zealand sheep-farmers in proportion to the amount of wool they delivered to the Imperial Government. This is in agreement with our understanding of the matter throughout—viz., that in New Zealand you acted as we did here—that is, rolled all the four clips into one for accountancy purposes, without discrimination between one clip and another. This is the clear meaning of the paragraph in the telegram of the 3rd July, 1920, which you quote. I am altogether unable to understand how you consider that the sentence quoted is contrary to our proposal to treat the ascertained profits on the New Zealand venture as the actual profits, if any, on all the four clips, when the last bale is sold. Unfortunately, the change in the market since the middle of last